IMPORTANT NOTICE

THIS OFFERING MEMORANDUM AND THE OFFERING ARE AVAILABLE ONLY TO INVESTORS WHO ARE (1) QUALIFIED INSTITUTIONAL BUYERS (*QIBS*) AS DEFINED IN RULE 144A IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933 AS AMENDED (*THE SECURITIES ACT*) PROVIDED BY RULE 144A THEREUNDER OR (2) NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, NOT RETAIL INVESTORS (AS DEFINED BELOW).

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering memorandum following this notice. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OR SOLICITATION OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

YOU ARE NOT AUTHORIZED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE TERMS OF THE ISSUE OF THE NOTES DESCRIBED IN THE ATTACHED OFFERING MEMORANDUM ARE NOT YET FINAL AND ARE SUBJECT TO UPDATING, REVIEW, FURTHER NEGOTIATION, AMENDMENT, VERIFICATION AND COMPLETION.

THE ATTACHED OFFERING MEMORANDUM DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER TO SELL, OR ANY INVITATION OR SOLICITATION OF AN OFFER TO BUY, SUCH NOTES, NOR SHALL IT (OR ANY PART OF IT), OR THE FACT OF ITS DISTRIBUTION, FORM THE BASIS OF OR BE RELIED ON OR USED IN CONNECTION WITH ANY CONTRACT, OFFER OR SOLICITATION.

CONFIRMATION OF YOUR REPRESENTATION: In order to be able to view the attached offering memorandum or make an investment decision with respect to the securities, investors must be (1) QIBs or (2) non-U.S. persons outside the United States (and, if resident in a Member State of the European Economic Area, not retail investors). The offering memorandum is being sent at your request and by accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are (a) QIBs or (b) non-U.S. persons outside the United States in accordance with Regulation S under the Securities Act and that the e-mail address to which the offering memorandum has been delivered is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (and, if you are a resident in a Member State of the European Economic Area, you are not a retail investor) and (2) you consent to delivery of the offering memorandum and any amendments or supplements thereto by electronic transmission. Prospective purchasers are hereby notified that the seller of the securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or

otherwise, to any other person. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the initial purchasers, the Company, the Escrow Issuer or the Guarantors (each as defined in the offering memorandum) that would, or is intended to, permit a public offering of the securities, or possession or distribution of the offering memorandum (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Company or the Escrow Issuer in such jurisdiction.

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Relevant persons should note that all, or most, of the protections offered by the United Kingdom regulatory system will not apply to an investment in the notes and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2016/97/EU (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPS Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering, selling or distributing the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation. This offering memorandum has been prepared on the basis that any offers or sales of notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers or sales of notes. This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

The attached offering memorandum has been sent to you in an electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Company, the Escrow Issuer, the Guarantors, the initial purchasers, the Trustee and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Company, the Escrow Issuer, the Guarantors, the initial purchasers, the Trustee or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard-copy version.

OFFERING MEMORANDUM

Grifols Escrow Issuer, S.A.U.

€1,400,000,000 3.875% Senior Notes due 2028

$705,000,000 4.750% Senior Notes due 2028

Grifols Escrow Issuer, S.A.U. (the "Escrow Issuer") is offering €1,400,000,000 in aggregate principal amount of its 3.875% senior notes due 2028 (the "euro notes") and $705,000,000 in aggregate principal amount of its 4.750% senior notes due 2028 (the "dollar notes" and together with the euro notes, the "notes" and each a separate "series" of notes). The euro notes will bear interest at a rate of 3.875% per annum. Interest on the euro notes will be paid semi-annually in cash in arrears on and of each year, beginning on April 15, 2022. The euro notes will mature on October 15, 2028. The dollar notes will bear interest at a rate of 4.750% per annum. Interest on the dollar notes will be paid semi-annually in cash in arrears on and of each year, beginning on April 15, 2022. The dollar notes will mature on October 15, 2028.

This offering is part of the financing for the proposed purchase of all of the existing equity interests owned by Tiancheng International Investment Limited ("TIIL") in Tiancheng (Germany) Pharmaceutical Holdings AG, a German privately held stock corporation ("Holdings"), which in turn owns 89.88% of the ordinary shares and 1.08% of the preferred equity shares of Biotest AG, a German stock corporation listed on the Frankfurt Stock Exchange ("Biotest"), and for the assignment from TIIL of certain shareholder loans owed by Holdings to TIIL (the "Acquisition"), pursuant to the Sale and Purchase Agreement, dated as of September 17, 2021, by and among TIIL and Grifols, S.A. (the "Company," or "Grifols") (the "Acquisition Agreement"). The proceeds from the offering will also be used in part, together with cash on hand, to finance a tender offer for the remaining ordinary shares and preferred equity shares of Biotest (the "VTO"). See "The Transactions."

This offering will be consummated prior to the consummation of the Acquisition. The Escrow Issuer will issue the notes offered hereby and, within 15 months from the consummation of the Acquisition following the release of the Escrowed Property (as defined below) (such date of release, the "Acquisition Escrow Release Date"), the Escrow Issuer will merge with and into the Company, with the Company as the surviving entity (the "Escrow Issuer Merger"). From and after the Acquisition Escrow Release Date and prior to the Escrow Issuer Merger, the notes will be general unsecured obligations of the Escrow Issuer, the Escrow Issuer will have no other indebtedness, and the notes will be unconditionally guaranteed by the Company and each of the Company's subsidiaries that guarantee the First Lien Credit Facilities (as defined in "Description of Indebtedness—First Lien Credit Facilities") (other than Biomat USA, Inc ("Biomat USA") and Talecris Plasma Resources, Inc. ("Talecris") to the extent the Acquisition Escrow Release Date occurs prior to the Biomat Transactions Consummation Date, and Holdings prior to the Transformation (as defined in "The Offering—Certain Covenants") and subject to certain exceptions). As used herein, "Issuer" refers, prior to the Acquisition Escrow Release Date, to the Escrow Issuer, and on and after the Escrow Issuer Merger, to Grifols.

On the closing date of this offering the Escrow Issuer will execute and deliver the Escrow Agreement (as defined herein) and will deposit, or cause to be deposited, the gross proceeds from the offering of the notes into a segregated escrow account with respect to the euro notes (the "Euro Escrow Account") and a segregated escrow account with respect to the dollar notes (the "Dollar Escrow Account" and together with the Euro Escrow Account, the "Escrow Accounts") for the benefit of the holders of the notes pending the consummation of the Acquisition. The consummation of the Acquisition is subject to customary closing conditions, including the absence of certain legal impediments and review and clearance by the German Federal Cartel Office (*Bundeskartellamt*) and certain other regulatory authorities. The release of escrow proceeds to the Escrow Issuer and the Company to consummate the Acquisition will be subject to the satisfaction of certain conditions, including the closing of the Acquisition substantially concurrently with or promptly following the release of such escrowed funds. In addition, on or prior to the Acquisition Escrow Release Date, the Escrow Issuer may use a portion of the gross proceeds in the relevant Escrow Account in order to (i) fund an interest payment on the euro notes and dollar notes and (ii) at its option, redeem up to €500 million aggregate principal amount of notes at a price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, and without the payment of any "make-whole" premium, subject to certain terms and conditions and in accordance with the procedures set forth in the indenture. See "Risk Factors—Risks Related to Escrow—We may make interest payments with Escrowed Property" and "Risk Factors—Risks Related to the Notes—On or prior to the Acquisition Escrow Release Date, we may redeem up to €500 million of the notes during the 'non-call' period without payment of any "make-whole" premium, which will adversely affect your return." Furthermore, to the extent the VTO is to be consummated prior to the Acquisition, we may release escrowed proceeds in order to consummate the VTO.

If the Acquisition is not consummated on or prior to September 17, 2022 (subject to extension up to three months by either Grifols or TIIL pursuant to the Acquisition Agreement, the "Escrow Outside Date"), or upon the occurrence of certain other events, the escrow proceeds of the notes will not be released to the Escrow Issuer and the Company to consummate the Acquisition but instead will be released to the trustee under the indenture that will govern the notes for the purpose of redeeming the outstanding notes pursuant to a special mandatory redemption in accordance with the procedures set forth in the indenture. The special mandatory redemption price of each series of notes will be a price equal to 100.000% of the initial issue price of such series of notes plus accrued and unpaid interest from the issue date of the notes (or, if an interest payment has been made since the issue date of the notes, from the date of such interest payment) to, but not including, the special mandatory redemption date. Additional cash in respect of interest that would accrue on each series of notes from and after the issue date of the notes will not be pre-funded into the applicable Escrow Account on the issue date of the notes. Any payment of interest falling due on the notes prior to the Acquisition Escrow Release Date will be paid from funds released from the applicable Escrow Account. The Company will commit on or prior to the date of the consummation of this offering to, in the event of a special mandatory redemption, capitalize the Escrow Issuer in an amount equal to the difference between the amounts in each Escrow Account that are available to be applied to redeem the applicable series of notes pursuant to the special mandatory redemption and the special mandatory redemption price. See "Description of Notes—Escrow of Proceeds; Special Mandatory Redemption."

Upon satisfaction of the escrow conditions (if applicable), we will use the net proceeds from this offering, together with cash on hand to (i) finance and consummate the Acquisition, (ii) finance a tender offer for the remaining ordinary shares and preferred equity shares of Biotest, (iii) pay interest on the notes to the extent an interest payment date occurs prior to the Acquisition Escrow Release Date and (iv) pay fees and expenses incurred in connection with the Transactions (as defined herein). We intend to use any remaining proceeds for general corporate purposes, which may include the repayment of indebtedness (including, possibly, the Capped Redemption (as defined below)), capital expenditures and working capital. See "The Transactions" and "Use of Proceeds."

On or prior to the Acquisition Escrow Release Date, and following the expiration of all acceptance periods related to the VTO, the Escrow Issuer may at its option instruct the Escrow Agent to release escrowed proceeds to the Trustee in order to redeem an aggregate principal

amount of notes in an amount not to exceed the lesser of (i) (x) the product of the number of Biotest untendered preferred shares multiplied by a price per share of €37.00 per share plus (y) the product of the number of Biotest untendered ordinary shares multiplied by a price per share of €43.00 (in each case, other than those held by Holdings) and (ii) €500 million, at a price equal to 100% of the principal amount of such series of such notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, and without the payment of any "make-whole" premium *provided* that no less than $500 million dollar notes and no less than €500 million euro notes remain outstanding following any such redemption (such redemption the "Capped Redemption"). See "Description of Notes—Optional Redemption—Capped Redemption."

The euro notes may be redeemed, in whole or in part, on or after October 15, 2024 at the redemption prices specified under "Description of Notes—Optional Redemption," together with accrued and unpaid interest, if any, to, but excluding, the redemption date. From and after the Escrow Issuer Merger and prior to October 15, 2024, the Issuer may redeem the euro notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a "make-whole" premium, together with accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, the Issuer may redeem up to 40% of the original aggregate principal amount of the euro notes issued under the indenture (including additional euro notes) from and after the Escrow Issuer Merger and prior to October 15, 2024 with an amount not to exceed the net cash proceeds from certain equity offerings at the redemption price set forth in this offering memorandum plus accrued and unpaid interest, if any, to, but excluding, the redemption date. See "Description of Notes—Optional Redemption." The dollar notes may be redeemed, in whole or in part, on or after October 15, 2024 at the redemption prices specified under "Description of Notes—Optional Redemption," together with accrued and unpaid interest, if any, to, but excluding, the redemption date. From and after the Escrow Issuer Merger and prior to October 15, 2024, the Issuer may redeem the dollar notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a "make-whole" premium, together with accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, the Issuer may redeem up to 40% of the original aggregate principal amount of the dollar notes issued under the indenture (including additional dollar notes) from and after the Escrow Issuer Merger and prior to October 15, 2024 with an amount not to exceed the net cash proceeds from certain equity offerings at the redemption price set forth in this offering memorandum plus accrued and unpaid interest, if any, to, but excluding, the redemption date. See "Description of Notes—Optional Redemption." If we sell certain of our assets or experience specific kinds of changes of control, we must offer to purchase the notes at the prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to, but excluding, the date of purchase. The notes of either series may be optionally redeemed in full (or in part) before the notes of the other series are optionally redeemed in full (or in part).

Prior to the Acquisition Escrow Release Date, each series of notes will be solely obligations of the Escrow Issuer and will not be guaranteed and will not be the beneficiary of any credit support from the Company or any of its subsidiaries. Prior to the consummation of the Acquisition and pending the release of the Escrowed Property, each series of notes will be secured by a first priority security interest in the applicable Escrow Account and Escrowed Property.

From and after the Acquisition Escrow Release Date, the notes will be general unsecured obligations of the Escrow Issuer, the Escrow Issuer will have no other indebtedness, and the notes will be unconditionally guaranteed by the Company and each of the Company's subsidiaries that guarantee the First Lien Credit Facilities (other than Biomat USA and Talecris to the extent the Acquisition Escrow Release Date occurs prior to the Biomat Transactions Consummation Date (as defined herein), and other than Holdings, until such time as Holdings completes the Transformation, and subject to certain exceptions, collectively, the "guarantors"), and will be structurally subordinated in right of payment to all existing and future indebtedness, preferred stock and other liabilities (including trade payables) of any non-guarantor subsidiaries of Grifols, including following the Acquisition Escrow Release Date and prior to the Transformation, Holdings (who will guarantee our existing Secured Notes, Unsecured Notes, EIB Term Loans and First Lien Credit Facilities from and after such date) and from and after the completion of the Biomat Transactions, to the Biomat Class B Equity Interests (each as defined herein). From and after the Escrow Issuer Merger, each series of notes and the related guarantees will be the Company's and the guarantors' senior unsecured obligations and will rank equally in right of payment with any existing and future senior indebtedness and senior in right of payment to any future subordinated indebtedness of the Company and the guarantors, and will be effectively subordinated to any existing and future secured indebtedness of the Company and the guarantors, including borrowings under our First Lien Credit Facilities, our Secured Notes (as defined herein) and the EIB Term Loans (as defined herein), to the extent of the value of the collateral securing such indebtedness. In addition, the notes and the guarantees will be structurally subordinated to the existing and future indebtedness, claims of holders of preferred stock and other liabilities of any subsidiary of the Company that is not a guarantor of the notes including from and after the completion of the Biomat Transactions, to the Biomat Class B Equity Interests. From and after the Escrow Issuer Merger, pursuant to a supplemental indenture with the trustee, the Company will assume all obligations of the Escrow Issuer under the notes and the indenture and the Escrow Issuer will cease to exist.

Investing in the notes involves a high degree of risk. See "Risk Factors" beginning on page 29.

Offering Price of euro notes: 100.000% plus accrued interest, if any, from October 5, 2021.
Offering Price of dollar notes: 100.000% plus accrued interest, if any, from October 5, 2021.

The notes and the guarantees have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. The notes are being offered and sold only to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A under the Securities Act ("Rule 144A") and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on the exemption from Section 5 of the Securities Act pursuant to Rule 144A. For a description of certain information about eligible offerees and restrictions on transfers of the notes, see "Notice to Investors" and "Plan of Distribution." Neither the U.S. Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

Currently, there is no public market for the notes. This offering memorandum comprises "Listing Particulars" for the purpose of the application to the Irish Stock Exchange plc, trading as Euronext Dublin ("Euronext Dublin"), for the listing of the notes. Application has been made to Euronext Dublin for the approval of these "Listing Particulars," for the notes to be admitted to the Official List and to be traded on the Global Exchange Market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of Regulation (EU) No 600/2014. This offering memorandum does not constitute a prospectus for the purposes of Regulation (EU) No 2017/1129, as amended (the "Prospectus Regulation"). The Issuer is not offering the notes in any jurisdiction in circumstances that would require a prospectus to be prepared pursuant to the Prospectus Regulation.

We expect that the euro notes will be made ready for delivery in book entry form through Euroclear Bank SA/NV or Euroclear, and Clearstream Banking, société anonyme, or Clearstream, and the dollar notes will be made ready for delivery in book-entry form through the Depository Trust Company, on or about October 5, 2021 (the "Issue Date"). See "Book-Entry; Delivery and Form."

Sole Global Coordinator and Sole Book-Running Manager

BofA Securities

The date of this offering memorandum is October 11, 2021.

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This offering memorandum has been prepared by us based on information we have or have obtained from sources we believe to be reliable. Summaries of documents contained in this offering memorandum may not be complete; we will make copies of actual documents available to you upon request. The information in this offering memorandum is current only as of the date on the cover, and our business or financial condition and other information in this offering memorandum may change after that date. You should consult your own legal, tax and business advisors regarding an investment in the notes. Information in this offering memorandum is not legal, tax or business advice.

You should base your decision to invest in the notes solely on information contained in this offering memorandum. Neither we nor the initial purchasers have authorized anyone to provide you with any different information. We accept responsibility for the information contained in this offering memorandum. Having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is, to the best of our knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Contact the initial purchasers with any questions concerning this offering or to obtain documents or additional information to verify the information in this offering memorandum.

We are offering the notes in reliance on an exemption from registration under the Securities Act, for an offer and sale of securities that does not involve a public offering. If you purchase the notes, you will be deemed to have made certain acknowledgments, representations and warranties, as detailed under "Notice to Investors." You may be required to bear the financial risk of an investment in the notes for an indefinite period of time. Neither we nor the initial purchasers are making an offer to sell the notes in any jurisdiction where the offer and sale of the notes is prohibited. We do not make any representation to you that the notes are a legal investment for you.

Each prospective purchaser of the notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the ns and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the initial purchasers shall have any responsibility therefor.

Neither the U.S. Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of the notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We have prepared this offering memorandum solely for use in connection with the offer of the notes to qualified institutional buyers under Rule 144A under the Securities Act and to persons outside the United States under Regulation S. You agree that you will hold the information contained in this offering memorandum and the transactions contemplated hereby in confidence. You may not distribute this offering memorandum to any person, other than a person retained to advise you in connection with the purchase of the notes. We and the initial purchasers may reject any offer to purchase the notes in whole or in part, sell less than the entire principal amount of the notes offered hereby or allocate to any purchaser less than all of the notes for which it has subscribed.

Application has been made to Euronext Dublin for the approval of these "Listing Particulars," for the notes to be admitted to the Official List and to be traded on the Global Exchange Market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of Regulation (EU) No 600/2014. This offering memorandum does not constitute a prospectus for the purposes of Regulation (EU) No 2017/1129 (as amended), or the Prospectus Regulation. The Issuer is not offering the notes in any jurisdiction in circumstances that would require a prospectus to be prepared pursuant to the Prospectus Regulation.

Information has been included in this offering memorandum that has been sourced from a third party. This information has been accurately reproduced, and as far as each of the Escrow Issuer and the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

The initial purchasers are acting exclusively for the Issuer and no one else in connection with the offering of the notes contemplated by the offering memorandum. They will not regard any other person (whether or not a recipient of the offering memorandum) as their client in relation to the offering of the notes contemplated by the offering

memorandum and will not be responsible to anyone for providing the protections afforded to a client nor for giving advice in relation to the offering of the notes or any transaction or arrangement referred to herein.

RESALE RESTRICTIONS

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM AND, IN RESPECT OF THE TRANSFER AND RESALE OF THESE SECURITIES IN JURISDICTIONS OUTSIDE THE UNITED STATES, MAY BE SUBJECT TO RESTRICTIONS UNDER THE LAWS OF SUCH JURISDICTIONS. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME AND THAT THEIR ABILITY TO TRANSFER INTERESTS IN THESE SECURITIES MAY BE ADVERSELY AFFECTED IF THEY OR YOU ARE IN POSSESSION OF MATERIAL NON-PUBLIC INFORMATION CONCERNING THE BUSINESS. SEE "NOTICE TO INVESTORS."

STABILIZATION

IN CONNECTION WITH THIS OFFERING, EACH OF BOFA SECURITITES EUROPE SA AND BOFA SECURITIES, INC. (EACH A "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES DURING THE STABILIZATION PERIOD AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE, OR NO LATER THAN 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES, WHICHEVER IS EARLIER. ANY STABILIZATION ACTION OR OVERALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR A PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS.

NOTICE TO PROSPECTIVE INVESTORS

The offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the notes and the guarantees which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "Notice to Investors."

This offering memorandum is being provided (1) to a limited number of United States investors that the Issuer and the guarantors reasonably believe to be qualified institutional buyers under Rule 144A for informational use solely in connection with their consideration of the purchase of the notes and (2) to investors outside the United States who are not U.S. persons in connection with offshore transactions in compliance with Regulation S. The notes and the guarantees described in this offering memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum has been prepared on the basis that any offer of the notes referred to herein in any Member State of the European Economic Area ("EEA") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the notes referred to herein. Accordingly, any person making or intending to make an offer in a Member State of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, in each case, in relation to any such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making

of any offer of notes in circumstances in which an obligation arises for the Issuer or any of the initial purchasers to publish a prospectus for any such offer.

This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation or any legislation, regulations or rules of any Member State of the EEA implementing or supplementing the Prospectus Regulation, and has not been, and will not be, reviewed or approved by any competent or supervisory authority of any Member State of the EEA for the purposes of the Prospectus Regulation.

Prohibition of Sales to EEA Retail Investors

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"), (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II Product Governance/Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of any relevant initial purchaser that considers itself a manufacturer pursuant to MiFID II (each a "Manufacturer" and, together, the "Manufacturers"), the target market assessment in respect of the notes described in this offering memorandum has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "distributor") should take into consideration the Manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the Manufacturer's target market assessment) and determining appropriate distribution channels.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This offering memorandum has been prepared on the basis that any offer of the notes referred to herein in the United Kingdom (or "U.K.") will be made pursuant to an exemption under the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") (the "U.K. Prospectus Regulation") from the requirement to publish a prospectus for offers of the notes referred to herein. Accordingly, any person making or intending to make an offer in the United Kingdom of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the U.K. Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Issuer or any of the initial purchasers to publish a prospectus for such offer.

Prohibition of Sales to U.K. Retail Investors

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "U.K. PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the

notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the U.K. PRIIPs Regulation.

Financial Promotion Order

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Relevant persons should note that all, or most, of the protections offered by the United Kingdom regulatory system will not apply to an investment in the notes and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

NOTICE TO INVESTORS IN IRELAND

The notes are not intended to be, and may not be, offered, sold, placed or underwritten in Ireland, and nothing may be done in Ireland in respect of the notes, otherwise than in conformity with the provisions of:

(i) the Prospectus Regulation, Commission Delegated Regulation (EU) 2019/980, Commission Delegated Regulation (EU) 2019/979 and any Central Bank of Ireland rules issued and / or in force pursuant to Section 1363 of the Companies Act 2014 of Ireland (as amended) (the "Irish Companies Act");

(ii) the Irish Companies Act;

(iii) the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) of Ireland and any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank of Ireland;

(iv) Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, the European Union (Market Abuse) Regulations 2016 of Ireland and any Central Bank of Ireland rules issued and / or in force pursuant to Section 1370 of the Irish Companies Act;

(v) the PRIIPs Regulation; and

(vi) the Central Bank Acts 1942 to 2018 of Ireland (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 of Ireland.

NOTICE TO INVESTORS IN SPAIN

This offering memorandum has not been registered with the *Comisión Nacional del Mercado de Valores*, or the CNMV, and therefore the notes may not be offered or sold or distributed in Spain except pursuant to an exemption from registration in accordance with article 1.4 of the Prospectus Regulation.

NOTICE REGARDING SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

Most of the directors and senior managers of the Escrow Issuer, the Company and the guarantors are non-residents of the United States. A substantial portion of the assets of such non-resident persons and of the Escrow Issuer, the Company and the guarantors are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Escrow Issuer, the Company and certain of the guarantors, or to enforce against them in U.S. courts judgments obtained in such courts predicated upon the civil liability provisions of the U.S. federal securities laws. The Escrow Issuer and the Company have been advised by counsel that there is doubt as to the enforceability in Ireland and in Spain in original actions, or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon the U.S. federal securities laws.

NON-IFRS FINANCIAL MEASURES

EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA

EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA and the ratios related thereto, as presented in this offering memorandum, are supplemental measures of our performance and our ability to service debt that are not required by, or presented in accordance with, IFRS-EU (as defined below). They are not measurements of our financial performance under IFRS-EU and should not be considered as alternatives to net income or any other performance measures derived in accordance with IFRS-EU or as alternatives to cash flow from operating activities as measures of our liquidity.

Our measurements of EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA and the ratios related thereto may not be comparable to similarly titled measures of other companies and are not measures of performance calculated in accordance with IFRS-EU. We have included information concerning EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA in this offering memorandum because we believe that such measures are among those used by certain investors in assessing a company's historical ability to service debt. We believe these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of high yield issuers, many of which present EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA when reporting their results. Our presentation of EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our operating results or cash flows as reported under IFRS-EU. Some of these limitations are:

- they do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments, on our debt;
- although depreciation is a non-cash charge, the assets being depreciated will often have to be replaced in the future, and EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA do not reflect any cash requirements for such replacements;
- they are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our IFRS-EU results and using EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA only for supplemental purposes. Please see our interim and annual consolidated financial statements contained in this offering memorandum.

For a description of how EBITDA, Published EBITDA, Adjusted EBITDA and Further Adjusted EBITDA and the ratios related thereto are calculated from our net income and a reconciliation of our Further Adjusted EBITDA to profit after income tax from continuing operations, see "Summary Historical Consolidated Financial Data" in this offering memorandum.

Constant Currency

Net revenue variance in constant currency is determined by comparing adjusted current period figures, calculated using prior period monthly average exchange rates, to the prior period net revenue. The resulting percentage variance in constant currency is considered to be a non- IFRS-EU financial measure. Net revenue variance in constant currency calculates net revenue variance without the impact of foreign exchange fluctuations. We believe that constant currency variance is an important measure of our operations because it neutralizes foreign exchange impact and illustrates the underlying change from one year to the next. We believe that this presentation provides a useful period-over-period comparison as changes due solely to exchange rate fluctuations are eliminated. Net revenue variance in constant currency, as defined and presented by us, may not be comparable to similar measures reported by other companies. Net revenue variance in constant currency has limitations, particularly because the currency effects that are eliminated constitute a significant element of our net revenue and could impact our performance significantly. We do not evaluate our results and performance without considering variances in constant currency on the one hand and changes prepared in accordance with IFRS-EU on the other. We caution you to follow a similar approach by considering data regarding constant currency period-over-period revenue variance only in addition to, and not as a substitute for or superior to, other measures of financial performance prepared in accordance with IFRS-EU. We present the fluctuation derived from IFRS-EU net revenue next to the fluctuation derived from non IFRS-EU net revenue.

See below for a reconciliation of reported net revenue to net revenue in constant currency:

	Six-Month Period Ended June 30,			Year Ended December 31,			Year Ended December 31,		
	2021	2020	% var	2020	2019	% var	2019	2018	% var
	(in millions of euros)			(in millions of euros)			(in millions of euros)		
Net Revenue	2,536.6	2,677.3	(5.3)%	5,340.0	5,098.7	4.7%	5,098.7	4,486.7	13.6%
Variation due to exchange rate effects	202.8			68.0			(197.9)		
Constant Currency Net Revenue	2,739.4	2,677.3	2.3%	5,408.0	5,098.7	6.1%	4,900.8	4,486.7	9.2%

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

All references to "U.S. dollars," "U.S.$" or "$" are to United States dollars, the official currency of the United States of America. All references to "euro," "euros" or "€" are to the euro (singular) and to euros (plural), the single currency unit of the member states of the European Community that adopt or have adopted the euro as their lawful currency in accordance with the legislation of the European Community relating to Economic and Monetary Union.

Certain numerical figures set out in this offering memorandum, including financial data presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "Operational and Financial Review" are calculated using the numerical data in our consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this offering memorandum, as applicable, and not using the numerical data in the narrative description thereof.

This offering memorandum includes the English translation of the Spanish language audited consolidated annual accounts of Grifols and its subsidiaries as of and for each of the years ended December 31, 2020, 2019 and 2018, which are referred to herein as the "annual consolidated financial statements." In addition, this offering memorandum also includes the English translation of the Spanish language unaudited condensed consolidated interim financial statements as of and for each of the six-month periods ended June 30, 2021 and 2020, which are referred to herein as the "consolidated interim financial statements." The consolidated financial statements of Grifols and its subsidiaries as of and for each of the years ended December 31, 2020, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU"); and the unaudited condensed consolidated interim financial statements of Grifols and its subsidiaries as of and for each of the six-month periods ended June 30, 2021 and 2020 have been prepared in accordance with International Accounting Standard 34 (IAS 34) as adopted by the European Union.

The annual consolidated financial statements and the consolidated interim financial statements are prepared in accordance with IFRS-EU. The financial statements we file annually on Form 20-F with the SEC are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Boards, (the "IFRS-IASB"), which, for our purposes, are identical to the IFRS-EU. Differences arise between IFRS-IASB and IFRS-EU when an IASB approved statement has become effective, however the standard has not been adopted by the European Union, or although having been adopted has not yet become effective. We normally early adopt any EU adopted standards to minimize any potential differences in our financial statements. We are not aware of any material items between IFRS-IASB and IFRS-EU that might impact our financial statements.

The accounting policies set out in the consolidated financial statements have been consistently applied to all periods presented (other than with respect to IFRS 16, Leases). IFRS 16, Leases, issued in January 2016 by the IASB, replaces IAS 17, Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model with some exemptions for short-term and low-value leases. The lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

We have adopted IFRS 16 using the modified retrospective approach and applying a single recognition measurement approach, with the date of initial application of January 1, 2019. Under this method, the impact of the standard is calculated retrospectively. However, the cumulative effect arising from the new leasing rules is recognized in the opening balance sheet at the date of initial application. Accordingly, the comparative information presented herein for the year ended December 31, 2018 or for any other historical periods presented herein has not been restated.

This offering memorandum includes certain of our unaudited consolidated financial information for the twelve-month period ended June 30, 2021 This information was calculated by taking the full year 2020 consolidated financial statements and subtracting our consolidated interim financial information for the six-month period ended June 30, 2020, and adding our consolidated interim financial information for the six-month period ended June 30, 2021, respectively. The unaudited consolidated financial information for the twelve-month period ended June 30, 2021 has been prepared solely for the purposes of this offering memorandum and is for illustrative purposes only and is not necessarily representative of our results of operations for any future period or financial condition at any future date.

Industry and Market Data

We obtained the market and competitive position data used throughout this offering memorandum from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, neither we nor the initial purchasers have independently verified such data, and neither we nor the initial purchasers make any representation as to the accuracy of such information. Similarly, we believe our internal research is reliable, but it has not been verified by any independent sources.

Biotest Information

We obtained the financial and business information of Biotest used throughout this offering memorandum from public information issued by Biotest, including public filings made pursuant to applicable German laws. While we believe such information is reliable, neither we nor the initial purchasers have independently verified such information (other than the limited due diligence conducted by us in connection with the Acquisition), and neither we nor the initial purchasers make any representation as to the accuracy of such information. Neither the public filings of Biotest, nor the information contained on its website, are incorporated by reference into this offering memorandum or form a part of this offering memorandum. This offering memorandum also contains EBITDA and Adjusted EBITDA measures of Biotest's performance. They are not measurements of Biotest's financial performance under IFRS-EU and should not be considered as alternatives to net income or any other performance measures derived in accordance with IFRS-EU or as alternatives to cash flow from operating activities as measures of our liquidity. See "Non-IFRS Financial Measures" above.

TRADEMARKS AND SERVICE MARKS

We own or have rights to various trademarks and trade names that we use in conjunction with the operation of our businesses including, but not limited to, Grifols®, Flebogamma®, Alphanate®, Talecris Biotherapeutics®, Gamunex®, Prolastin® and Albutein®. We own a registered design mark with a stylized "Q" that we use in connection with our Q-Coagulometer™. We pursue registration of our important service marks and trademarks and vigorously oppose infringement upon them. In this offering memorandum, we also refer to product names, trademarks, trade names and service marks that are the property of other companies. Each of the trademarks, trade names or service marks of other companies appearing in this offering memorandum belongs to its owner. The use or display of other parties' trademarks, trade names or service marks is not intended to and does not imply a relationship with, or endorsement or sponsorship by us of, the product, trademark, trade name or service mark owner, unless we otherwise expressly indicate.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains a number of forward-looking statements, including statements about our financial condition, results of operations, earnings outlook and prospects. Forward-looking statements are typically identified by words such as "may," "anticipate," "believe," "estimate," "predict," "expect," "intend," "forecast," "will," "would," "should" or the negative of such terms or other variations on such terms or comparable or similar words or expressions.

These forward-looking statements reflect, as applicable, our management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. These factors include but are not limited to:

- our substantial leverage;
- our ability to make interest and principal payments on the notes offered hereby and our other debt;
- our ability to generate cash;
- the subordinated nature of the notes and guarantees;
- the restrictive covenants governing our First Lien Credit Facilities and the indentures governing the Secured Notes, the Unsecured Notes and the notes offered hereby;
- federal and state statutes permitting courts to void the subsidiary guarantees under certain circumstances;
- bankruptcy laws limiting amounts payable to note holders;
- the lack of an active trading market in the securities; and
- the restrictions on the transfers of the notes.
- the complexity of our manufacturing processes and the susceptibility of our biological intermediates to contamination;
- our need to continually monitor our products for possible unexpected side effects;
- our ability to adhere to government regulations so that we may continue to manufacture and distribute our products;
- the impact of disruptions in our supply of plasma or in the operations of our plasma collection centers;
- the impact of competing products and pricing and the actions of competitors;

- the continued impact of the ongoing virus named "SARS-CoV-2" (the "Coronavirus" or "COVID-19") pandemic;
- the impact of product liability claims on our business;
- our reliance on a plasma supply free of transmittable disease;
- interest rates and availability and cost of financing opportunities;
- the impact of interest rate fluctuations;
- unexpected shut-downs of our manufacturing and storage facilities or delays in opening new planned facilities;
- reliance on third parties for manufacturing of products and provision of services;
- our ability to commercialize products in development;
- our ability to protect our intellectual property rights.
- U.S. healthcare legislation, new legislation, regulatory action or legal proceedings affecting, among other things, the U.S. healthcare system, pharmaceutical pricing and reimbursement, including Medicaid, Medicare and the Public Health Service Program;
- legislation or regulations in markets outside of the United States affecting product pricing, reimbursement, access, or distribution channels;
- changes in legal requirements affecting the industries in which we operate;
- if the conditions to the escrow are not satisfied, the Escrow Issuer will be required to redeem each series of notes, which means that you may not obtain the return you expect on the notes;
- in a bankruptcy proceeding, the holders of notes might not be able to apply the escrowed funds to repay the notes without bankruptcy court approval;
- if the consummation of the Acquisition does not occur, holders of the notes will not have any recourse against TIIL or the Company and its subsidiaries for the Acquisition;
- between the time of the issuance of the notes and the consummation of the Escrow Issuer Merger, the parties to the Acquisition Agreement may agree to modify or waive the terms or conditions of such document without noteholder consent;
- we may not realize the anticipated synergies and growth opportunities from the Transactions; and
- other factors that are set forth below under the section entitled "Risk Factors."

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this offering memorandum. Forward-looking statements are not guarantees of future performance. They have not been reviewed by our auditors.

All written and oral forward-looking statements concerning matters addressed in this offering memorandum and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this offering memorandum. The forward-looking statements contained in this offering memorandum speak only as of the date hereof. Except as required by law, we do not undertake to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events.

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SUMMARY

This summary highlights selected information appearing elsewhere in this offering memorandum. As a result, it is not complete and does not contain all of the information that you should consider before purchasing the notes. You should read the following summary in conjunction with the more detailed information included herein.

As used in this offering memorandum, unless the context otherwise requires or as is otherwise indicated, all references in this document to "Grifols," "Company," "we," "us," "Issuer" and "our" refer to Grifols, S.A., a company (sociedad anónima) organized under the laws of Spain, and our consolidated subsidiaries. As used herein, "Issuer" refers, prior to the Acquisition Escrow Release Date, to the Escrow Issuer, and on and after the Escrow Issuer Merger, to Grifols, S.A.

Our Company

We are one of the leading global specialty plasma therapeutics companies developing, manufacturing and distributing a broad range of biological medicines based on plasma derived proteins. Plasma derivatives are proteins found in human plasma, which once isolated and purified, have therapeutic value. These protein-based therapies extend and enhance the lives of individuals who suffer from chronic and acute, often life-threatening, conditions, including primary and secondary immunological deficiencies, Chronic Inflammatory Demyelinating Polyneuropathy, or CIDP, A1PI deficiency and related emphysema, immune-mediated ITP, Guillain Barré syndrome, Kawasaki disease, allogeneic bone marrow transplants, hemophilia A and B, von Willebrand disease, traumatic or hemorrhagic shock and severe burns. In addition, we have built a diagnostic business that focuses on researching, developing, manufacturing and marketing in vitro diagnostics products for use in clinical and blood bank laboratories. We also specialize in providing infusion solutions, nutrition products and medical devices for use in hospitals and clinics.

Our products and services are used by healthcare providers in over 100 countries to diagnose and treat patients with hemophilia, immune deficiencies, infectious diseases and a range of other medical conditions, and we have a direct presence, through the operation of commercial subsidiaries, in over 30 countries.

We are a leading producer in the industry in terms of total sales globally. We believe we have a top three market position in various segments of the plasma derivatives industry, including A1PI, IG and albumin as well as in terms of plasma collection centers and fractionation capacity. Our long-term aim is to further strengthen our leadership through the development of new and differentiated plasma-derived therapeutics, and the expansion of our global plasma collection footprint via M&A and greenfield projects.

For the year ended December 31, 2020, our consolidated net revenue, profit after income tax from continuing operations and Published EBITDA were €5,340.0 million, €709.0 million and €1,324.0 million, respectively, representing a Published EBITDA margin of 24.8%. For the six-month period ended June 30, 2021, our consolidated net revenue, profit after income tax from continuing operations and Published EBITDA were €2,536.6 million, €302.6 million and 634.5 million respectively, representing a Published EBITDA margin of 25.0%.

Operating Divisions

We organize our business into five divisions: Bioscience, Diagnostic, Hospital, Bio Supplies and Others. These divisions also represent our operating segments:

Bioscience. The Bioscience division includes activities relating to the manufacture of plasma derivatives for therapeutic use, including the reception, analysis, quarantine, classification, fractionation and purification of plasma and the sale and distribution of end products. The main plasma products we manufacture are IG, Factor VIII, A1PI and albumin. We also manufacture intramuscular (hyperimmune) immunoglobulins, ATIII, Factor IX and plasma thromboplastin component, or PTC. The Bioscience division accounted for €4,242.5 million, or 79.5%, of our total net revenue in 2020, and €1,986.0 million, or 78.3%, of our total net revenue in the six-month period ended June 30, 2021.

Diagnostic. The Diagnostic division focuses on researching, developing, manufacturing and marketing *in vitro* diagnostics products, including analytical instruments, reagents, software and associated products for use in clinical and blood bank laboratories, covering the entire value chain from donation to transfusion. We concentrate our Diagnostic business in transfusion medicine (immunology, immunohematology) and specialty diagnostics such as hemostasis. The Diagnostic division's main customers are blood donation centers, clinical analysis laboratories and hospital immunohematology services. The Nucleic Acid Testing, or NAT, Donor Screening Unit is engaged in research, development, manufacturing and commercialization of assays and instruments based on NAT technology for transfusion

and transplantation screening. NAT technology makes it possible to detect the presence of infectious agents in blood and plasma donations, contributing to greater transfusion safety. The Diagnostic division accounted for €775.9 million, or 14.5%, of our total net revenue in 2020 and €395.5 million, or 15.6%, of our total net revenue in the six-month period ended June 30, 2021.

Hospital. The Hospital division offers technology and services for hospitals, clinics and specialized centers for the manufacture of medicines, as well as physiological saline solution, enteral nutritional fluids and medical devices for interventional therapy. It also includes products that we do not manufacture but that we market as supplementary to the products that we do manufacture. The Hospital division accounted for €118.7 million, or 2.2%, of our total net revenue in 2020 and €67.7 million, or 2.7%, of our total revenue in the six-month period ended June 30, 2021.

Bio Supplies. Net revenue from Bio Supplies primarily consists of revenue related to biological products for non-therapeutic use as well as all income derived from manufacturing agreements with Kedrion and third party sales of Haema AG ("Haema") and Biotest US Corporation ("Biotest US"). The Bio Supplies division accounted for €224.1 million, or 4.2%, of our total net revenue in 2020 and €107.3 million, or 4.2%, of our total net revenue in the six-month period ended June 30, 2021.

Others. Net revenue from Others primarily consists of revenue from the rendering of manufacturing services to third party companies.

Competitive Strengths

We believe we have a number of competitive strengths, including the following:

Global Company with a Diversified Revenue Base Worldwide

We are a leading plasma derivatives company with operations in over 100 countries through distributors and subsidiaries in over 30 countries. We have an established presence in Europe and the United States, which are the two largest plasma derivatives sales regions, and we have a significant position in transfusion medicine with our NAT blood screening segment. For the year ended December 31, 2020, the United States and Canada accounted for 67.4% of our total net revenue while Europe accounted for 15.6% of our total net revenue (of which 6.4% was generated in Spain). For the six-month period ended June 30, 2021, the United States and Canada accounted for 62.2% of our total net revenue while Europe accounted for 17.8% of our total net revenue (of which 7.1% was generated in Spain).

Certain sales regions, particularly in emerging markets, have experienced continuous growth, driven by enhanced socioeconomic conditions and more informed patients who are demanding better quality medical care, as well as increasing government healthcare spending on plasma derivative products. These emerging markets are expected to experience significant growth. Our presence and experience in Latin America, in countries such as Mexico, Colombia, Argentina, Chile and Brazil, where we have been marketing and selling products for over 20 years, has positioned us to benefit from this additional growth in both our Bioscience and Diagnostic divisions. In the Asia-Pacific region, we have established a presence through our subsidiaries and representative offices in Malaysia, China, Thailand, Singapore, Australia, Japan, India, Hong Kong, Taiwan and Indonesia. As part of our global expansion strategy and commitment to China, we strengthened our presence through the strategic alliance with Shanghai RAAS Blood Products Co. Ltd. ("Shanghai RAAS") in 2020, which has considerably boosted growth of our plasma derived products and diagnostic solutions in the fast growing Chinese plasma market. Shanghai RAAS is the largest blood products company in China specializing in plasma-derived products for therapeutic use in immunology, haematology and interim care. Following the acquisition, Shanghai RAAS has become the exclusive distributor of our bioscience and diagnostic products in China. We have also opened a Middle Eastern representative office in Dubai.

We are a leading plasma derivatives producer globally, ranking in the top three largest producers in the industry in terms of total sales, along with Takeda and CSL Behring. We are the world's largest producer of A1PI, which is used for the treatment of A1PI deficiency related emphysema. Prolastin®/ Prolastin®-C is the leading A1PI product in the North America and Europe, where it is licensed in 19 countries. Based on our internal estimates, we had a top three market position in other segments of the plasma derivatives industry in 2020, including the largest market share in IVIG (24% of the global market (and 33% of the U.S. market in 2019)) and the second largest market share in albumin (18.5% of the global market by volume (and 33% of the U.S. market in 2019)). According to the latest available data, we also have a leading position in terms of plasma collection.

Market Leadership across Bioscience and Diagnostic Divisions

Our portfolio of IVIG products includes Gamunex® IVIG, a ready-to-use liquid IVIG product launched in the United States and Canada in 2003. Gamunex® IVIG was the first IVIG product approved for CIDP in the United States and Canada, and through mutual recognition procedures, in 23 European countries. Gamunex® IVIG can be administered subcutaneously or intravenously.

In addition, we believe we are the global market leader in the sales of alpha-1-antitrypsin augmentation therapy ("AAT"). Our AAT business has 32 licenses in 27 countries worldwide, with 19 countries in North America and Europe. Our liquid formulation of AAT (Prolastin®-C Liquid) is approved by the U.S. Food and Drug Administration ("FDA") as a chronic augmentation and maintenance therapy to treat emphysema related to severe hereditary A1PI deficiency. We believe that we had an estimated 68.5% global market share for AAT as of December 2020 (69% of the U.S. market as of December 2019).

Our albumin brands are sold globally, which our management believes comprise an 18.5% market share (in volume) of December 2020 (33% of the U.S. market as of December 2019). We offer albumin products with reduced aluminum content that meet European regulatory requirements, making them more attractive to biotechnology companies, genetic laboratories, hospitals and physicians. Our portfolio also includes products for the treatment of tetanus, hepatitis B, Rh factor complications during childbirth, the prevention and treatment of thrombotic diseases, the prevention and control of bleeding in patients with hemophilia B and the prevention of hepatitis B reinfection of the graft in liver transplant patients.

We believe that, between Koate®-DVI, Fanhdi™ and Alphanate®, we had an estimated 17% market share globally in the FVIII hemophilia A market in 2020 (excluding Von Willebrand disease use) (50% of the U.S. market as of December 2019).

HyperRAB® is the world's leading human anti-rabies immunoglobulin indicated for postexposure prophylaxis, along with rabies vaccine, for all persons suspected of exposure to rabies who have not been previously vaccinated with rabies vaccine. A 300 IU/ml formulation of HyperRAB® is now available in the U.S. (FDA approval February 2018). HyperRAB® is the only human rabies immunoglobulin (HRIG) provided as a higher-potency formulation, potentially requiring fewer injections in administration of each dose. We believe we had an estimated 88% market share of anti-rabies immunoglobulins in the United States as of December 2020.

Upon consummation of the Transactions, we will expand our pipeline, by including Trimodulin (BT-588), an IgM therapeutic for severe community acquired pneumonia (sCAP), currently in Phase III clinical development, and Fibrinogen (BT-524) for congenital and acquired fibrinogen deficiency, currently in Phase III clinical development. There are currently no approved plasma derived therapeutics in such indications in the US.

In addition, we possess a fully vertically integrated diagnostic business model. This fully integrated Transfusion Diagnostics value chain, gives us a dominant market position and a full product portfolio in the blood screening market. Our diagnostic portfolio encompasses innovative, market leading collecting, testing for infectious diseases, typing diagnosis and transfusion medicine technology, instrumentation and equipment for Nucleic Acid Testing (NAT) and Serology blood screening.

We believe that we have a significant market share of sales in NAT blood screening solutions. In addition, we have increased our sales of automated immunohematology systems and reagents to hospital transfusion and blood centers in several markets. We also continue to grow our portfolio of clinical and diagnostic products in select areas, including autoimmunity and hemostasis, and have agreements to extend the number of antigens we manufacture for use in clinical and blood bank diagnostic tests.

Large and Growing Market Outlook Supported by Strong Fundamentals

According to the MRB, the global market for human plasma-derived products was worth an estimated €24.1 billion in 2018, representing a 3.9% increase from 2017 and a compound annual growth rate of 8.8% from 2000 to 2018. In 2018, IG was the leading product in the market, accounting for 49.5% of sales in the global plasma derivatives market (excluding recombinant proteins). In recent years, most market participants have been operating at close to full capacity and, according to the MRB and our internal estimates, demand growth for plasma derivatives products is expected to continue.

The plasma derivatives sector has experienced sustained growth over the past 25 years. Several factors, including historic consolidation and vertical integration, have contributed, and are expected to continue to contribute, to the growth of this sector, including limited supply of raw materials, a growing demand coming from developed countries as well as emerging markets improving access to healthcare, new indications and an increasing awareness and improved diagnoses among physicians of the conditions that plasma derivative products help treat.

We remain committed to seeking market leadership in high growth novel therapeutic areas.

Fully Integrated Business Model Across the Entire Transfusion Value Chain

We are a vertically integrated global producer of plasma derivatives. Our activities include sourcing raw material, manufacturing various plasma derivatives products and selling and distributing the final products to healthcare providers.

Through acquisitions and openings of new plasma collection centers, we have expanded our plasma collection network to 351 centers in the United States and Europe (Germany, Austria and Hungary) as of June 30, 2021, giving us reliable access to U.S.-sourced plasma. Our acquisitions, including, among others, the 2011 acquisition of 67 plasma collection centers from Talecris Biotherapeutics Holdings Corporation ("Talecris Biotherapeutics") and the 2018 acquisitions of Haema and Biotest US, have given us reliable access to U.S.-sourced plasma. Between 2016 and 2019, we purchased equity interests in the IBBI Group, one of the main private and independent plasma suppliers in the United States, including all equity interests in the IBBI Group's subsidiaries, PBS and Bio Blood. As a result of these transactions, we added 36 FDA-licensed centers (26 plasma collection centers and 10 whole blood donation centers). In 2018, we also obtained the rights to all plasma collected at an additional 24 plasma collection centers in the United States from Biotest US and 35 plasma collection centers in Germany from Haema.

In July 2020, we acquired 11 U.S. plasma collection centers from the South Korea-based GC Pharma (Group) ("GC Pharma") and, in February 2021, we acquired 25 U.S.-based plasma collection centers from BPL Plasma Inc ("BPL"). Upon completion of the Transactions, we expect to add another 26 plasma collection centers in Europe. We plan to reach approximately 520 approved plasma collection centers globally by 2026.

State-of-the-Art, FDA-Approved Manufacturing Facilities

We have state of the art plasma derivatives manufacturing facilities that are highly safe and efficient and that have European Medicines Agency ("EMA") certifications and FDA licenses. Our key plasma fractionation plants are:

- **Parets del Vallès, near Barcelona, Spain**: fractionation capacity of 5.0 million liters per year and features a unique design that separates the maintenance area from the clean areas required for the fractionation and purification procedures. This design, which was developed by us internally, minimizes the risk of contamination and reduces maintenance costs. Our currently licensed production processes for IVIG and albumin have been approved by the FDA as have the use of several intermediate pastes created as raw material.

- **Clayton (North Carolina)**: fractionation capacity of 13.9 million liters per year and one of the world's largest fully integrated facilities for plasma-derived therapies, including plasma receiving, fractionation, purification, filling/freeze drying and packaging capabilities, as well as freezer storage, testing laboratories and a cGMP pilot plant for clinical supply manufacture.

- **Los Angeles (California):** fractionation capacity of approximately 2.4 million liters per year.

In addition, pursuant to our July 2020 transaction with GC Pharma, we purchased a plasma fractionation facility and two purification facilities located in the city of Montreal, Canada. The Canadian facilities are currently in the process of obtaining needed licenses and regulatory approvals by competent health authorities for the manufacturing of plasma-derived products. When licensed and approved, we will become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 million liters annually. We plan to be ready to manufacture IVIG and albumin in the Canadian facilities to supply the Canadian market starting in 2023.

In addition, we are currently building an albumin purification and filling plant in Dublin that we expect will be in operation in 2022. The substantial investment required into facilities protects us from new competitors entering the market as the industry requires substantial yearly capex investment in order to cope with growing demand and therefore cash flow generation is dependent on the cycle of investment.

Following consummation of the Transactions, through Biotest we will have an additional fractionation capacity of 1.5 million liters annually, and an additional 1.4 million liters annually to become available by 2022. We plan to reach a fractionation capacity of approximately 28 million liters by 2026.

We believe that we are the only company providing integrated transfusion medicine solutions from donation to transfusion. Our portfolio provides us with market leading positions and full product offerings in blood screening markets. Through the acquisition from Hologic, Inc. ("Hologic") in 2017, we have enhanced our vertical integration and further promoted the development of new tests and screening routines for emerging viruses. The Hologic transaction is part of the consolidation and growth strategy envisaged for the Diagnostic division and has enabled us to continue strengthening our leadership position in transfusion medicine.

Clear Growth Strategy with Long-Term Growth supported by Global Expansion

We have a strong track record as an innovator in the industry. For example, we developed a unique fractionation design that reduces the risk of contamination and reduces maintenance costs while increasing the extraction of products per liter of plasma. We have also developed the first centrifugation unit for the automated cleaning of blood cells, In addition, we were one of the first fractionators to conduct double viral inactivation processes for Factor VIII and have designed and implemented a new process for the sterile filling of vials that reduces exposure to potential contaminants as compared to other existing processes. Further, we have developed a nanofiltration method of viral inactivation for our IVIG, AlPI, and ATIII products. As a result of our continuing investment in research and development, we believe that we are well positioned to continue as a leader in the plasma-derived therapies industry.

The Transfusion Medicine Business continues to enjoy a successful history of product innovation and commercialization, and our employees possess specific expertise and core competencies in the development and manufacturing of NAT assays and blood screening systems and in the supply of antigens to immunoassay companies. The infrastructure, processes and expertise of our employees has enabled the development of a growing range of marketed products and also helped in the development of potential new products. For example, in 2012, the Transfusion Medicine Business launched the Procleix Panther System, a fully integrated and automated NAT system for blood and plasma screening, allowing small to medium sized laboratories to improve workflow and operating efficiency. The instruments are based on proprietary TMA technology, which is typically more sensitive and therefore less cumbersome than PCR technology used by our competitors. The higher sensitivity shown by this TMA technology plays a crucial role in the portion of the blood screening market collected for fractionation.

The NAT Donor Screening Unit is engaged in research, development, manufacturing and commercialization of assays and instruments based on NAT technology for transfusion and transplantation screening. NAT technology makes it possible to detect the presence of infectious agents in blood and plasma donations, contributing to greater transfusion safety. Since the Hologic transaction, this business has continued to develop new tests and screening routines for emerging viruses, strengthening our leadership position in the transfusion medicine field.

Our continued focus on international expansion and acquisitions that generate operational synergies has been demonstrated by our numerous acquisitions, including:

- **Talecris Biotherapeutics (June 2011):** a U.S. based producer of plasma-derived protein therapies with an established presence in the United States and Canada.

- **Progenika (March 2013):** international expansion through a 60% equity interest in Progenika (as of July 2019 our participation reached 100%), a Spanish biotechnology firm headquartered in Bilbao, with operations in the United States, Europe and the Middle East.

- **Novartis Diagnostic Business (January 2014):** further reinforced our international operations, as it expanded our global portfolio of brands, patents and licenses and gained us the Emeryville facility and commercial offices in the United States, as well as additional commercial offices in Switzerland and Hong Kong.

- **Hologic's Share of its NAT Donor Screening Unit (January 2017):** acquired our former joint-business partner's NAT Donor Screening business, including a manufacturing facility in San Diego and development rights, product licenses and access to product manufacturers.

- **26.2% equity interest in Shanghai RAAS (March 2020):** became the largest shareholder in, and entered into a strategic alliance with, Shanghai RAAS, a leading Chinese company in the plasma derivatives sector. Pursuant to the strategic alliance, Shanghai RAAS will become our exclusive distributor of plasma-derived products and transfusional diagnostic solutions in China. This acquisition reinforces our global expansion strategy and commercial presence in China.

We have also demonstrated our capabilities to integrate products and technologies within our portfolio, including the following:

- **Kiro Grifols**: In 2014, we acquired 50% of the voting and economic interest in Kiro Grifols, S.L. (formerly known as Kiro Robotics S.L., "Kiro Grifols"), a Spanish technology company that develops, manufactures and sells machinery and equipment designed to automate or control critical hospital processes. In 2017, we acquired an additional 40% of Kiro Grifols share capital.

- **Alkahest**: In 2015, we acquired a 47.58% stake in Alkahest, a California biopharmaceutical company targeting neurodegenerative and age-related diseases with transformative therapies derived from a deep understanding of the plasma proteome in aging and disease. In October 2020, we acquired its remaining share capital.

- **GigaGen**: In 2017, we acquired a 43.96% equity stake in GigaGen Inc. ("GigaGen"), a U.S. biotechnology company specialized in the early discovery and development of recombinant biotherapeutic medicines. GigaGen's research focuses on discovering new biological treatments based on antibodies derived from millions of immune system cells obtained from donors. In March 2021, we acquired its remaining share capital.

- **Access Biologicals**: In January 2017, we acquired a 49% interest in Access Biologicals, a company based in Vista, California, that collects and manufactures an extensive biological and product portfolio.

- **Goetech**: in January 2018, we acquired a 51% interest in Goetech, LLC ("Goetech"), a U.S. technology firm based in Denver, Colorado, that develops and distributes web and mobile-based platforms for hospital pharmacies through the brand MedKeeper. In November 2020, we acquired its remaining share capital.

Strong Business Model with Attractive Cash Flow Generation

Our leading scale, diversification, favorable market positioning and focus on operational efficiency have enabled us to achieve attractive historical financial performances. In the year ended December 31, 2020, we generated net revenue of €5,340.0 million from a global and balanced geographical footprint with €3,599.7 million, or 67.4%, coming from the United States and Canada, €834.5 million, or 15.6%, from the European Union and €905.8 million, or 17.0%, from the rest of the world. In the six-month period ended June 30, 2021, we generated net revenue of €2,536.6 million from a global and balanced geographical footprint with €1,576.9 million, or 62.2%, coming from the United States and Canada, €452.5 million, or 17.8%, from the European Union and €507.2 million, or 20.0%, from the rest of the world. Our Published EBITDA margins have grown from 21% in 2011 to 26.5% for the twelve months ended June 30, 2021. In comparison to our peers, we believe that we are the most efficient player in terms of capex efficiency, which helps our ability to generate strong and consistent cash flow and has also enabled us to invest in our operations and pursue attractive growth opportunities.

Experienced and Committed Management Team

We have an experienced and committed management team with over 30 years of industry experience on average. In accordance with our succession plan, Víctor Grifols Roura, a grandson of our founder, resigned as Chief Executive Officer on January 1, 2017, staying on the board as non-executive Chairman. Effective the same date, Raimon Grifols Roura and Victor Grifols Deu became the co-Chief Executive Officers of the Company. The Vice President of Finance and CFO, Alfredo Arroyo, has been associated with Grifols for 14 years.

Our experienced and long-serving management team has a demonstrated ability to anticipate trends and successfully grow the business both organically and via acquisitions, with a focus on sustainable long term profit generation.

Strong Reputation for Safety and Reliable Services

Our philosophy is that the health of the plasma donor and the patient are the paramount considerations. We strongly believe that our safety philosophy is consistent with the business objective of generating profit. We also believe that we have a strong reputation for safety in our markets, thus making our products particularly attractive to customers. Our vertically integrated business model allows us to assure the safety and quality of our plasma derivative products through the implementation of our safety standards throughout the value chain. We have never experienced a recall of any batch of our finished biological products due to a safety risk, although in 2018 we voluntarily withdrew three lots of product. The first case was due to an error in which the adverse consequences for patients were not included in the packaging components. The other two cases were due to a reported rate of adverse drug reactions higher than usual.

We maintain rigorous safety standards that exceed those required by health authorities in Europe and the United States and actively invest in the continued improvement of our manufacturing facilities and plasma fractionation process. Measures include introducing innovative methods such as the Plasma Bottle Sampling™ system, which automatically prepares codes and labels test samples at the time of plasma donation. Additionally, we have developed a nanofiltration method of viral inactivation for our IVIG, A1PI and antithrombin III products which has further improved our health and safety standards.

We maintain standards consistent with other industry participants with regard to plasma safety, and are periodically certified by the Plasma Protein Therapeutics Association (PPTA) under the International Quality Plasma Program (IQPP) for plasma donation centers, and under the Quality Standards of Excellence, Assurance and Leadership Program (QSEAL) for fractionation plants. For example, source plasma inventory is held for not less than 60 days. Known as "inventory hold," this waiting period allows donors to return for a second donation. The results of the "hold sample" are verified against the new donation to reconfirm the absence of viruses and pathogens. We have also introduced innovative methods such as the PediGri™ On Line system, which provides full traceability of human plasma raw material throughout the plasma supply chain. This system allows the physician to track the origin of the fractionated product used on patients back to the source donor providing full traceability of plasmatic raw material throughout the plasma supply chain process. We believe we are the only player in the industry providing a tracking system for its products.

The manufacturing plants have been designed fulfilling the current GMP standards and applicable regulations for clean areas, and are designed to minimize clean areas as well as human intervention, with the objective of lowering the risk of contamination. The facilities are subject to a cleaning and sanitizing plan and to a corrective and preventive maintenance program. Periodically, we voluntarily shut down all of our manufacturing facilities to perform maintenance work, expansion projects and other capital investments. Our manufacturing facilities have never been shut down because of regulatory noncompliance while under our operation. We believe that our voluntary shutdown procedure lowers the risk of any mandatory shutdown.

As part of our commitment to quality, we provide ongoing training for our plasma professionals through the creation of the Grifols Academy (the "Academy"), which offers cutting edge training on the processes of plasma collection, handling, storage and testing. The Academy also provides a deeper understanding of human health, ethics and science as they relate to plasma collection and plasma products.

Furthermore, we require our management to adhere to a formal code of ethical conduct. By signing the formal code of ethical conduct, a manager commits to making our products the safest and most effective in the market. The code imposes an obligation on each manager to report any ethical concerns directly to the Board. Our high safety standards and reliability have helped us establish and maintain successful long term relationships with key customers and physicians worldwide. We believe that the strength of our reputation positions us favorably as we continue to expand our business.

Our Business Strategy

We believe that the breadth and quality of our products makes us one of the world's leading providers of plasma derivative products. Our objective is to consolidate and expand this leadership position by employing the following strategies:

Increase Collection of Source Plasma and Fractionation Capacity

United States plasma is the principal raw material for our plasma derivatives products and it can be used in plasma derivative products sold in most markets. Our plasma is obtained mainly from the United States through our

network of 296 FDA licensed plasma collection centers in the United States as of June 30, 2021. We believe that a large network of plasma collection centers is the best approach to secure access to raw materials.

Historically, to achieve this goal, we have strategically targeted and acquired collection centers, including 67 centers from our acquisition of Talecris Biotherapeutics in 2011. Since the acquisition of Talecris Biotherapeutics, our strategy has been to expand and relocate our existing centers in order to collect more plasma more efficiently. In June 2018, we completed the acquisition of Haema, a German based pharmaceutical company that owns 35 collection centers throughout Germany. In August 2018, we completed the acquisition of Biotest US, a U.S. based pharmaceutical company that owns 24 plasma collection centers. Although we sold our 100% stake in Haema and Biotest US in December 2018 to Scranton Enterprises to reinforce our financial structure, we continue to operate the companies' plasma collection centers and have access the collected plasma through a 30-year plasma supply agreement with each of Haema and Biotest US. In July 2020, we acquired 11 U.S. plasma collection centers from GC Pharma and in February 2021, we acquired 25 U.S.-based plasma collection centers from BPL. These strategic acquisitions allowed us to increase our number of plasma collection centers from 150 in 2014 to 351 as of June 30, 2021. Upon consummation of the Transactions, we expect to add another 26 plasma collection centers in Europe.

We intend to continue to focus on expanding our collection platform and relocating our existing centers and plan to reach 520 approved plasma collection centers by 2026 globally.

We are undertaking an investment plan that involves among other investments, cumulative industrial capital investments to expand the manufacturing capacities of the Bioscience division as part of our €1.4 billion 2018-2022 capital expenditure plan. We completed in 2021 construction of a new fractionation plant in Clayton with an incremental 6 million liters capacity per year. Under our capacity expansion program, we increased our fractionation capacity from 15 million liters per year to approximately 21 million liters per year in 2021.

In addition, in July 2020 we purchased from GC Pharma a plasma fractionation facility and two purification facilities located in the city of Montreal, Canada. The Canadian facilities are currently in the process of obtaining needed licenses and regulatory approvals by competent health authorities for the manufacturing of plasma-derived products. When licensed and approved, we will become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 million liters annually. We plan to be ready to manufacture IVIG and albumin in the Canadian facilities to supply the Canadian market starting in 2023.

Further Enhance Our Global Presence

Geographical diversification is a cornerstone to our strategy. We currently operate in over 100 countries through distributors and subsidiaries in over 30 countries. The United States is the largest sales region in the world for plasma derivative products. For the six-month period ended June 30, 2021 and the year ended December 31, 2020, the United States and Canada accounted for 62.2% and 67.4% of our total net revenue, respectively.

Certain sales regions, particularly in emerging markets, continue to experience continuous growth, driven by enhanced socioeconomic conditions and more informed patients who are demanding better quality medical care, as well as increasing government healthcare spending on plasma derivative products. These emerging markets are expected to experience significant growth. Our presence and experience in Latin America, in countries such as Mexico, Colombia, Argentina, Chile and Brazil, where we have been marketing and selling products for over 20 years, has positioned us to benefit from this additional growth in both our Bioscience and Diagnostic divisions. In the Asia-Pacific region, we have established a presence through our subsidiaries and representative offices in Malaysia, China, Thailand, Singapore, Australia, Japan, India, Hong Kong, Taiwan and Indonesia. We have also opened a Middle Eastern representative office in Dubai.

Our continued focus on international expansion and acquisitions that generate operational synergies has been demonstrated by our prior acquisitions, including Talecris Biotherapeutics, Progenika, the diagnostic business of the Novartis Corporation ("Novartis") and Hologic's NAT donor screening business. In addition:

- In June 2018, we completed the acquisition of Haema, a German based pharmaceutical company that owns 35 collection centers throughout Germany, while in August 2018, we completed the acquisition of Biotest US, a U.S. based pharmaceutical company that owns 24 plasma collection centers.

- In March 2020, we acquired a 26.2% equity interest in Shanghai RAAS, a leading Chinese company in the plasma derivatives sector. Shanghai RAAS is our exclusive distributor of plasma-derived products and transfusional diagnostic solutions in China.

- In October 2020, we purchased a plasma fractionation facility and two purification facilities in Montreal, Canada. When these facilities are licensed and approved, we will become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 million liters annually. We plan to be ready to manufacture IVIG and albumin in the Canadian facilities to supply the Canadian market starting in 2023.

- In November 2020, we executed a binding master joint venture agreement (the "NSPO JV Agreement") with Egypt-based based National Service Projects Organization ("NSPO"), whereby the joint venture company Grifols Egypt for Plasma Derivatives (S.A.E.) ("Grifols Egypt") was incorporated and will develop and construct 20 plasma collection centers throughout Egypt and will be capable of initially collecting approximately 600,000 liters of plasma annually, a fractionation facility with an annual fractionation capacity of up to one million liters of plasma, a purification and fill & finish facility, a warehouse and an analysis laboratory.

- In September 2021, we entered into an Acquisition Agreement to acquire all of the existing equity interest in Holdings and to accept an assignment from TIIL of certain shareholder loans granted by TIIL to Holdings. Holdings in turn owns 89.88% of the ordinary shares and 1.08% of the preferred equity shares of Biotest, a global company that supplies plasma protein products and biotherapeutic drugs, which we expect will give us access to 26 additional plasma collection centers. See "Summary—Recent Developments—The Acquisition," and "The Transactions."

These acquisitions reinforce our global expansion strategy. We will continue to selectively consider acquisitions that would further enhance our operations and complement our portfolio of products.

Continue Investment in Research and Development and Innovation

Research and development is a significant aspect of our business. Our efforts are focused on three key areas:

- discovering and developing new products;

- researching new applications for existing products; and

- improving our manufacturing processes to increase yields, safety and efficiency.

In recent years, we have increased our investment in research and development, both directly and through collaborations with our associated companies, such as Alkahest and GigaGen, among others. Our research and development teams are working to develop the possible use of albumin in treating Alzheimer's disease. We completed the AMBAR trial and published top-line results in 2018. The trial was approved by both Spanish Agency for Medicine and Health Products (Agencia Española del Medicamento y Productos Sanitarios) and the FDA. The AMBAR trial demonstrated a significant reduction in the progression of the disease in moderate Alzheimer's patients. A Phase II clinical trial was completed to evaluate the safety and pharmacokinetics of the liquid formulation of alpha 1 antitrypsin for patients with pulmonary emphysema caused by alpha 1 deficiency, and the license request was filed with the FDA in late 2016. In September 2017, the FDA approved our liquid formulation of A1PI (Prolastin®-C Liquid) as a chronic augmentation and maintenance therapy to treat emphysema related to severe hereditary A1PI deficiency. During 2016, the Grifols IVIG (Gamunex C) obtained FDA orphan drug status for Myasthenia Gravis. Currently, there are two ongoing trials in Phase II and III with IVIG for acute and maintenance treatment of Myasthenia Gravis. We received FDA approval for our 20% subcutaneous immunoglobin product, Xembify®, in July 2019 and are planning to launch it in the United States in the last quarter of 2019. In 2021, our treatment for alpha-1 antitrypsin deficiency (Alpha-1), a genetic condition that may result in chronic lung disease in adults, has been approved for the Japanese market by Japan's Ministry of Health, Labour and Welfare. The therapy will be commercialized under the name Lynspad™ (Prolastin-C® in other markets).

We spent €969.4 million from January 1, 2018 through June 30, 2021 on research and development. As of June 30, 2021, we had 1,092 scientists and support staff dedicated to research and development.

We believe there is significant growth potential from the extraction of additional proteins from blood plasma, with only approximately 20 of the more than 100 proteins in blood plasma currently capable of being successfully extracted. Our continued investment in R&D aims to unlock this upside for the benefit of our customers.

Expand Our Product Offerings and become a Leader in the Diagnostic Field

Our research and development team, whose activities are primarily concentrated on the Bioscience division, will continue to seek to develop new plasma derivative products as well as new applications for our existing plasma derivative products. We seek to leverage our plasma derivative product portfolio by offering diagnostic and hospital products developed by our research and development team or by premier healthcare companies with which we maintain distribution agreements. We believe that by increasing the number of products we offer, we can generate higher revenue, diversify our product base and facilitate our entry into new markets. In addition, we also believe that a one stop shopping approach that offers a broader range of complementary, high quality products is particularly attractive to our existing and potential customers.

The Hologic transaction is part of the consolidation and growth strategy envisaged for the Diagnostic division and has enabled us to continue strengthening our leadership position in transfusion medicine. The Hologic transaction further promoted the development of new tests and screening routines for emerging viruses.

In the last decade, we have successfully expanded our Diagnostics product portfolio globally and today we have a comprehensive line of reagents, instruments and technologies for immunohematology typing and blood transfusion. The acquisition of the diagnostics business of Novartis (the "Novartis Acquisition") contributed to the expansion of our immunohematology line into the United States.

The Novartis Acquisition also enabled us to offer a full range of products to the blood screening market, expanding our portfolio of diagnostic products for transfusion medicine and immunology, with the addition of the Novartis diagnostic business' market leading NAT technology, instrumentation and equipment for blood screening, specific software and reagents, as well as with manufacturing capabilities to supply antigens to immunoassay companies. The assets acquired included patents, brands, licenses and royalties, together with the production plant at Emeryville (California, United States) and commercial offices in United States, Switzerland and Hong Kong (for the Asia Pacific region) among others. The Novartis Acquisition strengthened our Diagnostic division, particularly in the United States, with a market leading and specialized commercial organization and further diversified our business.

Plasma Industry Overview

Plasma derivatives are proteins that are found in human plasma. Once isolated and purified, they have therapeutic value in a number of rare, chronic and life-threatening diseases such as immunological deficiencies, chronic cirrhosis and alpha 1-anti-trypsin deficiency. Plasma, a liquid that accounts for approximately 55% of blood, is obtained after separation via centrifugation of red blood cells, white blood cells and platelets. Proteins are the key component of plasma, accounting for 7% of plasma's composition (water accounts for 90% of plasma's composition). The main proteins found in plasma are albumin, which accounts for 60% of plasma volume, alpha (used to produce alpha-1) and beta globulins, which account for 21%, immunoglobulins (used to produce IVIG), which account for 15%, coagulation factors, which account for 1%, and other proteins, which account for the remaining 3%. There are hundreds of proteins present in plasma, however, only a handful of these proteins have so far been developed for therapeutic applications.

According to the MRB, the human plasma-derived products industry has demonstrated revenue growth at a compound annual rate of approximately 8.8% from 2000 to 2018, with estimated worldwide sales of $24.1 billion in 2018. Sales in North America have grown at a compound annual rate of approximately 10.6% from 2008 through 2018, with sales of $11.9 billion in 2018, representing a 11.2% increase over 2017, according to the MRB. The industry has experienced consistent worldwide growth in demand, driven by increased volume and moderate price increases. Demand for plasma derivatives has grown substantially through active management of disease, the discovery of new therapeutic applications, better diagnoses of the conditions treated with plasma-derived proteins, the development of new products and the increase in prophylactic use. According to the MRB, the two main regions for sale of plasma derivatives in 2018 were the United States and Canada and Asia Pacific, which together represented 71.1% of global sales of plasma-derived therapies. Based on our internal estimates and other external data, these areas continue to concentrate the largest share of global plasma-derived protein sales.

The policy of the World Health Organization and many European jurisdictions is based on a recommendation that blood and its derivatives be obtained from voluntary, altruistic donors. Payment to donors is prohibited in most European countries; however, the United States permits payment to donors. Because of this limitation, most European countries are unable to meet their supply requirements and rely on the U.S. paid donations to fill the supply gap. In 2018, the United States supplied approximately 49% of the world's plasma. Effectively, the United States only permits the sale of plasma derivative products that have been manufactured with plasma collected in the United States. In addition,

plasma collected in the United States can be used in plasma derivative products sold in most world markets, whereas plasma collected in Europe is generally used only in the country where it is obtained.

Recent Developments

The Biomat Transactions

On June 30, 2021, the Company announced that it had entered into a definitive stock purchase agreement among Biomat USA, Biomat Newco Corp. ("Newco"), Biomat Holdco, LLC ("Holdco"), Grifols Shared Services North America, Inc., Epsom Investment PTE. Ltd. and the Company (the "SPA") pursuant to which Epsom Investment PTE. Ltd. (the "GIC Investor"), an affiliate of GIC Private Limited, which is a sovereign wealth fund established by the Government of Singapore, will invest $990 million in the Company's wholly-owned US subsidiary Biomat USA. As part of the transaction, the GIC Investor will become a strategic investor in the Company's business, holding a minority stake in Biomat USA through the acquisition of newly issued non-voting stock with certain preferential rights in Biomat USA (the "Biomat Class B Common Stock") and its holding company Newco (the "Newco Class B Common Stock" and, together with the Biomat Class B Common Stock, the "Biomat Class B Equity Interests") (such transactions, together with the arrangements contemplated in the SPA, the "Biomat Transactions"). The Biomat Class B Equity Interests will be issued pursuant to the charter documents of Biomat USA and Newco as amended on the closing date of the Biomat Transactions (the "amended charter documents").

The consummation of the Biomat Transactions is subject to certain customary closing conditions, including applicable regulatory authorizations, such as from CFIUS, and consents from holders of the Unsecured Notes and the Secured Notes and the lenders under the First Lien Credit Facilities and the EIB Term Loans. The consents from such holders and lenders have been obtained. See "Description of Indebtedness." The outside date for closing the Biomat Transactions is December 15, 2021; provided, that if on such date the only condition remaining to be satisfied (other than conditions which, by their nature, are to be satisfied at the closing) is CFIUS approval, then the outside date will automatically be extended to March 15, 2022.

Upon successful closing of the Biomat Transactions, we will own 76.2% and the GIC Investor will own 23.8%, respectively, of the Biomat Group. Subject to certain minority shareholder remedies in the charters applicable to the Class B Common Stock, we will continue to oversee all aspects of the Biomat Group's management and operations. All plasma collected by the Biomat Group will continue to be supplied to us for the production of plasma-derived medicines, through a long-term plasma supply agreement.

We intend to use the net proceeds (expected to be $990 million, less related costs and expenses) from the Biomat Transactions to first repay outstanding revolving loans under the First Lien Credit Facilities in a maximum aggregate amount of $600 million and to use the remainder of the net proceeds on a pro rata basis, (i) to repay outstanding term loans under the First Lien Credit Facilities and (ii) conduct an asset sale offer to holders of the Secured Notes in accordance with the terms of its indenture. If holders of the Secured Notes do not tender an amount equal to or in excess of the amount offered to be repurchased pursuant to the asset sale offer, any of the amount remaining after consummation of an asset sale offer will be offered to repay an additional amount of outstanding term loans under the First Lien Credit Facilities.

The Acquisition

On September 17, 2021, Grifols and TIIL entered into the Acquisition Agreement, pursuant to which Grifols agreed, on the terms and conditions set forth therein, to acquire from TIIL all of the existing equity interests owned by such company in Holdings, a German privately held stock corporation, and to accept an assignment from TIIL of certain shareholder loans granted by TIIL to Holdings. Holdings in turn owns 89.88% of the ordinary shares and 1.08% of the preferred equity shares of Biotest, a German stock corporation listed on the Frankfurt Stock Exchange that has a global presence supplying plasma protein products and biotherapeutic drugs primarily used in the therapeutic areas of clinical immunology, haematology and intensive care medicine. The purchase price for the acquisition of Holdings and the assignment of the shareholder loans is up to approximately €1,086,000,000 (subject to certain adjustments at and following the closing).

The Acquisition is not subject to a financing condition, but is subject to other customary conditions, including merger control clearances by the relevant authorities in the relevant jurisdictions. In addition, Grifols has agreed to make a voluntary tender offer to all remaining shareholders of Biotest to acquire their ordinary shares at a price of €43.00 per share and their preferred shares at a price of €37.00 per share. The consummation of the tender offer will be conditioned on the same merger control clearances required for the Acquisition. If all remaining shareholders of Biotest

were to tender their shares in the tender offer, the aggregate additional purchase price would be €810,216,215. We intend to launch the tender offer promptly. The tender offer must remain open for at least four weeks or 20 U.S. business days, whichever is longer. The Acquisition is expected to close in the first half of 2022. See "Use of Proceeds."

The Acquisition Agreement contains representations, warranties and covenants of the parties that are customary for transactions of this type, including covenants which apply during the period pending completion of the Acquisition. Grifols is required to endeavor best efforts to procure the satisfaction of the merger control clearance conditions as soon as possible. The Acquisition Agreement contains indemnification provisions that are customary for transactions of this type, as well as specific indemnification provisions in respect of liabilities that may remain binding on Holdings upon consummation of the Acquisition. The parties are required to use their respective reasonable best efforts to take, or cause to be taken, all actions necessary, proper or advisable to consummate the Acquisition as promptly as practicable.

The Acquisition Agreement contains certain termination rights customary for a transaction of this type, including if completion has not occurred on or before the Escrow Outside Date, or if there is a breach of certain specified fundamental warranties which would give rise to a liability in excess of a certain threshold determined in the Acquisition Agreement.

The net proceeds of this offering, together with cash on hand, will be used to finance Grifols' obligations under the Acquisition Agreement and the tender offer for the remaining ordinary shares and preferred equity shares of Biotest, including the fees and expenses incurred in connection with the Transactions. See "Use of Proceeds."

This offering is not conditioned upon the closing of the Acquisition. The gross proceeds of this offering will be funded into escrow and, upon release of the funds from escrow, the proceeds from this offering will be used to fund an interest payment to the extent one arises prior to the Acquisition Escrow Release Date and otherwise will fund a portion of the Transactions as set forth below or, if applicable, will be used to fund the Special Mandatory Redemption as described herein. See "—Escrow."

Historically, Grifols has grown through organic and inorganic efforts to increase its global footprint, including its plasma centers' network. The Acquisition is aligned with the Company's strategy to strengthen its plasma-derived therapeutics pipeline while expanding its plasma sourcing and diversifying its footprint in Europe, Middle East and Africa ("EMEA"). Upon completion of the Transactions, Grifols is expected to gain access to 26 additional plasma collection centers, an additional fractionation capacity of 1.5 million liters annually (with another 1.4 million liters annually expected to become available by 2022) and also expand its pipeline with 5 new products targeting 7 indications, expected to launch between 2022 and 2025. For more information on the rationale of the Acquisition and on Biotest, see "The Transactions."

When used herein, "Transactions" refers to the Acquisition and the related tender offer.

Escrow

The Escrow Issuer will enter into an escrow agreement relating to the notes (the "Escrow Agreement") with The Bank of New York Mellon, as escrow agent (the "Escrow Agent"), and BNY Mellon Corporate Trustee Services Limited, as trustee for each series of notes, pursuant to which the Escrow Issuer will deposit (or cause to be deposited) an amount equal to the gross proceeds of each series of notes offered hereby into a segregated escrow account for the applicable series of notes until the conditions to release of the property in the escrow accounts are satisfied. The property in each escrow account will be pledged as security for the benefit of the holders of the applicable series of notes. If, among other things, the Acquisition is not consummated on or prior to the Outside Date, the Escrow Issuer will redeem, on the Special Mandatory Redemption Date (as defined in this offering memorandum) in accordance with the terms of the indentures that will govern the notes, all of the outstanding notes at the applicable Special Mandatory Redemption Price (the "Special Mandatory Redemption"). Grifols will commit on or prior to the date of the consummation of this offering to, in the event of a Special Mandatory Redemption, capitalize the Escrow Issuer in an amount equal to the difference between the amounts in each Escrow Account that are available to be applied to redeem the applicable series of notes pursuant to the Special Mandatory Redemption and the Special Mandatory Redemption Price.See "Description of Notes—Escrow of Proceeds; Special Mandatory Redemption."

In addition, on or prior to the Acquisition Escrow Release Date, the Escrow Issuer may use a portion of the gross proceeds in the relevant Escrow Account in order to (i) fund an interest payment on the euro notes and dollar notes and (ii) at its option, redeem up to €500 million aggregate principal amount of euro notes and/or dollar notes at a price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, and without the payment of any "make-whole" premium, subject to certain terms and conditions and in

accordance with the procedures set forth in the indenture. See "Description of Notes—Optional Redemption," "Risk Factors—Risks Related to Escrow—We may make interest payments with Escrowed Property" and "Risk Factors—Risks Related to the Notes—On or prior to the Acquisition Escrow Release Date, we may redeem up to €500 million of the notes during the 'non-call' period without payment of any "make-whole" premium, which will adversely affect your return." Furthermore, to the extent the VTO is to be consummated prior to the Acquisition, we may release escrowed proceeds in order to consummate the VTO prior to release of funds to consummate the Acquisition.

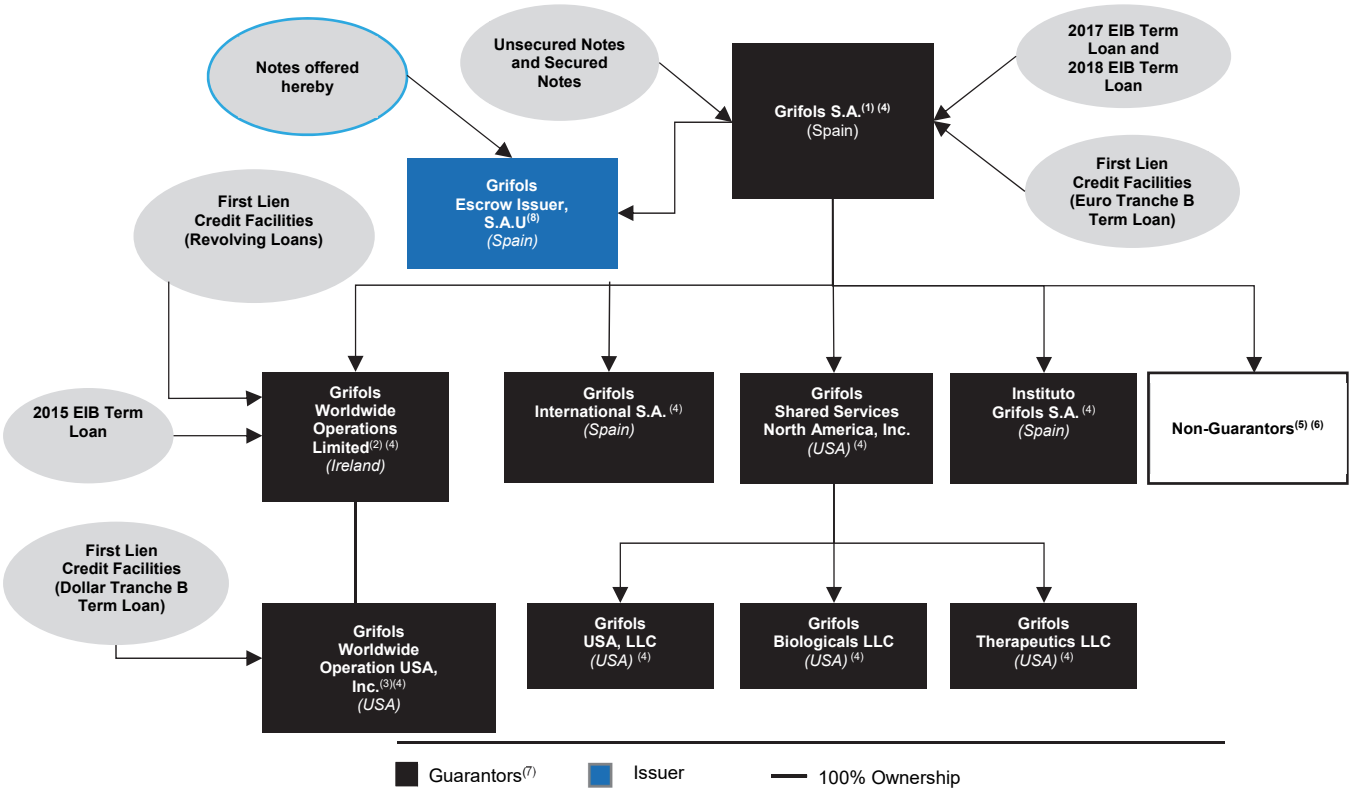
The Escrow Issuer

The Escrow Issuer is a corporation incorporated under the laws of the Kingdom of Spain on April 12, 2021 under the name "Tenser Trade, S.A." The Escrow Issuer is a special-purpose vehicle, and was acquired by Grifols, having its name changed to Grifols Escrow Issuer, S.A.U., in August 2021 solely for the purpose of issuing the notes offered hereby and in connection with the Acquisition. No separate financial information has been provided in this offering memorandum for the Escrow Issuer because it does not conduct any operations and has no material assets.

The Escrow Issuer is registered with the Registro Mercantil de Barcelona at folio 40, volume 47801, page n° B-562627 and its Spanish tax ID number is A05347927. The Escrow Issuer's registered address is at Avinguda de la Generalitat, 152 158, Parc de Negocis Can Sant Joan, Sant Cugat del Vallès, 08174, Barcelona, Spain.

Corporate Structure

The diagram below depicts, in simplified form, our corporate and financing structure on the issue date of the notes.



(1) Grifols is the borrower under the Euro Tranche B Term Loan, 2017 EIB Term Loan and 2018 EIB Term Loan, as well as being the issuer of the Secured Notes and the Unsecured Notes. In addition, upon consummation of the Transactions, Holdings will become a directly wholly-owned subsidiary of Grifols, with Biotest as a direct subsidiary of Holdings. See "The Transactions."

(2) Grifols Worldwide Operations Limited ("GWWO") is the borrower under the Revolving Loans and the 2015 EIB Term Loan.

(3) Grifols Worldwide Operations USA, Inc. is the borrower under the Dollar Tranche B Term Loan.

(4) The subsidiaries of Grifols that are guarantors and/or borrowers under the First Lien Credit Facilities unconditionally guarantee the Unsecured Notes, the Secured Notes and the EIB Term Loans on a senior basis. See "Description of Indebtedness."

(5) Our Non-Guarantor subsidiaries (including Biomat USA and Talecris) represented €409.3 million or 30.9% of our Published EBITDA, defined as profit after income tax from continuing operations, plus financial result, plus share of profit (loss) of equity-accounted investees, plus income tax expense and amortization and depreciation, for the year ended December 31, 2020 and €149.0 million, or 23.5% of our Published EBITDA for the six-month period ended June 30, 2021.

(6) Upon completion of the Biomat Transactions, the GIC Investor will hold a minority stake in Biomat USA and its parent company Newco, two of the non-guarantor subsidiaries. See "—Recent Developments—The Biomat Transactions" above.

(7) The notes being offered by this offering memorandum will only be guaranteed by the guarantors mentioned in this chart following the Acquisition Escrow Release Date. In addition, following the Transformation, Holdings will also become a guarantor of the notes. See "Description of Notes—Guarantees."

(8) Upon the Escrow Issuer Merger, the Escrow Issuer will merge with and into Grifols and cease to exist and Grifols will assume all obligations under the notes offered hereby and the indenture.

THE OFFERING

The summary below describes the principal terms of each series of notes and related guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the notes and guarantees.

Issuer	Prior to the consummation of the Acquisition, the Escrow Issuer will issue the notes offered hereby and, within 15 months from the Acquisition Escrow Release Date, the Escrow Issuer will merge with and into the Company, with the Company as the surviving entity (the "Escrow Issuer Merger"). From and after the Escrow Issuer Merger, pursuant to a supplemental indenture with the trustee, the Company will assume all obligations of the Escrow Issuer under the notes and the indenture and the Escrow Issuer will cease to exist.
Securities Offered:	
Euro Notes	€1,400,000,000 aggregate principal amount of 3.875% Senior Notes due 2028.
Dollar Notes	$705,000,000 aggregate principal amount of 4.750% Senior Notes due 2028.
Maturity Date:	
Euro Notes	October 15, 2028.
Dollar Notes	October 15, 2028.
Interest:	
Euro Notes	Interest on the euro notes will accrue at a rate of 3.875% per annum, payable semi-annually in cash in arrears on April 15 and October 15 of each year, commencing on April 15, 2022. Interest will accrue from October 5, 2021.
Dollar Notes	Interest on the dollar notes will accrue at a rate of 4.750% per annum, payable semi-annually in cash in arrears on April 15 and October 15 of each year, commencing on April 15, 2022. Interest will accrue from October 5, 2021.
Guarantees	Prior to the Acquisition Escrow Release Date, the notes will be solely obligations of the Escrow Issuer and will not be guaranteed and will not otherwise be the beneficiary of any credit support from the Company or any of its subsidiaries. The notes will be secured by a first priority security interest in the applicable Escrow Account and Escrowed Property. From and after the Acquisition Escrow Release Date: • each of the Company (until the Escrow Issuer Merger) and the Company's existing and future restricted subsidiaries will guarantee the notes on a senior unsecured basis to the extent such subsidiaries guarantee our First Lien Credit Facilities (as defined herein) or certain of our other indebtedness. See "Description of Notes—Guarantees." • the notes and the note guarantees will be unsecured and will be effectively subordinated to all of our existing and future secured indebtedness, including indebtedness under our First Lien Credit Facilities, the EIB Term Loans and our Secured Notes (as defined

herein), to the extent of the value of the assets securing such indebtedness.

- the notes and the note guarantees will be structurally subordinated to all of the indebtedness, preferred stock and other liabilities of any of our subsidiaries that do not guarantee the notes, including from and after the Acquisition Escrow Release Date and prior to the Transformation, Holdings (who will otherwise guarantee our First Lien Credit Facilities, EIB Term Loans, Secured Notes and Unsecured Notes from the Acquisition Escrow Release Date) and after the Biomat Transactions Consummation Date, the Biomat Class B Equity Interests.

- The guarantees are subject to release under specified circumstances.

As of June 30, 2021, on an as adjusted basis after giving effect to the Transactions and the use of proceeds therefrom as described under "Use of Proceeds," the Company and its subsidiaries on a consolidated basis would have had approximately €8.9 billion of indebtedness outstanding (including these notes offered hereby), of which approximately €5.6 billion would have been secured indebtedness (excluding approximately €308 million undrawn revolving commitments under the First Lien Credit Facilities).

The Company's subsidiaries which are non-guarantors (including Biomat USA and Talecris) represented:

- €149.0 million, or 23.5% of our Published EBITDA, and €54.2 million, or 17.9% of our profit after income tax from continuing operations, and €842.4 million, or 33.2% of our total net revenue for the six-month period ended June 30, 2021,

- €409.3 million, or 30.9% of our Published EBITDA, and €195.3 million, or 27.5% of our profit after income tax from continuing operations, and €1,613.0 million, or 30.2% of our total net revenue for the year ended December 31, 2020,

- €7,265.1 million, or 44.8% of our total assets, and €1,462.1 million, or 15.8% of our total liabilities at June 30, 2021, and

- €6,608.6 million, or 43.3% of our total assets, and €1,462.0 million, or 17.1% of our total liabilities at December 31, 2020.

Upon completion of the Biomat Transactions, the Company will use the proceeds net proceeds $990 million, less expenses of the Biomat Transactions, to repay or redeem senior secured indebtedness. There can be no assurance that the Biomat Transactions will be completed.

Ranking ..... Prior to the Acquisition Escrow Release Date, the notes will be solely obligations of the Escrow Issuer and will not be guaranteed and will not otherwise be the beneficiary of any credit support from the Company or any of its subsidiaries.

From and after the Acquisition Escrow Release Date, the notes will be general unsecured obligations of the Escrow Issuer, the Escrow Issuer will have no other indebtedness, and the notes will be unconditionally guaranteed by the Company and each of the Company's subsidiaries that guarantee the First Lien Credit Facilities (other than Biomat USA and

Talecris to the extent the Acquisition Escrow Release Date occurs prior to the Biomat Transactions Consummation Date or Holdings prior to the Transformation), and will be structurally subordinated in right of payment to all existing and future indebtedness, preferred stock and other liabilities (including trade payables) of any non-guarantor subsidiaries of Grifols, including from and after the Acquisition Escrow Release Date and prior to the Transformation, Holdings (who will from the Acquisition Escrow Release Date guarantee our First Lien Credit Facilities, EIB Term Loans, Secured Notes and Unsecured Notes), and from and after the Biomat Transactions Consummation Date, the Biomat Class B Equity Interests.

From and after the Escrow Issuer Merger, the notes and the note guarantees will be our and the guarantors' senior unsecured obligations and will:

- rank senior in right of payment to any of the Company and the other guarantors' existing and future subordinated indebtedness;
- rank pari passu in right of payment with all existing and future senior indebtedness of the Company and the other guarantors (that do not have preferential status);
- be effectively subordinated to all existing and future secured indebtedness of the Company and the other guarantors, including indebtedness under the First Lien Credit Facilities, the Secured Notes and the EIB Term Loans to the extent of the value of the assets securing such indebtedness; and
- be structurally subordinated in right of payment to all existing and future indebtedness, preferred stock and other liabilities (including trade payables) of any non-guarantor subsidiaries of the Company, including from and after the Acquisition Escrow Release Date and prior to the Transformation, Holdings (who will from the Acquisition Escrow Release Date guarantee our First Lien Credit Facilities, EIB Term Loans, Secured Notes and Unsecured Notes), and from and after the Biomat Transactions Consummation Date, the Biomat Class B Equity Interests.

As of June 30, 2021, on an as adjusted basis after giving effect to the Transactions and the use of proceeds therefrom as described under "Use of Proceeds," the Company and the other guarantors (which does not include Biomat USA and Talecris or Holdings) collectively would have had €4,975 million of secured indebtedness outstanding, and €833 million of availability under the Revolving Credit Facility (excluding €29 million of outstanding letters of credit), all of which would have ranked effectively senior to the notes offered hereby. We also can incur additional secured indebtedness if certain specified conditions are met under our First Lien Credit Facilities and the indenture that will govern the notes offered hereby.

Escrow of Proceeds; Special Mandatory Redemption.....

This offering will be consummated prior to the consummation of the Acquisition. The Escrow Issuer will execute and deliver an Escrow Agreement and will deposit, or cause to be deposited, for the benefit of the holders of each series of notes, the gross proceeds from this offering of each series of notes into the applicable Escrow Account. The Escrow Issuer will grant to the Trustee, for its benefit and the benefit of the holders of the notes, a first-priority security interest in the applicable Escrow Account for the notes and all amounts on deposit therein to secure the obligations under the notes pending disbursement from such Escrow

Account as further described under the heading "Description of Notes—Escrow of Proceeds; Special Mandatory Redemption."

The release of escrow proceeds to the Escrow Issuer and the Company to consummate the Acquisition will be subject to the satisfaction of certain conditions, including the closing of the Acquisition on the same day as the release of such escrowed funds. The consummation of the Acquisition is subject to certain conditions, including regulatory approval. If the Acquisition is not consummated on or prior to the Escrow Outside Date, or upon the occurrence of certain other events, the escrow proceeds of each series of notes will not be released to the Escrow Issuer and the Company to consummate the Acquisition but instead will be released to the trustee under the indenture for the purpose of redeeming each series of outstanding notes pursuant to a special mandatory redemption in accordance with the procedures set forth therein. The special mandatory redemption price of each series of notes will be a price equal to 100.000% of the initial issue price of such series of notes plus accrued and unpaid interest from the issue date of the notes (or, if an interest payment has been made since the issue date of the notes, from the date of such interest payment) to, but not including, the special mandatory redemption date. Additional cash in respect of interest that would accrue on each series of notes from and after the issue date of the notes will not be pre-funded into the applicable Escrow Account on the issue date of the notes. In the event that the Escrow Issuer is required to make an interest payment on either series of notes prior to the Acquisition Escrow Release Date, the Escrow Issuer will pay such interest payment with escrowed proceeds from the Escrow Accounts.

Furthermore, the Escrow Issuer may, at its option, redeem up to €500 million aggregate principal amount of notes at a price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, and without the payment of any "make-whole" premium, subject to certain terms and conditions and in accordance with the procedures set forth in the indenture. See "Description of Notes—Optional Redemption." The Company will commit on or prior to the date of the consummation of this offering, in the event of a special mandatory redemption, to capitalize the Escrow Issuer in an amount equal to the difference between the amounts in each Escrow Account that are available to be applied to redeem the applicable series of notes pursuant to the special mandatory redemption and the special mandatory redemption price of such notes. See "Description of Notes—Escrow of Proceeds; Special Mandatory Redemption" and "Risk Factors—Risks Related to Escrow—We may make interest payments with Escrowed Property." In addition to the extent the VTO is to be consummated prior to the Acquisition, we may release escrowed proceeds in order to consummate the VTO.

Optional Redemption..... On or prior to the Acquisition Escrow Release Date, and following the expiration of all acceptance periods related to the VTO, the Escrow Issuer may at its option instruct the Escrow Agent to release escrowed proceeds to the Trustee in order to redeem an aggregate principal amount of notes in an amount not to exceed the lesser of (i) (x) the product of the number of Biotest untendered preferred shares multiplied by a price per share of €37.00 per share plus (y) the product of the number of Biotest untendered ordinary shares multiplied by a price per share of €43.00 (in each case, other than those held by Holdings) and (ii) €500 million, at a price equal to 100% of the principal amount of such series of such notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, and without the payment of any "make-whole" premium provided that no less

	than $500 million dollar notes and no less than €500 million euro notes remain outstanding following such Capped Redemption. See "Description of Notes—Optional Redemption—Capped Redemption."
	We may redeem some or all of the euro notes from and after the Escrow Issuer Merger and on or prior to October 15, 2024 at a redemption price equal to 100% of the principal amount of the euro notes redeemed, plus accrued and unpaid interest on such euro notes, if any, to, but not including, the redemption date, plus a "make-whole premium," as described under "Description of Notes—Optional Redemption." At any time after October 15, 2024, we may redeem some or all the euro notes at the applicable redemption prices described under "Description of Notes—Optional Redemption," plus accrued and unpaid interest on such notes, if any, to, but not including, the redemption date.
	We may redeem some or all of the dollar notes from and after the Escrow Issuer Merger and on or prior to October 15, 2024 at a redemption price equal to 100% of the principal amount of the dollar notes redeemed, plus accrued and unpaid interest on such dollar notes, if any, to, but not including, the redemption date, plus a "make-whole premium," as described under "Description of Notes—Optional Redemption." At any time after October 15, 2024, we may redeem some or all the dollar notes at the applicable redemption prices described under "Description of Notes—Optional Redemption," plus accrued and unpaid interest on such notes, if any, to, but not including, the redemption date.
	Additionally, from and after the Escrow Issuer Merger and prior to October 15, 2024, we may redeem up to 40% of (x) the aggregate principal amount of the euro notes at a redemption price equal to 103.875% of the principal amount thereof and (y) the aggregate principal amount of the dollar notes at a redemption price equal to 104.750% of the principal amount thereof, in each case, (i) with an amount equal to or less than the net cash proceeds that we raise in one or more equity offerings, plus (ii) accrued and unpaid interest on such notes, if any, to, but not including, the redemption date.
	The notes of either series may be optionally redeemed in full (or in part) before the notes of the other series are optionally redeemed in full (or in part).
Additional Amounts	All payments by or on behalf of the Escrow Issuer, the Company or any guarantor (or any surviving entity) under or with respect to the notes or any guarantee will be made free and clear of, and without withholding or deduction for taxes, unless required by law. If any withholding or deduction for or on account of any taxes imposed by any relevant taxing jurisdiction is required, the Escrow Issuer, the Company, the guarantor or surviving entity, as the case may be, will pay such additional amounts as may be necessary to ensure that the net amount received by each holder of the notes after such withholding or deduction will be not less than the amount the holder would have received if such taxes had not been required to be withheld or deducted, subject to certain exceptions. See "Description of Notes."
Tax Redemption	From and after the Escrow Issuer Merger, in the event of certain developments affecting taxation, we may redeem either or both series of notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount of such series, plus accrued and unpaid interest, if

any, and additional amounts, if any, to the date of redemption. See "Description of Notes—Optional Redemption—Redemption Upon Changes in Withholding Taxes."

Change of Control Offer..... If we experience a change of control, we must give holders of each series of notes the opportunity to sell us their notes at 101% of their face amount, plus accrued and unpaid interest. See "Description of Notes—Repurchase at the Option of Holders—Change of Control."

Certain Covenants..... The indenture will contain covenants that, among other things, limit the ability of the Issuer and its restricted subsidiaries to:

- incur additional debt and issue guarantees and preferred stock;
- make certain payments, including dividends and other distributions, with respect to outstanding share capital;
- make certain investments or loans, including participating in joint ventures;
- repay or redeem subordinated debt or share capital;
- create or incur certain liens;
- impose restrictions on the ability of subsidiaries to pay dividends or make other payments to the Issuer;
- sell, lease or transfer certain assets, including shares of any of our restricted subsidiaries;
- guarantee certain types of our other indebtedness without also guaranteeing the notes;
- effect a merger or consolidation of, or sell, all or substantially all of our assets or all of the assets of certain companies within the Group; and
- enter into certain transactions with affiliates.

Prior to the Escrow Issuer Merger, the Escrow Issuer will not be permitted to engage in any activity or enter into any transaction or agreement (including, without limitation, making any restricted payment, making any investment, incurring any debt (except the notes), incurring any liens except in favor of the Escrow Agent, Trustee and the holders of the notes, selling any assets, entering into any merger, consolidation or sale of all or substantially all of its assets (other than the Escrow Issuer Merger), or engaging in any transaction with its Affiliates (other than the Escrow Issuer Merger)) except in the ordinary course of business or as necessary, advisable or appropriate to effectuate the Acquisition and the Transactions substantially in accordance with the description of the Transactions set forth in this offering memorandum, together with such amendments, modifications and waivers that are not, individually or in the aggregate, materially adverse (after giving effect to the consummation of the Acquisition) to the holders of the notes.

As soon as practicable after the Acquisition Escrow Release Date and no later than 180 days following such date, Grifols will convert Holdings from a stock corporation (*Aktiengesellschaft*) to a company with limited liability

	(*Gesellschaft mit beschränkter Haftung*) and cause Holdings to provide a guarantee of each series of notes (the "Transformation"). These covenants are subject to important exceptions and qualifications as described under "Description of Notes—Certain Covenants."
Transfer Restrictions; No Registration Rights.....	The notes and the note guarantees have not been, and will not be, registered under the Securities Act or any state or other securities laws, and we are under no obligation to so register the notes. The notes are subject to restrictions on transfer and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Notice to Investors." We do not intend to issue registered notes and note guarantees in exchange for the notes and the note guarantees to be placed in this offering, and the absence of registration rights may adversely impact the transferability of the notes. See "Notice to Investors" and "Risk Factors—Risks Relating to the notes and our Indebtedness—We do not intend to offer to register the notes or to exchange the notes in a registered exchange offer."
Use of Proceeds	We intend to use the net proceeds from this offering, together with cash on hand to (i) finance and consummate the Acquisition, (ii) finance a tender offer for the remaining ordinary shares and preferred equity shares of Biotest, (iii) pay interest on the notes to the extent an interest payment date occurs prior to the Acquisition Escrow Release Date and (iv) pay fees and expenses incurred in connection with the Transactions (as defined herein). We intend to use any remaining proceeds for general corporate purposes, which may include the repayment of indebtedness (including, possibly, the Capped Redemption), capital expenditures and working capital.
No Prior Market.....	Each series of notes will be new securities for which there is currently no market. Although the initial purchasers have informed us that they intend to make a market in each series of notes, they are not obligated to do so, and they may discontinue market making activities at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or, if such a market develops, that it will be maintained. See "Risk Factors—Risks Relating to the Notes."
Listing.....	Application has been made to Euronext Dublin for the approval of the "Listing Particulars." Application has also been made to Euronext Dublin for each series of notes to be admitted to the Official List and to be traded on the Global Exchange Market of Euronext Dublin. See "Risk Factors—Risks Relating to the Notes."
Denominations	
Euro Notes.....	Minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.
Dollar Notes	Minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.
Trustee	BNY Mellon Corporate Trustee Services Limited.

Registrar and Transfer Agent.....	The Bank of New York Mellon SA/NV, Dublin Branch.
Paying Agent for Euro Notes.....	The Bank of New York Mellon, London Branch.
Paying Agent for Dollar Notes	The Bank of New York Mellon.
Escrow Agent	The Bank of New York Mellon.
Risk Factors.....	Investing in the notes involves risks. You should consider carefully the information set forth in "Risk Factors" and all other information contained in this offering memorandum before deciding to invest in the notes.
Governing Law.....	New York.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following is a summary of our historical consolidated financial data for the periods ended and as of the dates indicated below. You are encouraged to read this information together with our annual consolidated financial statements, consolidated interim financial statements, the related footnotes and the section entitled "Selected Historical Consolidated Financial Data" and "Operational and Financial Review" included elsewhere in this offering memorandum. For a discussion of certain factors regarding our presentation of financial data, see "Presentation of Financial and Other Information—Financial Information."

The following table presents our consolidated financial data for the periods and as of the dates indicated. Our consolidated financial data as of and for the years ended December 31, 2020, 2019 and 2018 is derived from our annual consolidated financial statements as of and for the years ended December 31, 2020 and 2019, included elsewhere in this offering memorandum.

Our consolidated financial data as of and for the six-month period ended June 30, 2021 and 2020 is derived from our consolidated interim financial statements as of and for each of the six-month periods ended June 30, 2021 and 2020. See "Presentation of Financial and Other Information—Financial Information."

The following tables present our financial condition as of June 30, 2021 and December 31, 2020, 2019 and 2018:

Summary Historical Consolidated Financial Data

	As of June 30,	As of December 31,		
Consolidated Balance Sheet Data	**2021**	**2020**	**2019**	**2018**
		(in thousands of euros)		
Goodwill	5,988,765	5,332,271	5,507,063	5,209,230
Other intangible assets	1,570,576	1,557,650	1,433,534	1,385,537
Rights of use	719,165	678,696	703,858	—
Property, plant and equipment	2,415,934	2,324,107	2,159,545	1,951,983
Investments in equity accounted investees	1,904,321	1,869,020	114,473	226,905
Non-current financial assets	232,643	198,157	138,930	107,601
Deferred tax assets	142,145	149,921	123,034	112,539
Total non-current assets	**12,973,549**	**12,109,822**	**10,180,427**	**8,993,795**
Inventories	2,124,393	2,002,281	2,342,590	1,949,360
Trade and other receivables:				
Trade receivables	531,782	383,233	369,797	269,167
Other receivables	79,782	72,360	82,509	92,418
Current income tax assets	33,134	64,565	38,269	42,205
Trade and other receivables	644,698	520,158	490,575	403,790
Other current financial assets	9,681	11,118	1,728,926	53,965
Other current assets	62,864	51,750	58,111	42,344
Cash and cash equivalents	397,864	579,647	741,982	1,033,792
Total current assets	**3,239,500**	**3,164,954**	**5,362,184**	**3,483,251**
Total Assets	**16,213,049**	**15,274,776**	**15,542,611**	**12,477,046**

Consolidated Balance Sheet Data	As of June 30, 2021	As of December 31, 2020	2019	2018
		(in thousands of euros)		
Equity and Liabilities				
Share capital	119,604	119,604	119,604	119,604
Share premium	910,728	910,728	910,728	910,728
Reserves	4,138,199	3,776,932	3,009,599	2,441,931
Treasury stock	(164,189)	(43,734)	(49,584)	(55,441)
Interim dividend	—	—	(136,828)	(136,747)
Profit for the year attributable to the Parent	266,815	618,546	625,146	596,642
Total Equity	**5,271,157**	**5,382,076**	**4,478,665**	**3,876,717**
Other comprehensive income	(1,155)	(1,155)	(903)	(554)
Translation differences	(101,836)	(272,529)	344,357	349,391
Other comprehensive expenses	(102,991)	(273,684)	343,454	348,837
Equity attributable to the Parent	**5,168,166**	**5,108,392**	**4,822,119**	**4,225,554**
Non-controlling interests	1,768,925	1,611,663	2,023,649	471,050
Total Equity	**6,937,091**	**6,720,055**	**6,845,768**	**4,696,604**
Liabilities				
Grants	16,933	17,008	11,377	11,845
Provisions	25,761	27,271	8,030	6,114
Non-current financial liabilities	6,715,482	6,602,100	6,846,068	6,099,463
Other non-current liabilities	16,767	16,391	983	1,301
Deferred tax liabilities	579,537	556,813	463,827	404,398
Total non-current liabilities	**7,354,480**	**7,219,583**	**7,330,285**	**6,523,121**
Provisions	11,840	11,175	53,109	80,055
Current financial liabilities	940,906	424,612	361,312	277,382
Current debts with related companies	—	—	1,258	7,079
Trade and other payables:				
Suppliers	580,247	601,618	581,882	561,883
Other payables	177,321	141,089	165,632	159,816
Current income tax liabilities	29,535	3,482	5,966	1,917
Total trade and other payables	787,103	746,189	753,480	723,616
Other current liabilities	181,629	153,162	197,399	169,189
Total current liabilities	**1,921,478**	**1,335,138**	**1,366,558**	**1,257,321**
Total liabilities	**9,275,958**	**8,554,721**	**8,696,843**	**7,780,442**
Total Equity and Liabilities	**16,213,049**	**15,274,776**	**15,542,611**	**12,477,046**

The following table presents our profit and loss data for the six-month periods ended June 30, 2021 and June 30, 2020:

Consolidated Statement of Profit and Loss Data	For the Six-Month Period Ended June 30, 2021	2020	Change €	Change %
	(in thousands of euros, except percentages)			
Continuing Operations				
Net revenues	2,536,632	2,677,341	(140,709)	(5.3)%
Cost of sales	(1,422,509)	(1,638,723)	216,214	(13.2)%
Gross margin	**1,114,123**	**1,038,618**	**75,505**	**7.3%**
Research and development	(158,542)	(142,113)	(16,429)	11.6%
Selling, general and administration expenses	(507,002)	(484,367)	(22,635)	4.7%
Operating Expenses	**(665,544)**	**(626,480)**	**(39,064)**	**6.2%**
Profit/(loss) of equity accounted investees with similar activity to that of the Group	14,971	9,558	5,413	56.6%
Operating Results	**463,550**	**421,696**	**41,854**	**9.9%**
Finance income	4,949	4,580	369	8.1%
Finance costs	(119,698)	(126,280)	6,582	(5.2)%
Change in fair value of financial instruments	555	56,526	(55,971)	(99.0)%
Exchange differences	(5,243)	(10,755)	5,512	(51.3)%
Finance result	**(119,437)**	**(75,929)**	**(43,508)**	**57.3%**
Share of income/(losses) of equity accounted investees	34,122	(18,622)	52,744	(283.2)%
Profit before income tax from continuing operations	**378,235**	**327,145**	**51,090**	**15.6%**
Income tax expense	(75,647)	(65,469)	(10,178)	15.5%
Profit after income tax from continuing operations	**302,588**	**261,676**	**40,912**	**15.6%**
Consolidated profit for the period	**302,588**	**261,676**	**40,912**	**15.6%**

The following table presents our profit and loss data for the years ended December 31, 2020, 2019 and 2018:

Consolidated Statement of Profit and Loss Data	For the Year Ended December 31, 2020	2019	2018
	(in thousands of euros)		
Continuing Operations			
Net revenue	5,340,038	5,098,691	4,486,724
Cost of sales	(3,084,873)	(2,757,459)	(2,437,164)
Gross margin	**2,255,165**	**2,341,232**	**2,049,560**
Research and development	(294,216)	(276,018)	(240,661)
Selling, general and administration expenses	(985,616)	(942,821)	(814,775)
Operating Expenses	**(1,279,832)**	**(1,218,839)**	**(1,055,436)**
Profit/(loss) of equity accounted investees with similar activity to that of the Group	20,799	8,972	—
Operating Results	**996,132**	**1,131,365**	**994,124**
Finance income	8,021	114,197	13,995
Finance costs	(249,639)	(342,965)	(293,273)
Change in fair value of financial instruments	55,703	1,326	—
Impairment of financial assets at amortized cost	—	(37,666)	30,280
Exchange differences	8,246	(9,616)	(8,246)
Finance result	**(177,669)**	**(274,724)**	**(257,244)**
Share of income/(losses) of equity accounted investees	60,166	(39,538)	(11,038)
Profit before income tax from continuing operations	**878,629**	**817,103**	**725,842**
Income tax expense	(169,639)	(168,459)	(131,436)
Profit after income tax from continuing operations	**708,990**	**648,644**	**594,406**
Consolidated profit for the period	**708,990**	**648,644**	**594,406**

The following table presents certain financial data relating to us and our business:

	As of and for the last twelve months ended June 30,	As of and for the six-month period ended June 30,	As of and for the year ended December 31,		
	2021	2021	2020	2019	2018
	(in thousands of euros, except percentages)				
Capital expenditures[(1)]	(295,933)	(125,907)	(324,699)	(347,123)	(261,190)
Dividends paid	(372,175)	(258,945)	(113,230)	(238,740)	(278,841)
Net debt[(2)]	6,475,461	6,475,461	5,713,658	5,724,896	5,343,053
As adjusted net debt[(2)]	8,445,813	8,445,813	—	—	—
EBITDA[(3)]	1,502,847	664,687	1,449,801	1,462,523	1,247,724
Published EBITDA[(3)]	1,378,666	634,534	1,324,044	1,433,820	1,222,733
Published EBITDA Margin[(4)]	26,5%	25.0%	24.8%	28.1%	27.3%
Adjusted EBITDA[(3)]	1,547,666	808,034	1,472,144	1,433,820	1,222,733
Adjusted Net Revenue[(5)]	5,767,758	2,848,296	5,596,803	5,098,691	4,486,724
Adjusted EBITDA Margin[(6)]	26,8%	28.4%	26.3%	28.1%	27.3%
Further Adjusted EBITDA[(3)]	1,687,787	922,111	1,534,868	—	—
Further Adjusted EBITDA Margin[(3)(6)]	28,5%	31.2%	26.8%	—	—
Transaction Adjusted EBITDA[(3)]	1,784,187	—	—	—	—
Transaction Adjusted EBITDA Margin[(6)]	30.1%	—	—	—	—
Transaction Adjusted Leverage Ratio[(7)]	4.4	—	—	—	—

(1) Represents the additions of property, plant and equipment and computer software assets. We consider that this measure presents the investments made mainly to continue improving and expanding our production facilities in order to ensure our long-term sustainable growth.

(2) Net debt is calculated as follows:

	As of June 30,	As of December 31,		
	2021	2020	2019	2018
		(in thousands of euros)		
Existing Debt	6,873,324	6,293,305	6,466,878	6,376,845
Existing Credit Facilities[(i)]	3,416,607	3,369,451	3,587,171	5,233,638
Existing Notes[(ii)]	2,675,000	2,675,000	2,675,000	1,000,000
Other Credit Facilities and Financial Liabilities[(iii)]	781,717	248,855	204,707	143,207
Minus:				
Cash and cash equivalents	397,864	579,647	741,982	1,033,792
Net Debt[(iv)]	**6,475,461**	**5,713,658**	**5,724,896**	**5,343,053**

(i) Includes the First Lien Credit Facilities and the EIB Term Loans.
(ii) Includes the Secured Notes and the Unsecured Notes.
(iii) Other Credit Facilities and Financial Liabilities includes current and non-current financial liabilities less loan transaction costs excluding lease liabilities (IFRS 16 implementation impact).
(iv) Net debt for all periods after January 1, 2019 excludes the impact of IFRS 16. For the last twelve months ended June 30, 2021, the impact of IFRS 16 on our net debt was €783.1 million.

As adjusted net debt represents our net debt as at June 30, 2021 adjusted for the Transactions (including the payment of estimated related fees and expenses of €50 million) minus the use of cash on hand in connection with the tender offer in connection with the Acquisition as well as the use of cash on hand to pay the consent payments in connection with the Biomat Transactions. As adjusted net debt does not include the $990 million in gross proceeds from the Biomat Transactions, $600 million of which will be used to repay Revolving Loans under the First Lien Credit Facilities, and the remainder will be used pro rata to (x) repay outstanding amounts under our Tranche B Term Loans and (y) be offered to repurchase the Secured Notes and if not accepted by the Secured Notes, to make an offer to prepay the Tranche B Term Loan lenders and following such offers any remaining proceeds may be used for general corporate purposes. See "The Transactions." Assuming the Biomat Transactions were consummated prior to this offering our net debt adjusted for the Biomat Transactions would have been €5,664.6 million and our as adjusted net debt would have been €7,610.8 million, in each case reflecting the repayment of $600 million of our Revolving Loans, $159 million of our Dollar Tranche B Term Loan, and €87 million of our Euro Tranche B Term Loan under the First Lien Credit Facilities and €108 million of our Secured Notes.

(3) The following table sets forth the calculation of EBITDA, Published EBITDA, Adjusted EBITDA, Further Adjusted EBITDA, Biotest Adjusted EBITDA and Transaction Adjusted EBITDA. EBITDA is defined as profit after income tax from continuing operations before interest, income tax expense, depreciation and amortization. Our Published EBITDA is calculated as EBITDA adjusted for other financial results and share of profit/(loss) of equity accounted investees. Our Adjusted EBITDA is calculated as Published EBITDA adjusted for COVID-19 impact. Our Further Adjusted EBITDA is calculated as our Adjusted EBITDA adjusted by certain run rate adjustments. Transaction Adjusted EBITDA is calculated as our Further Adjusted EBITDA adjusted for Biotest Adjusted EBITDA. Biotest Adjusted EBITDA is calculated as Biotest EBITDA adjusted for expenses related to the Biotest's "Next Level Project" investment program and monoclonal antibodies research and development. We believe EBITDA, Published EBITDA, Adjusted EBITDA, Further Adjusted EBITDA and Transaction Adjusted EBITDA enhance our investors' understanding of our operating performance and is a useful measure of our ability to service and/or incur debt. EBITDA for all periods after January 1, 2019 includes the impact of IFRS 16. For the last twelve months ended June 30, 2021, the impact of IFRS 16 on our EBITDA, Adjusted EBITDA, Further Adjusted EBITDA was €74.6 million, and the impact of IFRS 16 on our Transaction Adjusted EBITDA was €79.2 million.

	As of and for the last twelve months ended June 30	As of and for the six-month period ended June 30,		As of and for the year ended,		
	2021	2021	2020	2020	2019	2018
	(in thousands of euros, except percentages)					
Profit after income tax from continuing operations	**749,902**	**302,588**	**261,676**	**708,990**	**648,644**	**594,406**
Interest (Finance cost)	(243,057)	(119,698)	(126,280)	(249,639)	(342,965)	(293,273)
Income tax expense	(179,817)	(75,647)	(65,469)	(169,639)	(168,459)	(131,436)
Amortization and depreciation	(330,071)	(166,754)	(158,216)	(321,533)	(302,455)	(228,609)
EBITDA	**1,502,847**	**664,687**	**611,641**	**1,449,801**	**1,462,523**	**1,247,724**
Share of income/(losses) of equity accounted investees	112,910	34,122	(18,622)	60,166	(39,538)	(11,038)
Amortization and depreciation from equity accounted investees net of tax [(i)]	(10,609)	(4,230)	—	(6,379)	—	—
Other financial result	21,880	261	50,351	71,970	68,241	36,029
Published EBITDA[(ii)]	**1,378,666**	**634,534**	**579,912**	**1,324,044**	**1,433,820**	**1,222,733**
COVID-19 Impact[(iii)]	169,000	173,500	152,600	148,100	—	—
Adjusted EBITDA	**1,547,666**	**808,034**	**732,512**	**1,472,144**	**1,433,820**	**1,222,733**
Run Rate Adjustments[(iv)]	140,121	114,077	36,680	62,724	—	—
Further Adjusted EBITDA	**1,687,787**	**922,111**	**769,192**	**1,534,868**	**1,433,820**	**1,222,733**
Biotest Adjusted EBITDA[(v)]	96,400	—	—	—	—	—
Transaction Adjusted EBITDA	**1,784,187**	—	—	—	—	—

(i) Corresponds to the amortization (net of tax) of the intangible assets identified in the Shanghai RAAS purchase price allocation.

(ii) The following table presents a reconciliation of Published EBITDA to Covenant EBITDA, which is our "Consolidated Cash Flows" as defined in the indenture governing the notes offered hereby. See "Description of Notes—Certain Definitions—Consolidated Cash Flow."

	As of and for the last twelve months ended June 30,
	2021
	(in thousands of euros)
Published EBITDA	**1,378,666**
IFRS 16 impact	(74,567)
Significant transaction costs related to business combinations	17,686
Covenant EBITDA	**1,321,785**

(iii) Represents estimated adjustments related to the COVID-19 pandemic. See "Risk Factors—Risks Related to the Company and Our Business—The Coronavirus pandemic has had, and could continue to have, a material, adverse impact on us." These adjustments reflect the COVID-19 impact in our profit and loss statement as a result of lower plasma collection due to lockdowns, restricted movement, quarantines and fear of disease, an increased cost of plasma collection due to lower capacity utilization and higher donor compensation. These effects have been partially offset by savings in operating costs including payment of lower commissions as a result of lower sales volumes, postponement of R&D testing, personnel cost savings related to nonpayment of bonuses and reduced travel expenses, and short-term agreements related to COVID-19 diagnostic tests. See "Operational and Financial Review—Consequences of COVID-19."

(iv) Represents the estimated run-rate impact of the plasma collection centers recently acquired from GC Pharma (2020), BPL (2021) and Kedrion (2021), as well as a plasma-supply agreement we entered into with Haema in Hungary (2021). Run-rate adjustments have been estimated considering estimated collections for the full year using pre-pandemic revenues and cost per liter, assuming such contracts were entered into at the beginning of the relevant period. See "Risk Factors—Risks Related to the Company and Our Business—We may not realize the expected benefits from the entry into new or amended contracts, cost-savings and business improvement initiatives." See note 3 to our consolidated interim financial statements included elsewhere in this offering memorandum.

(v) Represents Biotest's Adjusted EBITDA, which is calculated as follows:

	As of and for the last twelve months ended June 30,
	2021
	(in thousands of euros)
Earnings after taxes	(32,900)
Taxes	700
Financial result	21,600
Depreciation and amortization	29,700
Biotest EBITDA	**19,100**
Next Level Project investment program and monoclonal antibodies R&D expenses	**77,300**
Biotest Adjusted EBITDA	**96,400**

Without giving effect to the impact of IFRS 16, the Biotest EBITDA would be €14,500 and the Biotest Adjusted EBITDA would be €91,800, because of the adjustment for expenses in connection with Biotest's Next Level Project investment program. See "Operational and Financial Review—Factors Affecting Comparability—IFRS 16 (Leases)" and "The Transactions—About Biotest."

(4) Published EBITDA Margin is calculated as Published EBITDA divided by Net Revenue.

(5) Adjusted Net Revenue is calculated as net revenue adjusted for the lower sales of the main plasma-derived proteins as a result of the lower plasma collection volumes due to COVID-19.

(6) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Adjusted Net Revenue. Further Adjusted EBITDA is calculated as Adjusted EBITDA divided by Adjusted Net Revenue. Transaction Adjusted EBITDA Margin is calculated as Transaction Adjusted EBITDA divided by Adjusted Net Revenue.

(7) Transaction Adjusted Leverage Ratio is calculated as (i) as adjusted net debt of €7,610.8 million, which assumes the Biomat Transactions were consummated prior to the date of this offering, divided by (ii) €1,722.7 million, which represents Transaction Adjusted EBITDA of €1,784.2 million as adjusted by (x) subtracting the €79.2 million impact of IFRS 16 (of which €74.6 million is attributable to Grifols and €4.6 million is attributable to Biotest) and (y) adding back €17.7 million of transaction costs related to Grifols business combinations.

RISK FACTORS

An investment in the notes is subject to a number of risks. You should carefully consider the following factors, as well as the other information in this offering memorandum, before investing in the notes. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially and adversely affect our operations and financial condition. We present below a summary of our key risk factors.

Risks Relating to the Company and our Business:

- *Our business could suffer as a result of the United Kingdom's decision to end its membership in the European Union;*
- *Our manufacturing processes are complex and involve biological intermediates that may be susceptible to contamination and variations in yield;*
- *Once our products are approved and marketed, we must continually monitor them for signs that their use may result in serious and unexpected side effects, which could jeopardize our reputation and our ability to continue marketing our products. We may also be required to conduct post-approval clinical trials as a condition to licensing a product;*
- *Our ability to continue manufacturing and distributing our products depends on our continued adherence to cGMP regulations at our facilities;*
- *A significant disruption in our supply of plasma could have a material adverse effect on our business and our growth plans;*
- *Disruption of the operations of our plasma collection centers would cause us to become supply constrained and our financial performance would suffer;*
- *The Coronavirus pandemic has had, and could continue to have, a material, adverse impact on us;*
- *A significant portion of our net revenue has historically been derived from sales of our immunoglobulin products and we expect that they will continue to comprise a significant portion of our sales. Any adverse market event with respect to these products could have a material adverse effect on us;*
- *We face significant competition;*
- *We face competition from companies with greater financial resources;*
- *Technological changes in the production of plasma derivative and diagnostic products could render our production process uneconomical;*
- *The discovery of new pathogens could slow our growth and adversely affect profit margins;*
- *Product liability claims or product recalls involving our products or products we distribute could have a material adverse effect on our business;*
- *Our ability to continue to produce safe and effective plasma derivative products depends on a plasma supply free of transmittable diseases;*
- *Plasma and plasma derivative products are fragile, and improper handling of our plasma or plasma derivative products could adversely affect results of operations;*
- *Our future success depends on our ability to retain members of our senior management and to attract, retain and motivate qualified personnel;*
- *Our business requires substantial capital to operate and grow and to achieve our strategy of realizing increased operating leverage, including the completion of several large capital projects;*
- *We may not be able to develop some of our international operations successfully;*
- *Uncertainties regarding the general regulatory and legal environment, particularly in China, could adversely affect our business;*
- *We are susceptible to interest rate variations;*
- *Our results of operations and financial condition may be affected by adverse changes in foreign currency exchange rates, especially a significant shift in the value of the euro as compared to the U.S. dollar;*
- *If the San Diego, Clayton, Emeryville, Los Angeles or Parets facilities were to suffer a crippling accident, or if a force majeure event materially affected our ability to operate and produce saleable products, a substantial part of our manufacturing capacity could be shut down for an extended period;*
- *If we experience equipment difficulties or if the suppliers of our equipment or disposable goods fail to deliver key product components or supplies in a timely manner, our manufacturing ability would be impaired and our product sales could suffer;*
- *If our shipping or distribution channels were to become inaccessible due to a crippling accident, an act of terrorism, a strike, earthquake, major fire or storm, or any other force majeure event, our supply, production and distribution processes could be disrupted;*
- *We rely in large part on third parties for the sale, distribution and delivery of our products;*
- *We rely on the services of third parties for the manufacture of certain products;*

- *We may not be able to commercialize products in development;*
- *Complex and evolving U.S. and international laws and regulations regarding privacy and data security and increased risk of cybersecurity incidents to our information technology systems could result in increased costs of operations and a significant disruption to our business;*
- *Our success depends in large part on our ability to obtain and maintain protection in the United States and other countries of the intellectual property relating to or incorporated into our technology and products;*
- *In addition to patented technology, we rely on our unpatented proprietary technology, trade secrets, processes and know how;*
- *We may infringe or be alleged to infringe intellectual property rights of third parties;*
- *We have in licensed certain patent rights and co own certain patent rights with third parties; and*
- *We may not realize the expected benefits from the entry into new or amended contracts, cost-savings and business improvement initiatives.*

Risks Relating to the Healthcare Industry:

- *United States Healthcare Reform may adversely affect our business;*
- *Government pressures and constraints on reimbursement may adversely affect our business;*
- *Impact of government regulations over product development and regulatory approvals may adversely affect our business;*
- *Failure to comply with laws and regulations governing the sales and marketing of our products or an adverse decision in lawsuits may result in adverse consequences to us;*
- *We could be adversely affected if other government or private third-party payors decrease or otherwise limit the amount, price, scope or other eligibility requirements for reimbursement for the purchasers of our products;*
- *We are subject to extensive government regulatory compliance and ethics oversight;*
- *Failure to comply with changing regulatory requirements could materially adversely affect our business; and*
- *We are subject to extensive environmental, health and safety laws and regulations.*

Risks Relating to the Biomat Transactions:

- *There can be no assurance that the Biomat Transactions will be consummated; and*
- *Holders may be affected by the consummation of the Biomat Transactions.*

Risks Relating the Acquisition:

- *In connection with the Acquisition, we have only conducted limited due diligence with respect to Holdings and Biotest;*
- *If the consummation of the Acquisition does not occur, holders of the notes will not have any recourse against TIIL or the Company and its subsidiaries for the Acquisition;*
- *Between the time of the issuance of the notes and the consummation of the Escrow Issuer Merger, the parties to the Acquisition Agreement may agree to modify or waive the terms or conditions of such document without noteholder consent;*
- *The consummation of the Acquisition could be delayed;*
- *We may not realize the anticipated synergies and growth opportunities from the Transactions;*
- *If we do not issue sufficient notes pursuant to this offering, we may need to obtain additional financing for the Acquisition under significantly less favorable financial terms and with highly restrictive covenants;*
- *If there is a higher-than-anticipated level of participation by shareholders of Biotest in the tender offer pursuant to the Acquisition, we may not have the investment capacity under our First Lien Credit Facilities and EIB Term Loans to comply with our obligations; therefore, we may need to seek the consent of our lenders to complete the transaction, which may be costly or not forthcoming; and*
- *Although we are bound to consummate the Acquisition pursuant to the Acquisition Agreement, we have no control or influence over the decisions and management of Biotest until at least the consummation of the Acquisition, which will likely take several months.*

Risks Relating to the Escrow:

- *If the conditions to the escrow are not satisfied, the Escrow Issuer will be required to redeem each series of notes, which means that you may not obtain the return you expect on the notes;*
- *We may make interest payments with Escrowed Property;*

- *In a bankruptcy proceeding, the holders of notes might not be able to apply the escrowed funds to repay the notes without bankruptcy court approval; and*
- *If, after the release of the funds from escrow, we file a bankruptcy petition, or if a bankruptcy petition is filed against us, you may receive a lesser amount for your claim under the notes than you would have been entitled to receive under the indenture governing the notes.*

Risks Relating to the Notes:

- *The Escrow Issuer will have no assets or operations other than the gross proceeds of this offering and a commitment by the Company to capitalize accrued interest in the case of a special mandatory redemption;*
- *The notes will not be guaranteed by the Company and the guarantors until the Acquisition Escrow Release Date and from such date will be unsecured and effectively subordinated to our and the guarantors' existing and future secured indebtedness including our existing First Lien Credit Facilities and Secured Notes;*
- *Prior to the Biomat Transactions Consummation Date and the Transformation, the notes will be structurally subordinated to the First Lien Credit Facilities, EIB Term Loans, Secured Notes and Unsecured Notes with respect to Biomat USA, Talecris and Holdings, respectively;*
- *Our substantial level of indebtedness could adversely affect our financial condition, restrict our ability to react to changes to our business, and prevent us from fulfilling our obligations under our debt;*
- *Despite our substantial indebtedness, we may still incur significantly more debt. This could exacerbate the risks associated with our substantial leverage;*
- *To service our indebtedness and other obligations, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control;*
- *We will need to repay or refinance borrowings under our First Lien Credit Facilities, Secured Notes and Unsecured Notes prior to the maturity of the notes. Failure to do so could have a material adverse effect upon us;*
- *If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes;*
- *Covenants in our debt agreements restrict our business in many ways;*
- *Our ability to meet our financial obligations depends on our ability to receive dividends and other distributions from our subsidiaries;*
- *The phasing out and ultimate replacement of LIBOR with an alternative reference rate and changes in the manner of calculating other reference rates may adversely impact the value of loans and other financial instruments we hold that are linked to LIBOR or other reference rates in ways that are difficult to predict and could adversely impact our financial condition and results of operations;*
- *Following the Acquisition Escrow Release Date, the notes and each of the guarantees will be structurally subordinated to present and future liabilities of our non-guarantor subsidiaries;*
- *The guarantees of the notes, along with any future guarantees of the notes, will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses or restrictions under relevant insolvency and administrative laws that may limit their validity and enforceability;*
- *Enforcement of the guarantees across multiple jurisdictions may be difficult;*
- *Relevant insolvency and administrative laws may not be favorable to creditors, including holders of notes, as the case may be, as insolvency laws of the jurisdictions in which you are familiar and may limit your ability to enforce your rights under the notes and the guarantees;*
- *Our guarantor subsidiaries may be unable to fulfill their obligations under their guarantees;*
- *We may not be able to satisfy our obligations to holders of the notes upon a change of control or sale of assets;*
- *We may redeem your notes at our option, which may adversely affect your return;*
- *We may enter into certain transactions that would not constitute a change of control but that result in an increase of our indebtedness;*
- *You may not be able to determine when a change of control giving rise to your right to have the notes repurchased by us has occurred following a sale of "substantially all" of our assets;*
- *We may redeem your notes at our option, which may adversely affect your return;*
- *The trading prices of the notes will be directly affected by our ratings with major credit rating agencies, the prevailing interest rates being paid by companies similar to us, and the overall condition of the financial and credit markets;*
- *We face risks related to rating agency downgrades;*
- *Many of the covenants in the indenture that will govern the notes will not apply to us if the notes are rated investment grade by any two of Moody's and S&P;*
- *We cannot assure you that an active trading market will develop for the notes;*
- *There are restrictions on transfers of the notes;*

- *We are not providing all the information that would be required if this offering were being registered with the SEC;*
- *Credit ratings may not reflect all risks;*
- *Your ability to serve process and enforce civil liabilities under U.S. securities laws may be limited;*
- *Income payable under the notes may be subject to withholding;*
- *It is unclear whether the Proposed Financial Transactions Tax applies to the notes;*
- *The notes may not remain listed on Euronext Dublin;*
- *An investment in the euro notes by a purchaser whose home currency is not euro entails significant risks;*
- *The terms of the euro notes provided for in the indenture governing such notes will permit us to make payments in U.S. dollars if the Issuer is unable to obtain euros in certain circumstances, which could adversely affect the value of the euro notes;*
- *There may be risks associated with foreign currency judgments in a lawsuit for payment on the euro notes, for which an investor may bear currency exchange risk;*
- *We cannot assure you that the procedures for book-entry interests to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of your rights under the euro notes;*
- *We cannot assure you that the procedures for book-entry interests to be implemented through DTC will be adequate to ensure the timely exercise of your rights under the dollar notes;*
- *There are circumstances other than the repayment or discharge of the notes under which the notes guarantees will be released automatically, including that the lenders under the First Lien Credit Facilities will have the discretion to release the guarantors under the First Lien Credit Facilities in a variety of circumstances;*
- *The as adjusted and non-GAAP financial information included in this offering memorandum is presented for informational purposes only and may not be an indication of our financial condition or results of operations in the future; and*
- *The indenture that will govern the notes will not be qualified under the U.S. Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and we will not be required to comply with the provisions of the Trust Indenture Act.*

Risks Relating to the Company and Our Business

Our business could suffer as a result of the United Kingdom's decision to end its membership in the European Union.

The United Kingdom, or U.K., formally left the European Union, or EU, on January 31, 2020, and on December 24, 2020, the U.K. and the EU reached an agreement on a new partnership governing the rules that apply between the U.K. and the EU. On January 1, 2021, provisional application of the agreement took effect. Despite the existence of a new deal, the decision of the U.K. to exit from the EU, or Brexit, may lead to legal uncertainty and potentially divergent laws and regulations between the U.K. and the EU, as the United Kingdom determines which EU laws to replicate or replace. We cannot predict whether or not the U.K. will significantly alter its current laws and regulations in respect of the pharmaceutical industry and, if so, what impact any such alteration would have on us or our business. Moreover, we cannot predict the impact that Brexit will have on (i) the marketing of pharmaceutical products or (ii) the process to obtain regulatory approval in the U.K. for product candidates.

Further, Brexit may cause disruptions to our business, and create uncertainty affecting our relationships with existing and potential customers, suppliers and employees. The effects of Brexit could potentially disrupt some of our target markets and jurisdictions in which we operate, and may create global economic uncertainty. Any of these effects of Brexit, among others, could materially adversely affect our business, business opportunities, results of operations, financial condition and cash flows.

Our manufacturing processes are complex and involve biological intermediates that may be susceptible to contamination and variations in yield.

Plasma is a raw material that is susceptible to damage and contamination and may contain human pathogens, any of which would render the plasma unsuitable for further manufacturing. For instance, contamination or improper storage of plasma by us or third-party suppliers may require us to destroy some of our raw material. If unsuitable plasma is not identified and discarded prior to its release to our manufacturing processes, it may be necessary to discard intermediate or finished product made from that plasma or to recall any finished product released to the market, resulting in a charge to cost of goods sold.

The manufacture of our plasma products is an extremely complex process of fractionation (separating the plasma into component proteins), purification, filling and finishing. Our products can become non-releasable or otherwise fail to meet our specifications through a failure of one or more of our product testing, manufacturing, process controls and quality assurance processes. We may detect instances in which an unreleased product was produced without adherence to our manufacturing procedures or plasma used in our production process was not collected or stored in a compliant manner consistent with cGMP regulations enforced by the FDA, or other regulations, which would likely result in our determination that the impacted products should not be released and therefore should be destroyed.

Once we have manufactured our plasma-derived products, they must be handled carefully and kept at appropriate temperatures. Our failure, or the failure of third parties that supply, ship or distribute our products, to properly care for our plasma-derived products may require that such products be destroyed.

While we expect to write off small amounts of work in process inventories in the ordinary course of business due to the complex nature of plasma, our processes and our products, unanticipated events may lead to write-offs and other costs materially in excess of our expectations. Such write-offs and other costs could cause material fluctuations in our profitability. Furthermore, contamination of our products could cause investors, consumers or other third parties with whom we conduct business to lose confidence in the reliability of our manufacturing procedures, which could adversely affect our sales and profits. In addition, faulty or contaminated products that are unknowingly distributed could result in patient harm, threaten the reputation of our products and expose us to product liability damages and claims.

Due to the nature of plasma, there will be variations in the biologic properties of the plasma we collect or purchase for fractionation that may result in fluctuations in the obtainable yield of desired fractions, even if cGMP regulations are followed. Lower yields may limit production of our plasma-derived products due to capacity constraints. If such batches of plasma with lower yields impact production for extended periods, it may reduce the total volume of product that we could market and increase our cost of goods sold, thereby reducing our profitability.

Our manufacture of intermediate immunoassay antigens and antibodies to screen human donated blood and blood products is also a complex biologic process, subject to substantial production risks. These processes typically involve an upstream or fermentation process and a downstream or purification process. Since in the upstream process we deal with living cells, we may face a contamination by undesired cells which would eventually translate in a low yield. Yields in

general can also be greatly affected by the different nutrients compositions added to the reactors in this fermentation step. Likewise during the purification step, we can face low yields due to poor resins composition, equipment failure or procedural mistakes.

Once our products are approved and marketed, we must continually monitor them for signs that their use may result in serious and unexpected side effects, which could jeopardize our reputation and our ability to continue marketing our products. We may also be required to conduct post-approval clinical trials as a condition to licensing a product.

As for all pharmaceutical products, the use of our products sometimes produces undesirable side effects or adverse reactions or events (collectively, "adverse events"). For the most part, these adverse events are known, are expected to occur at some frequency and are described in the products' labeling. Known adverse events of a number of our products include allergic or anaphylactic reactions including shock and the transmission of infective agents. Further, the use of certain products sometimes produces additional adverse events, which are detailed below.

- The use of albumin sometimes produces the following adverse events: hypervolemia, circulatory overload, pulmonary edema, hyperhydration and allergic manifestations including urticaria, chills, fever and changes in respiration, pulse and blood pressure.

- The use of blood clotting Factor IX sometimes produces the following adverse events: the induction of neutralizing antibodies; thromboembolism, including myocardial infarction; disseminated intravascular coagulation; venous thrombosis and pulmonary embolism; and, in the case of treatment for immune tolerance induction, nephrotic syndrome.

- The use of the antihemophilic blood clotting Factor VIII sometimes produces the following adverse events: the induction of neutralizing antibodies, thromboembolic events and hemolytic anemia or hemolysis.

- The use of intravenous immunoglobulin, or IVIG, sometimes produces the following adverse events: nausea, vomiting, asthenia, pyrexia, rigors, injection site reaction, allergic or anaphylactic reaction, aseptic meningitis, arthralgia, back pain, dizziness, headache, rash, pruritus, urticaria, hemolysis or hemolytic anemia, hyperproteinemia, increased serum viscosity and hyponatremia, thromboembolic reactions such as myocardial infarction, stroke, pulmonary embolism and deep vein thromboses, transfusion-related acute lung injury and renal dysfunction and acute renal failure.

- The use of anti-hepatitis B sometimes produces the following adverse events: thromboembolic reactions such as myocardial infarction, stroke, pulmonary embolism and deep vein thromboses, aseptic meningitis, hemolytic anemia or hemolysis and acute renal failure.

- The use of Koate®-DVI, which we license exclusively in the United States to Kedrion S.p.A, a corporation organized under the laws of Italy, sometimes produces the following adverse events: allergic reactions; tingling in the arm, ear and face; blurred vision; headache; nausea; stomachache; and a jittery feeling.

- The use of Prolastin®, Prolastin®-C, alpha-1 proteinase inhibitor, or A1PI, sometimes produces the following adverse events: dyspnea, tachycardia, rash, chest pain, chills, influenza-like symptoms, hypersensitivity, hypotension and hypertension.

In addition, the use of our products may be associated with serious and unexpected adverse events, or with less serious reactions at a greater than expected frequency. This may be especially true when our products are used in critically ill patient populations. When these unexpected events are reported to us, we must undertake a thorough investigation to determine causality and implications for product safety. These events must also be specifically reported to the applicable regulatory authorities. If our evaluation concludes, or regulatory authorities perceive, that there is an unreasonable risk associated with the product, we would be obligated to withdraw the impacted lot(s) of that product. Furthermore, an unexpected adverse event caused by a new product may be recognized only after extensive use of the product, which could expose us to product liability risks, enforcement action by regulatory authorities and damage to our reputation.

Once we produce a product, physicians are responsible for prescribing and administering the product as we have directed and for the indications described on the labeling. It is not, however, unusual for physicians to prescribe our products for unapproved, or off-label, uses or in a manner that is inconsistent with our directions or the labeling. To the extent such off-label uses and departures from our administration directions become pervasive and produce results such as reduced efficacy or other adverse effects, the reputation of our products in the marketplace may suffer.

Our ability to continue manufacturing and distributing our products depends on our continued adherence to cGMP regulations at our facilities.

The manufacturing processes for our products are governed by detailed written procedures and governmental regulations that set forth cGMP requirements for blood, blood products and other products. Our quality operations unit monitors compliance with these procedures and regulations, and the conformance of materials, manufacturing intermediates and final products to their specifications. Failure to adhere to established procedures or regulations, or to meet a specification, could require that a product or material be rejected and destroyed.

Our adherence to cGMP regulations and the effectiveness of our quality systems are periodically assessed through inspections of our facilities by the FDA, and analogous regulatory authorities of other countries. If deficiencies are noted during an inspection, we must take action to correct those deficiencies and to demonstrate to the regulatory authorities that our corrections have been effective. If serious deficiencies are noted or if we are unable to prevent recurrences, we may have to recall product or suspend operations until appropriate measures can be implemented. We are also required to report certain deviations from procedures to the FDA and even if we determine that the deviations were not material, the FDA could require us to take similar measures. Since cGMP reflects ever-evolving standards, we regularly need to update our manufacturing processes and procedures to comply with cGMP. These changes may cause us to incur costs without improving our profitability or the safety of our products. For example, more sensitive testing assays (if and when they become available) may be required or existing procedures or processes may require revalidation, all of which may be costly and time consuming and could delay or prevent the manufacturing of a product or launch of a new product.

Changes in manufacturing processes, including a change in the location where the product is manufactured or a change of a third-party manufacturer, may require prior FDA review and approval or revalidation of the manufacturing processes and procedures in accordance with cGMP regulations. There may be comparable foreign requirements.

Grifols received approval from the FDA to relocate existing immunodiagnostic manufacturing operations to a new consolidated manufacturing facility in Emeryville, California, or our Emeryville facility. The transition, including all FDA licensed antigens regulatory submissions, was completed in 2019. The completion of the transition allowed Grifols to transfer all 21 products to the new Emeryville facility.

To validate our manufacturing processes and procedures following completion of our upgraded facilities, we must demonstrate that the processes and procedures at the upgraded facilities are comparable to those currently in place at our other facilities. To provide such a comparative analysis, both the existing processes and the processes that we expect to be implemented at our upgraded facilities must comply with the regulatory standards prevailing at the time that our expected upgrade is completed. In addition, regulatory requirements, including cGMP regulations, continually evolve. Failure to adjust our operations to conform to new standards as established and interpreted by applicable regulatory authorities would create a compliance risk that could impair our ability to sustain normal operations.

Regulatory authorities, including the FDA and the EMA, routinely inspect our facilities to assess ongoing compliance with cGMP. If the FDA, the EMA or other regulatory authorities find our facilities to be out of compliance, our ongoing operations or plans to expand would be adversely affected.

A significant disruption in our supply of plasma could have a material adverse effect on our business and our growth plans.

The majority of our revenue depends on our access to U.S. source plasma (plasma obtained through plasmapheresis), the principal raw material for our plasma derivative products. Our ability to increase revenue depends substantially on increased access to plasma. If we are unable to obtain sufficient quantities of source plasma, we may be unable to find an alternative cost-effective source of plasma and we would be limited in our ability to maintain current manufacturing levels of plasma derivative products. As a result, we could experience a substantial decrease in net revenue or profit margins, a loss of customers, a negative effect on our reputation as a reliable supplier of plasma derivative products or a substantial delay in our production growth plans.

Our current business plan envisages an increase in the production of plasma derivative products, which depends on our ability to increase plasma collections or improve product yield. The ability to increase plasma collections may be limited, our supply of plasma could be disrupted or the cost of plasma could increase substantially, as a result of numerous factors, including:

- *A reduction in the donor pool.* Regulators in most of the largest markets for plasma derivative products, including the United States, restrict the use of plasma collected from specific countries and regions in the

manufacture of plasma derivative products. For example, the appearance of the variant Creutzfeldt-Jakob, or mad cow, disease resulted in the suspension of the use of plasma collected from U.K. residents and concern over the safety of blood products, which has led to increased domestic and foreign regulatory control over the collection and testing of plasma and the disqualification of certain segments of the population from the donor pool, significantly reducing the potential donor pool. The appearance of new viral strains could further reduce the potential donor pool. Also, changes in socioeconomic conditions could impact the number of donors. Most recently, the ongoing COVID-19 pandemic has also adversely impacted our plasma collection volumes because of, among other things, mobility restrictions. See "Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Consequences of Covid-19."

- *Regulatory requirements.* See "—Disruption of the operations of our plasma collection centers would cause us to become supply-constrained and our financial performance would suffer."

- *Plasma supply sources.* In recent years, there has been vertical integration in the industry as plasma derivatives manufacturers have been acquiring plasma collection centers. Any significant disruption in the supply of plasma or an increased demand for plasma may require us to obtain plasma from alternative sources, which may not be available on a timely basis.

Disruption of the operations of our plasma collection centers would cause us to become supply-constrained and our financial performance would suffer.

In order for plasma to be used in the manufacturing of our products, the individual centers at which the plasma is collected must be licensed and approved by the regulatory authorities, such as the FDA and the EMA, of those countries in which we sell our products. When a new plasma collection center is opened, it must be inspected on an ongoing basis after its approval by the FDA and the EMA for compliance with cGMP and other regulatory requirements, and these regulatory requirements are subject to change. For example, an FDA final rule, effective May 23, 2016, addressed the collection of blood components, such as plasma, intended for transfusion or further manufacturing use, including requirements with respect to donor education, donor history and donor testing. While we believe that our centers have timely adopted the regulations, which generally reflected our existing approaches, the compliance efforts necessary for evolving requirements, such as these, may increase our costs. An unsatisfactory inspection could prevent a new center from being approved for operation or risk the suspension or revocation of an existing approval.

In order for a plasma collection center to maintain its governmental approval to operate, its operations must continue to conform to cGMP and other regulatory requirements. In the event that we determine a plasma collection center did not comply with cGMP in collecting plasma, we may be unable to use and may ultimately destroy plasma collected from that center, which would be recorded as a charge to cost of goods. Additionally, if noncompliance in the plasma collection process is identified after the impacted plasma has been pooled with compliant plasma from other sources, entire plasma pools, in-process intermediate materials and final products could be impacted. Consequently, we could experience significant inventory impairment provisions and write-offs.

We plan to continue to obtain our supplies of plasma for use in our manufacturing processes through collections at our plasma collection centers and through selective acquisitions or remodeling and relocations of existing centers. This strategy is dependent upon our ability to successfully integrate new centers, to obtain FDA and other necessary approvals for any centers not yet approved by the FDA, to maintain a cGMP compliant environment in all centers and to attract donors to our centers.

Our ability to increase and improve the efficiency of production at our plasma collection centers may be affected by the following:

- changes in the economic environment and population in selected regions where we operate plasma collection centers;

- the entry of competitive centers into regions where we operate;

- our misjudging the demographic potential of individual regions where we expect to increase production and attract new donors;

- unexpected facility related challenges; or

- unexpected management challenges at select plasma collection centers.

The Coronavirus pandemic has had, and could continue to have, a material, adverse impact on us.

The outbreak of the respiratory illness caused by COVID-19 has resulted in governments and businesses worldwide adopting emergency measures to combat the spread of the Coronavirus while seeking to maintain essential services. These measures have included, without limitation, social distancing, the temporary closure of non-essential businesses, stay-at-home and work-from-home policies, self-imposed quarantine periods, border closures and travel bans or restrictions. These measures and conditions have had an adverse impact and may continue to adversely affect our manufacturing and supply chains, including lower plasma collections continuing over the next 18 months given the required 9-12 month processing time from collection to sale of products, clinical trial operations and the ability of our employees to attend work or work effectively. For the six-month period ended June 30, 2021 and the year ended December 31, 2020, our net plasma supply decreased by approximately 5% and 15%, respectively, as compared to the same periods in the prior year. As a result of a decrease in donors due to mobility restrictions, we increased our donor fees and, consequently, our cost per liter of plasma has also increased during the pandemic. We currently anticipate that the negative impact to our EBITDA related to COVID-19 will increase to €470-525 million per year over the next 18 months due to the elevated cost of plasma that was sourced during the COVID-19 pandemic and lower fixed cost absorption. For as long as the measures adopted in response to the COVID-19 pandemic remain in place or are re-introduced, and potentially upon their gradual or complete removal, our revenues, financial condition, profitability and cash flows may be materially adversely affected. See "Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Consequences of COVID-19" for additional details.

A significant portion of our net revenue has historically been derived from sales of our immunoglobulin products and we expect that they will continue to comprise a significant portion of our sales. Any adverse market event with respect to these products could have a material adverse effect on us.

We have historically derived a significant portion of our net revenue from our immunoglobulin products, including our IG products. In 2020, our IG products accounted for approximately 47% of our net revenue. If any of these IG products were to lose significant sales or were substantially or completely displaced in the market, we would lose a significant and material source of our net revenue. Similarly, if either Flebogamma® or Gamunex®-C/Gamunex® were to become the subject of litigation or an adverse governmental ruling requiring us to cease sales of it, our business could be adversely affected. Although we do not currently anticipate any significant decrease in the sales of any of these products, a significant decrease could result from plasma procurement and manufacturing issues resulting in lower product availability for sales and changing market conditions.

We face significant competition.

We face significant competition. Each of Takeda, CSL Behring, Kedrion Biopharma, Octapharma Plasma, Biotest and Bio Products Laboratory Ltd. (Bio Products) now has a 10% liquid IVIG product in the United States. Both Octapharma and Bio Products have launched 5% liquid IVIG products. As competition has increased, some of our competitors have discounted the price of immunoglobulin products as many customers have become increasingly price sensitive with respect to immunoglobulin products. If customers demand lower priced products, we may lose sales or be forced to lower our prices.

In 2015, the European Commission granted marketing authorization for CSL's Respreeza® in all European Union member states. Another competitor is seeking to offer an inhaled formula and submitted a Marketing Authorization Application with the EMA, which remains pending. Our current and future competitors may increase their sales, lower their prices, change their distribution model or improve their products, causing harm to our product sales and market share. Also, if the attrition rate of our A1PI patient base accelerates faster than we have forecasted, we would have fewer patients and lower sales volume.

Other new treatments, such as small molecules, recombinant products or gene therapies, may also be developed for indications for which our products are now used. Recombinant Factor VIII and Factor IX products, which are currently available and widely used in the United States and Europe, compete with our plasma-derived product in the treatment of hemophilia A and B and are perceived by many to have lower risks of disease transmission. Additional recombinant products and new small molecules, some with extended half-lives, compete with our products and reduce the demand for our products. In October 2018, the FDA approved Genentech, Inc.'s emicizumab-kxwh injection treatment, Hemlibra, a non-plasma product to control bleeding in patients with hemophilia A. The use of Hemlibra presents a significant competitive risk for the use of plasma derived and recombinant Factor VIII. Additionally, numerous novel gene therapies are under development for the treatment of hemophilia which may further compete with our existing plasma derived therapies.

Furthermore, while we are investigating additional indications for the use of albumin, these new possibilities are countered by the fact that there are alternatives from competitors for albumin use in the main application we apply it, as a plasma volume expander.

We are only one of a number of companies that produce an alpha-1 anti-trypsin for the treatment of patients with hereditary emphysema and our competitors continually develop new methods of administration for this therapy. Additionally, new treatments such as gene therapy are in development by other companies and, regardless of the uncertainties surrounding the potential safety and efficacy of such new treatments, they help increasing our level of competition.

The introduction of products approved for alternative routes of administration, including subcutaneous, may also adversely affect sales of our products. For example, CSL Behring and Takeda introduced preparations of human immunoglobin at a 20% concentration for the treatment of people who need antibody replacement and Takeda has an immune globulin with a recombinant human hyaluronidase indicated for the treatment of primary immunodeficiency ("Pl") in adults. Although we have FDA approval for similar concentrations and routes of administration, the level of competition remains significant and trending up as other players continue developing their operations in this expanding area of therapy.

Other companies are developing different therapies for the treatment of autoimmune diseases and other disorders that are currently treated with our immunoglobulins. If an increased use of alternative products for Factor VIII, Factor IX, albumin, alpha-1 or immunoglobulins makes it uneconomical to produce our plasma-derived products, or if further technological advances improve these products or create other competitive alternatives to our plasma derivative products, our financial condition and results of operations could be materially adversely affected. We expect in the future to face greater competition from biosimilar products which could further adversely affect our financial performance.

We do not currently sell therapeutic recombinant products. We have recombinant versions of A1PI and plasmin in our pipeline, but we cannot be certain that any of these products will be approved or sold in the future. Additionally, we have recombinant versions of polyvalent and specific immune globulins under development. However, we cannot be certain that we will succeed in developing these products for licensed commercial use. As a result, our product offerings may remain plasma-derived, even if our competitors offer competing recombinant products.

We face competition from companies with greater financial resources.

We operate in highly competitive markets. Our principal competitors include Takeda, CSL Behring and Octapharma. Some of our competitors have significantly greater financial resources than us. As a result, they may be able to devote more funds to research and development and new production technologies, as well as to the promotion of their products and business. These competitors may also be able to sustain for longer periods a deliberate substantial reduction in the price of their products or services. The development by a competitor of a similar or superior product or increased pricing competition may result in a reduction in our net revenue or a decrease in our profit margins.

Technological changes in the production of plasma derivative and diagnostic products could render our production process uneconomical.

Technological advances have accelerated changes in recent years. Future technological developments could render our production processes uneconomical and may require us to invest substantial amounts of capital to upgrade our facilities. Such investments could have a material adverse effect on our financial condition and results of operations. In addition, we may not be able to fund such investments from existing funds or raise sufficient capital to make such investments.

The discovery of new pathogens could slow our growth and adversely affect profit margins.

The possible appearance of new pathogens could trigger the need for changes in our existing inactivation and production methods, including the administration of new detection tests. Such a development could result in delays in production until the new methods are in place, as well as increased costs that may not be readily passed on to our customers. See also "—The Coronavirus pandemic has had, and could continue to have, a material, adverse impact on us."

Product liability claims or product recalls involving our products or products we distribute could have a material adverse effect on our business.

Our business exposes us to the risk of product liability claims. We face an inherent risk of product liability exposure related to the testing of our product candidates in human clinical trials and an even greater risk when we commercially sell any products. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in any or all of the following:

- decreased demand for our products and any product candidates that we may develop;
- injury to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue; and
- the inability to commercialize any products that we may develop.

Like many plasma fractionators, we have been, and may in the future be, involved in product liability or related claims relating to our products, including claims alleging the transmission of disease through the use of such products. Plasma is a biological matter that is known to be capable of transmitting viruses and pathogens, whether known or unknown. Therefore, our plasma and plasma derivative products, if donors are not properly screened or if the plasma is not properly collected, tested, inactivated, processed, stored and transported, could cause serious disease and possibly death to the patient. Any transmission of disease through the use of one of our products or third-party products sold by us could result in claims by persons allegedly infected by such products.

Our potential product liability also extends to our Diagnostic and Hospital division products. In addition, we sell and distribute third-party products, and the laws of the jurisdictions where we sell or distribute such products could also expose us to product liability claims for those products. Furthermore, the presence of a defect in a product could require us to carry out a recall of such product.

A product liability claim or a product recall could result in substantial financial losses, negative reputational repercussions and an inability to retain customers. Although we have a program of insurance policies designed to protect us and our subsidiaries from product liability claims, and we self-insure a portion of this risk, claims made against our insurance policies could exceed our limits of coverage. We intend to expand our insurance coverage as our sales grow. However, as product liability insurance is expensive and can be difficult to obtain, a product liability claim could decrease our access to product liability insurance on acceptable terms. In turn, we may not be able to maintain insurance coverage at a reasonable cost and may not be able to obtain insurance coverage that will be adequate to satisfy any liability that may arise. Although we have not experienced a material liability claim, we cannot assure you that we will not experience one in the future.

Our ability to continue to produce safe and effective plasma derivative products depends on a plasma supply free of transmittable diseases.

Although it is currently believed that COVID-19 cannot be transmitted through blood or plasma, the COVID-19 pandemic has affected our ability to collect plasma and the ability by donors to donate blood or plasma. See “Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Consequences of COVID-19” for additional details.

Despite overlapping safeguards, including the screening of donors and other steps to remove or inactivate viruses and other infectious disease-causing agents, the risk of transmissible disease through plasma-derived products cannot be entirely eliminated. If a new infectious disease was to emerge in the human population in the future, the regulatory and public health authorities could impose precautions to limit the transmission of the disease that would impair our ability to procure plasma, manufacture our products or both. Such precautionary measures could be taken before there is conclusive medical or scientific evidence that a disease poses a risk for plasma-derived products.

In recent years, new testing and viral inactivation methods have been developed that more effectively detect and inactivate infectious viruses in collected plasma. There can be no assurance, however, that such new testing and inactivation methods will adequately screen for, and inactivate, infectious agents in the plasma used in the production of our products.

Plasma and plasma derivative products are fragile, and improper handling of our plasma or plasma derivative products could adversely affect results of operations.

Plasma is a raw material that is susceptible to damage. Almost immediately after its collection from a donor, plasma is stored and transported at temperatures that are at least −20 degrees Celsius (−4 degrees Fahrenheit). Once we manufacture plasma derivative products, they must be handled carefully and kept at appropriate temperatures. Our failure, or the failure of third parties that supply, ship or distribute our plasma and plasma derivative products, to properly care for our plasma or plasma derivative products may require us to destroy some raw materials or products. If the volume of plasma or plasma derivative products damaged by such failures were to be significant, the loss of that plasma or those plasma derivative products could have a material adverse effect on our financial condition and results of operations.

Our future success depends on our ability to retain members of our senior management and to attract, retain and motivate qualified personnel.

We are highly dependent on the principal members of our executive and scientific teams. The loss of the services of any of these persons might impede the achievement of our research, development, operational and commercialization objectives. In particular, we believe the loss of any member of our senior management team would significantly and negatively impact our business. For details regarding the members of senior management, see "Directors and Senior Management—Senior Management." We do not maintain "key person" insurance on any of our senior management.

Recruiting and retaining qualified operations, finance and accounting, scientific, clinical and sales and marketing personnel will be critical to our success. We may not be able to attract and retain these personnel on acceptable terms, given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. If we are unable to attract, retain and motivate qualified and experienced personnel, we could lose customers and suffer reduced profitability. Even if we are successful in attracting and retaining such personnel, competition for such employees may significantly increase our compensation costs and adversely affect our financial condition and results of operations.

cGMP regulations also require that the personnel we employ and hold responsible for product manufacturing, including, for example, the collection, processing, testing, storage or distribution of blood or blood components, be adequate in number, educational background, training (including professional training as necessary) and experience, or a combination thereof, and have capabilities commensurate with their assigned functions, a thorough understanding of the procedures or control operations they perform, the necessary training or experience and adequate information concerning the application of relevant cGMP requirements to their individual responsibilities. Our failure to attract, retain and motivate qualified personnel may result in a regulatory violation, affect product quality, require the recall or market withdrawal of affected product or result in a suspension or termination of our license to market our products, or any combination thereof.

Our business requires substantial capital to operate and grow and to achieve our strategy of realizing increased operating leverage, including the completion of several large capital projects.

We have implemented several large capital projects to expand and improve the capacity and structure of our facilities and to improve the structure of our plasma collection centers in the United States. These projects may run over budget or be delayed. We cannot be certain that these projects will be completed in a timely manner or that we will maintain our compliance with cGMP regulations, and we may need to spend additional amounts to achieve compliance. Additionally, by the time these multi-year projects are completed, market conditions may differ significantly from our assumptions regarding the number of competitors, customer demand, alternative therapies, reimbursement and public policy, and as a result, capital returns might not be realized.

We also plan to continue to spend substantial sums on research and development, to obtain the approval of the FDA, and other regulatory agencies, for new indications for existing products, to develop new product delivery mechanisms for existing products and to develop innovative product additions. We face a number of obstacles to successfully converting these efforts into profitable products, including, but not limited to, the successful development of an experimental product for use in clinical trials, the design of clinical study protocols acceptable to the FDA and other regulatory agencies, the successful outcome of clinical trials, our ability to scale our manufacturing processes to produce

commercial quantities or successfully transition technology, the approval of the FDA and other regulatory agencies of our products and our ability to successfully market an approved product or new indication.

For example, when a new product is approved, the FDA or other regulatory authorities may require post-approval clinical trials, sometimes called Phase IV clinical trials. If the results of such trials are unfavorable, this could result in the loss of the license to market the product, with a resulting loss of sales.

We are expecting significant capital spending as we are undertaking an investment plan that involves among other investments, cumulative industrial capital investments to expand the manufacturing capacities of the Bioscience division as part of our €1.4 billion 2018-2022 capital expenditure plan. The amount and timing of future capital spending is dependent upon a number of factors, including market conditions, regulatory requirements and the extent and timing of particular projects, among other things. Our ability to grow our business is dependent upon the timely completion of these projects and obtaining the requisite regulatory approvals.

We may not be able to develop some of our international operations successfully.

We currently conduct sales in over 100 countries. The successful operation of such geographically dispersed resources requires considerable management and financial resources. In particular, we must bridge our business culture to the business culture of each country in which we operate. In addition, international operations and the provision of services in foreign markets are subject to additional risks, such as changing market conditions, currency exchange rate fluctuations, trade wars and barriers, exchange controls, regulatory changes, changes to tax regimes (including proposed changes to U.S. tax laws by the Biden administration and the U.S. Congress), foreign investment limitations, civil disturbances, war and emerging pandemics. Furthermore, if an area in which we have significant operations or an area into which we are looking to expand suffers an economic recession or currency devaluation, our net revenue and accounts receivable collections in that region will likely decline substantially or we may not be able to successfully expand or operate in that region.

Uncertainties regarding the general regulatory and legal environment, particularly in China, could adversely affect our business.

Our international operations are governed by local laws and regulations applicable to foreign investments and foreign-owned enterprises. Our business could be adversely affected by the interpretation and enforcement of and changes in these laws and regulations. These laws and regulations often lack transparency, can be difficult to interpret and may be enforced inconsistently. A significant portion of our revenues is derived from our operations in China. China has not developed integrated legal systems that cover all aspects of our activities. The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, Chinese legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. Because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations are uncertain. In addition, the Chinese legal system is based in part on government policies and internal rules that may have retroactive effect and, in some cases, are not published at all. As a result, we may not be aware of any alleged violation of these policies and rules until after the alleged violation has occurred. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

We are susceptible to interest rate variations.

We use issuances of debt and bank borrowings as a source of funding. As of June 30, 2021, $2.8 billion and €1.6 billion of our senior interest bearing debt, which represented 57% of our senior interest bearing debt, bore interest at variable rates, at a spread over the LIBOR for our U.S. dollar denominated debt and at a spread over the EURIBOR, for our euro denominated debt. Any increase in interest rates payable by us, which could be adversely affected by, among other things, our inability to meet certain financial ratios, would increase our interest expense and reduce our cash flow, which could materially adversely affect our financial condition and results of operations. See "—Risks Relating to the Notes—The phasing out and ultimate replacement of LIBOR with an alternative reference rate and changes in the manner of calculating other reference rates may adversely impact the value of loans and other financial instruments we hold that are linked to LIBOR or other reference rates in ways that are difficult to predict and could adversely impact our financial condition and results of operations."

Our results of operations and financial condition may be affected by adverse changes in foreign currency exchange rates, especially a significant shift in the value of the euro as compared to the U.S. dollar.

A significant portion of our business is conducted in currencies other than our reporting currency, the euro. In 2020 and the first six months of 2021, €4.1 billion, or 76%, and €1.9 billion, or 73% respectively, of our net revenue was denominated in U.S. dollars. We are also exposed to currency fluctuations with respect to other currencies, such as the British pound, the Brazilian real, the Canadian dollar and the Argentine, Mexican and Chilean pesos. Currency fluctuations among the euro, the U.S. dollar and the other currencies in which we do business result in foreign currency translation gains or losses that could be significant.

We are also exposed to risk based on the payment of U.S. dollar denominated indebtedness. As of June 30, 2021, we had $2.8 billion of U.S. dollar denominated senior debt.

If the San Diego, Clayton, Emeryville, Los Angeles or Parets facilities were to suffer a crippling accident, or if a force majeure event materially affected our ability to operate and produce saleable products, a substantial part of our manufacturing capacity could be shut down for an extended period.

A substantial portion of our revenue is derived from plasma fractionation or products manufactured at our San Diego, Clayton, Emeryville, Los Angeles and Parets facilities. In addition, a substantial portion of our plasma supply is stored at facilities in City of Industry, California, as well as at our Clayton and Parets facilities. If any of these facilities were to be impacted by an accident or a force majeure event such as an earthquake, major fire, storm or explosion, major equipment failure or power failure lasting beyond the capabilities of our backup generators, our revenue would be materially adversely affected. In this situation, our manufacturing capacity could be shut down for an extended period and we could experience a loss of raw materials, work in process or finished goods inventory. Other force majeure events such as terrorist acts, influenza pandemic or similar events could also impede our ability to operate our business. In addition, in the event of the reconstruction of our Clayton, Los Angeles or Parets facilities or our plasma storage facilities, gaining the regulatory approval for such new facilities and the replenishment of raw material plasma could be time consuming. During this period, we would be unable to manufacture all of our products at other plants due to the need for FDA and foreign regulatory authority inspection and certification of such facilities and processes.

Our property damage and business interruption insurance may be insufficient to mitigate the losses from any such accident or force majeure event. We may also be unable to recover the value of the lost plasma or work-in-process inventories, as well as the sales opportunities from the products we would be unable to produce.

If we experience equipment difficulties or if the suppliers of our equipment or disposable goods fail to deliver key product components or supplies in a timely manner, our manufacturing ability would be impaired and our product sales could suffer.

We depend on a limited number of companies that supply and maintain our equipment and provide supplies such as chromatography resins, filter media, glass and stoppers used in the manufacture of our products. If our equipment should malfunction, the repair or replacement of the machinery may require substantial time and cost, which could disrupt our production and other operations. Our plasma collection centers rely on disposable goods supplied by third parties and information technology systems hosted by third parties. Our plasma collection centers cannot operate without an uninterrupted supply of these disposable goods and the operation of these systems. Alternative sources for key component parts or disposable goods may not be immediately available. And while we have experienced periodic outages of these systems, a material outage would affect our ability to operate our collection centers.

Any new equipment or change in supplied materials may require revalidation by us or review and approval by the FDA or foreign regulatory authorities, including the EMA, which may be time-consuming and require additional capital and other resources. We may not be able to find an adequate alternative supplier in a reasonable time period, or on commercially acceptable terms, if at all. As a result, shipments of affected products may be limited or delayed. Our inability to obtain our key source supplies for the collection of plasma and manufacture of products may require us to delay shipments of products, harm customer relationships and force us to curtail operations.

If our shipping or distribution channels were to become inaccessible due to a crippling accident, an act of terrorism, a strike, earthquake, major fire or storm, or any other force majeure event, our supply, production and distribution processes could be disrupted.

Not all shipping or distribution channels are equipped to transport plasma. If any of our shipping or distribution channels becomes inaccessible due to a crippling accident, a pandemic, an act of terrorism, a strike, earthquake, major fire

or storm or any other force majeure event, we may experience disruptions in our continued supply of plasma and other raw materials, delays in our production process or a reduction in our ability to distribute our products directly to our customers.

We rely in large part on third parties for the sale, distribution and delivery of our products.

In the United States, we regularly enter into distribution, supply and fulfillment contracts with group purchasing organizations, or GPOs, home care companies, alternate infusion sites, hospital groups and others. We are highly dependent on these agreements for the successful sale, distribution and delivery of our products. For example, we rely principally on GPOs and on our distributors to sell our immunoglobulin products. If such parties breach, terminate or otherwise fail to perform under these contracts, our ability to effectively distribute our products will be impaired and our business may be materially and adversely affected. In addition, through circumstances outside of our control, such as general economic decline, market saturation or increased competition, we may be unable to successfully renegotiate our contracts or secure terms which are as favorable to us. Furthermore, we rely in certain countries on distributors for sales of our products. Disagreements or difficulties with our distributors supporting our export business could result in a loss of sales.

We rely on the services of third parties for the manufacture of certain products.

We have rights of sale and distribution for several different products, including Tavleese® in the European market. However, for many of these products we rely upon supply from third parties. To the extent such third parties are unable to properly and timely manufacture and deliver the necessary products and services in Europe, our business could be materially affected.

We may not be able to commercialize products in development.

Before obtaining regulatory approval for the sale of our product candidates or for the marketing of existing products for new indicated uses, we must conduct, at our own expense, extensive preclinical tests to demonstrate the safety of our product candidates in animals and clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Preclinical and clinical testing is expensive, is difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more of our clinical trials can occur at any stage of testing. We may experience numerous unforeseen events during, or as a result of, preclinical testing and the clinical trial process that could delay or prevent our ability to receive regulatory approval or commercialize our product candidates, including, without limitation, the following:

- Regulators or institutional review boards, or IRBs, may not authorize us to commence a clinical trial or conduct a clinical trial within a country or at a prospective trial site.

- The regulatory requirements for product approvals may not be explicit, may evolve over time and may diverge by jurisdiction.

- Our preclinical tests or clinical trials may produce negative or inconclusive results, and we may decide, or we may be required by regulators, to conduct additional preclinical testing or clinical trials or to abandon projects that we had expected to be promising;

- The number of patients required for our clinical trials may be larger than we anticipate, enrollment in our clinical trials may be slower than we anticipate or participants may withdraw from our clinical trials at higher rates than we anticipate, any of which would result in significant delays.

- Our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner.

- We may be forced to suspend or terminate our clinical trials if the participants are being exposed to unacceptable health risks or if any participant experiences an unexpected serious adverse event.

- Regulators or IRBs may require that we hold, suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements.

- Undetected or concealed fraudulent activity by a clinical researcher, if discovered, could preclude the submission of clinical data prepared by that researcher, lead to the suspension or substantive scientific review

of one or more of our marketing applications by regulatory agencies, and result in the recall of any approved product distributed pursuant to data determined to be fraudulent.

- The cost of our clinical trials may be greater than we anticipate.

- The supply or quality of our product candidates or other materials necessary to conduct our clinical trials may be insufficient or inadequate, as we currently do not have any agreements with third-party manufacturers for the long-term commercial supply of any of our product candidates.

- An audit of preclinical or clinical studies by the FDA or other regulatory authorities may reveal noncompliance with applicable regulations, which could lead to disqualification of the results and the need to perform additional studies.

- The effects of our product candidates may not achieve the desired clinical benefits or may cause undesirable side effects, or the product candidates may have other unexpected characteristics.

- Our clinical trials, or the ability of regulatory agencies to review the results of our clinical trials, may be delayed as a result of the COVID-19 pandemic.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete our clinical trials or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may be delayed in or unable to obtain marketing approval or reimbursement for our product candidates, or be unable to obtain approval for indications that are not as broad as intended or have the product removed from the market after obtaining marketing approval.

Our product development costs will also increase if we experience delays in testing or approvals. We do not know whether any preclinical tests or clinical trials will begin as planned, will need to be restructured or will be completed on schedule, if at all. Significant preclinical or clinical trial delays could also shorten the patent protection period during which we may have the exclusive right to commercialize our product candidates or could allow our competitors to bring products to market before we do, impairing our ability to commercialize our products or product candidates.

Even if preclinical trials are successful, we still may be unable to commercialize a product due to difficulties in obtaining regulatory approval for its engineering process or problems in scaling that process to commercial production. Additionally, if produced, a product may not achieve an adequate level of market acceptance by physicians, patients, healthcare payors and others in the medical community to be profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, some of which are beyond our control, including, the following:

- the prevalence and severity of any side effect;

- the efficacy and potential advantages over alternative treatments;

- the ability to offer our product candidates for sale at competitive prices;

- relative convenience and ease of administration;

- the willingness of physicians to prescribe new therapies and of the target patient population to try such therapies;

- the strength of marketing and distribution support; and

- sufficient third-party coverage or reimbursement.

Therefore, we cannot guarantee that any products we may seek to develop will ever be successfully commercialized, and to the extent they are not successfully commercialized, such products could involve significant expense with no corresponding revenue.

Complex and evolving U.S. and international laws and regulations regarding privacy and data security and increased risk of cybersecurity incidents to our information technology systems could result in increased costs of operations and a significant disruption to our business.

Our operations are highly dependent on our information technology systems, including internet-based systems, which may be vulnerable to breakdown, cybersecurity incidents, wrongful intrusions, data breaches, malware, ransomware, and malicious attack. In addition, information security risks have generally increased in recent years, increasing our systems' potential vulnerability, such as to data security breaches or cyber-attack, whether by employees or others, which may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, customers, plasma donors and others. Data security breaches may also adversely impact the conduct of scientific research and clinical trials, including the submission of research results to support marketing authorizations.

Additionally, our information technology systems utilize certain third party service organizations that manage sensitive data, such as personal medical information regarding plasma donors, and our business may be adversely affected if these third party service organizations are subject to data security breaches. We may continue to incur significant expenses to comply with existing privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

Federal, state and foreign governments continue to adopt new, or modify existing laws and regulations addressing data privacy and the collection, processing, storage, transfer and use of data. This includes, for example, the EU's regulation, the General Data Protection Regulation (GDPR) and the new California Consumer Protection Act (CCPA), effective on January 1, 2020. In our efforts to meet the GDPR, CCPA, U.S. Health Insurance Portability and Accountability Act of 1996, as amended, and implementing regulations, or (HIPAA), and other data privacy regulations, we have made and continue to make certain operational changes to our business practices. Other governmental authorities throughout the U.S. and around the world are considering similar types of legislative and regulatory proposals concerning data protection. These privacy, security and data protection laws and regulations could impose increased business operational costs, require changes to our business, require notification to customers or workers of a security breach, or restrict our use or storage of personal information. For example, health information laws and regulations, such as regulations under HIPAA and potential revisions thereto, as proposed in December 2020, include requirements to implement various recordkeeping, operational, notice and other practices intended to safeguard that information, limit its use to allowed purposes and notify affected individuals in the event of privacy and security breaches, establish standards regarding electronic health data transmissions and set rules for specific electronic transactions, such as transactions involving claims submissions to third party payers. Failure to comply with HIPAA and similar state laws could expose us to breach of contract claims, substantial fines, penalties and other liabilities and expenses, costs for remediation and harm to our reputation.

In the United States, the CCPA generally requires companies, such as us, to institute additional protections regarding the collection, use and disclosure of certain personal information of California residents. The California Attorney General announced the finalization of initial CCPA regulations on August 14, 2020, and two new sets of modifications to CCPA regulations have since been proposed and have completed the required public comment process, although they are still subject to internal review and finalization by the California Attorney General, the timing of which is uncertain. In addition to providing for enforcement by the California Attorney General, the CCPA also provides for a private right of action. Entities in violation of the CCPA may be liable for civil penalties. Significantly, in November 2020 California enacted the California Privacy Rights Act (CPRA), effective January 1, 2023, which amends the CCPA. The CPRA, among other substantive measures, expands the CCPA's private right of action, increases consumers' control over personal information, imposes new compliance obligations on businesses, and enacts new exceptions that may apply to our businesses. Notably, it also creates a new California Privacy Protection Agency that will issue additional regulations by July 1, 2022 and be responsible for enforcement of CCPA and CPRA provisions going forward.

The European Parliament and the Council of the European Union adopted GDPR, which increased privacy rights for individuals in Europe, extended the scope of responsibilities for data controllers and data processors and imposed increased requirements and potential penalties on companies offering goods or services to individuals who are located in Europe or monitoring the behavior of such individuals (including by companies based outside of Europe). Noncompliance can result in penalties of up to the greater of € 20 million, or 4% of global company revenues.

Our efforts to implement programs and controls that comply with the GDPR, CCPA, HIPAA and other data protection requirements are likely to impose additional costs on us, and we cannot predict whether the interpretations of the

requirements, or changes in our practices in response to new requirements or interpretations of the requirements, could have a material adverse effect on our business.

Our success depends in large part on our ability to obtain and maintain protection in the United States and other countries of the intellectual property relating to or incorporated into our technology and products.

Our success depends in large part on our ability to obtain and maintain protection in the United States and other countries for the intellectual property covering or incorporated into our technology and products, especially intellectual property related to our purification processes. The patent landscape in the field of biotechnology and pharmaceuticals generally is highly uncertain and involves complex legal and scientific questions. We may not be able to obtain additional issued patents relating to our technology or products. Even if patents are issued to us or to our licensors, they may be challenged, narrowed, invalidated, held to be unenforceable or circumvented, which could limit our ability to stop competitors from marketing similar products or limit the length of time our products have patent protection. Additionally, most of our patents relate to the processes we use to produce our products, not to the products themselves. In many cases, the plasma-derived products we produce or develop in the future will not, in and of themselves, be patentable. Since our patents relate to processes, if a competitor is able to design and utilize a process that does not rely on our protected intellectual property, such competitor could sell a plasma-derived or other product similar to one we developed or sell.

Our patents also may not afford us protection against competitors with similar technology. Because patent applications in the United States and many other jurisdictions are typically not published until 18 months after their filing, if at all, and because publications of discoveries in the scientific literature often lag behind actual discoveries, neither we nor our licensors can be certain that we or they were the first to make the inventions claimed in our or their issued patents or pending patent applications, or that we or they were the first to file for protection of the inventions set forth in such patent applications. If a third party has also filed a U.S. patent application covering our product candidates or a similar invention, we may be required to participate in an adversarial proceeding, known as an "interference proceeding," declared by the U.S. Patent and Trademark Office to determine priority of invention in the United States. The costs of these proceedings could be substantial and our efforts in them could be unsuccessful, resulting in a loss of our anticipated U.S. patent position.

Our patents expire at various dates. Our pending and future patent applications may not issue as patents or, if issued, may not issue in a form that will provide us with any competitive advantage. Even if issued, we cannot guarantee that: any of our present or future patents or patent claims or other intellectual property rights will not lapse or be invalidated, circumvented, challenged or abandoned; our intellectual property rights will provide competitive advantages; our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will not be limited by our agreements with third parties; any of our pending or future patent applications will be issued or have the coverage originally sought; our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak; or we will not lose the ability to assert our intellectual property rights against, or to license our technology to, others and collect royalties or other payments. In addition, our competitors or others may design around our protected patents or technologies.

Effective protection of our intellectual property rights may be unavailable, limited or not applied for in some countries. Changes in patent laws or their interpretation in the United States and other countries could also diminish the value of our intellectual property or narrow the scope of our patent protection. In addition, the legal systems of certain countries do not favor the aggressive enforcement of patents, and the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. In order to preserve and enforce our patent and other intellectual property rights, we may need to make claims or file lawsuits against third parties. Such lawsuits could entail significant costs to us and divert our management's attention from developing and commercializing our products.

We, like other companies in the pharmaceutical industry, may become aware of counterfeit versions of our products becoming available domestically and abroad. Counterfeit products may use different and possibly contaminated sources of plasma and other raw materials, and the purification process involved in the manufacture of counterfeit products may raise additional safety concerns, over which we have no control. Any reported adverse events involving counterfeit products that purport to be our products could harm our reputation and the sale of our products in particular and consumer willingness to use plasma-derived therapeutics in general.

Unauthorized use of our intellectual property may have occurred or may occur in the future. Although we have taken steps to minimize this risk, any failure to identify unauthorized use and otherwise adequately protect our intellectual property would adversely affect our business. For example, any unauthorized use of our trademarks could harm our

reputation or commercial interests. Moreover, if we are required to commence litigation related to unauthorized use, whether as a plaintiff or defendant, such litigation would be time consuming, force us to incur significant costs and divert our attention and the efforts of our management and other employees, which could, in turn, result in lower revenue and higher expenses.

In addition to patented technology, we rely on our unpatented proprietary technology, trade secrets, processes and know-how.

We generally seek to protect proprietary information by entering into confidentiality agreements with our employees, consultants, scientific advisors and third parties. These agreements may not effectively prevent disclosure of confidential information, may be limited as to their term and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, our trade secrets may otherwise become known or be independently developed by our competitors or other third parties. To the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. Costly and time-consuming litigation could be necessary to determine and enforce the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position. We also rely on contractual protections with our customers, suppliers, distributors, employees and consultants and implement security measures designed to protect our trade secrets. We cannot assure you that these contractual protections and security measures will not be breached, that we will have adequate remedies for any such breach or that our suppliers, employees or consultants will not assert rights to intellectual property arising out of such contracts.

Since we rely on trade secrets and nondisclosure agreements, in addition to patents, to protect some of our intellectual property, there is a risk that third parties may obtain and improperly utilize our proprietary information to our competitive disadvantage. We may not be able to detect the unauthorized use of such information, prevent such use or take appropriate and timely steps to enforce our intellectual property rights.

We may infringe or be alleged to infringe intellectual property rights of third parties.

Our products or product candidates may infringe or be accused of infringing one or more claims of an issued patent or may fall within the scope of one or more claims in a published patent application that may be subsequently issued and to which we do not hold a license or other rights. Third parties may own or control these patents or patent applications in the United States and/or abroad. These third parties could bring claims against us or our collaborators that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us or our collaborators, we or they could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit.

If we are found to be infringing on the patent rights of a third party, or in order to avoid potential claims, we or our collaborators may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we or our collaborators were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we or our collaborators are unable to enter into licenses on acceptable terms.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical and biotechnology industries. In addition to infringement claims against us, we may become a party to other patent litigation and other proceedings, including interference proceedings declared by the U.S. Patent and Trademark Office and opposition proceedings in the European Patent Office, regarding intellectual property rights with respect to our products. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other proceedings may also absorb significant management time.

Many of our employees were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We take steps to ensure that our employees do not use the proprietary information or know-how of others in their work for us. We may, however, be subject to claims that we or these employees have inadvertently or otherwise used or disclosed intellectual property, trade secrets or other proprietary information of any such employee's former employer. Litigation may be necessary to defend against these claims and,

even if we are successful in defending ourselves, could result in substantial costs to us or be distracting to our management. If we fail to defend any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

We have in-licensed certain patent rights and co-own certain patent rights with third parties.

Our rights in certain intellectual property that we have in-licensed or co-own with third parties and the value therein may depend on our third party licensors' or co-owners', as applicable, performance under our intellectual property agreements with them. If one of these third parties is unable to, or does not, enforce their own rights in such intellectual property or perform under our agreements with them, it could affect our ability to effectively compete in the marketplace and operate our business.

Our in-license agreements for certain patent rights may impose payment and/or other material obligations on us as a licensee. Although we are currently in compliance with all of our material obligations under these licenses, if we were to breach any such obligations, our counterparty licensors may be entitled to terminate the licenses. Such termination may restrict, delay or eliminate our ability to develop and commercialize our products, which could adversely affect our business. We cannot guarantee that the third-party patents and technology we license will not be licensed to our competitors. In the future, we may need to obtain additional licenses, renew existing license agreements or otherwise replace existing technology. We are unable to predict whether these license agreements can be obtained or renewed or whether the technology can be replaced on acceptable terms, or at all.

We may not realize the expected benefits from the entry into new or amended contracts, cost-savings and business improvement initiatives.

Our Further Adjusted EBITDA includes certain adjustments related to run rate benefits and cost saving initiatives. We recently acquired the GC Pharma (2020), BPL (2021) and Kedrion (2021) plasma collection centers, as well as entering into a plasma-supply agreement with Haema in Hungary (2021). There can be no assurance we will be successful with this acquisition strategy or that we will realize all of the benefits we expect from such new centers. Our cost savings and business improvement initiatives could result in unexpected charges and expenses that negatively impact our financial results and we could fail to achieve the desired efficiencies and estimated cost savings. In addition, if we are not able to effectively implement these initiatives, or if they fail to operate as intended, our financial results could be adversely affected. Additionally, these types of initiatives could yield unintended consequences such as distraction of management and employees, business disruption, an inability to attract or retain key personnel, which could negatively affect our business or financial condition and results of operations. If we are not able to effectively develop, implement and manage our cost savings or business improvement initiatives (including our acquisitions), we may experience operational difficulties and increased costs, which may adversely affect our results of operations.

Risks Relating to the Healthcare Industry

United States Healthcare Reform may adversely affect our business.

The United States Patient Protection and Affordable Care Act and the companion Healthcare and Education Reconciliation Act, each enacted in March 2010, as amended (collectively, the "ACA"), increased federal oversight of private health insurance plans and included a number of provisions designed to reduce Medicare expenditures and the cost of health care generally, to reduce fraud and abuse, and to provide access to increased health coverage. While the ACA has materially expanded the number of individuals in the United States with health insurance, it has faced ongoing legal challenges, including litigation seeking to invalidate some of or all of the law or the manner in which it has been interpreted.

There are uncertainties due to federal legislative and administrative efforts to repeal (under the previous U.S. presidential administration), substantially change, replace or invalidate portions or all of the ACA. Additionally, federal litigation related to the ACA is proceeding in several courts and could have a significant impact on the United States healthcare industry. The U.S. Supreme Court, in upholding the constitutionality of the ACA and its individual state mandate provision in 2012, simultaneously limited ACA provisions requiring Medicaid expansion, making such expansion a state-by-state decision. In 2017, the U.S. Congress effectively repealed the ACA's individual mandate provision by eliminating the financial penalty for non-compliance. In the most recent ACA litigation, a federal appeals court found the individual mandate to be unconstitutional, and returned the case to a lower federal court for consideration of whether the remainder of the ACA could survive the excision of the individual mandate. On June 17, 2021, the United States Supreme Court held that plaintiffs do not have standing to challenge the constitutionality of the individual mandate. It is uncertain whether there will be additional challenges to the ACA. Any future legislation, guidance, rules or regulations and/or

Executive Orders that materially alter the healthcare industry could have a significant impact on our operations. The uncertain status of the ACA affects our ability to plan, and its repeal without adequate replacement could have a material adverse effect on our United States operations.

Government pressures and constraints on reimbursement may adversely affect our business.

We engage in various manufacturing, processing, marketing and sales activities pertaining to pharmaceutical products in a number of jurisdictions around the world. These activities subject us to several governmental regulations mandating multiple types of controls over pricing and general operations in the various countries in which we operate. The growth of overall healthcare costs as a percentage of gross domestic product in many countries means that governments and payers are under intense pressure to control spending even more tightly.

In the United States, which is our main market, implementation of the ACA and trends in recent years in the healthcare industry have included significant changes including a shift towards managed or value-based care, collective purchasing agreements, consolidation in office-based healthcare providers, and other cost-saving, revenue and payment reduction measures with respect to, for example, several government healthcare programs that cover our products, including Medicaid, Medicare Parts B and D and the 340B Program. These trends could have a material adverse impact on our financial performance. For more details of these measures see "Regulatory Matters—Pharmaceutical Pricing and Reimbursement." Global emphasis on healthcare cost containment exerts significant pressures on the pricing of our products and on our ability to obtain and maintain reimbursement rates to cover our products, which may adversely affect our business.

The availability of federal funds to pay for our products under Medicaid and Medicare Part B programs requires that we extend discounts under the 340B Program, and changes to this program under the ACA could adversely affect our financial performance. The 340B Program extends discounts to a variety of community health clinics and other entities that receive health services grants from the 340B Program, as well as hospitals that serve a disproportionate share of certain low income individuals, and the ACA expanded the number of qualified 340B entities eligible to purchase products for outpatient use, adding certain cancer centers, children's hospitals, critical access hospitals and rural referral centers. The 340B Program price, or ceiling price, cannot exceed the AMP (as reported to CMS under the Medicaid drug rebate program) less the Medicaid unit rebate amount. We have entered into a pharmaceutical pricing agreement ("PPA"), with the government in which we have agreed to participate in the 340B Program by charging eligible entities no more than the ceiling price for drugs intended for outpatient use. Evolving requirements with respect to this program continue to be issued by the Health Resources and Services Administration ("HRSA") of the United States Department of Health and Human Services ("HHS") the federal agency responsible for oversight of the 340B Program, which creates uncertainty. We expect the healthcare industry will continue to be subject to increasing pricing and cost containment pressures in 2021 and beyond. These pricing and cost containment pressures may impact the reimbursement rates for our products and have an adverse effect on our business. We believe that we meet the requirements of the 340B Program, and are continuing to review and monitor these and other developments affecting the 340B Program.

Continuing efforts of certain regulatory and legislative bodies, as well as the United States Congress, are focused on pricing and reimbursement. The outcome of these continuing discussions remains uncertain, but may have a potential negative impact on our business.

Impact of government regulations over product development and regulatory approvals may adversely affect our business.

We develop and manufacture pharmaceutical products in a number of jurisdictions around the world. These activities subject us to several governmental regulations mandating specific governmental approvals that are necessary for us to develop our products in the various countries in which we operate. Obtaining market approval for our products is a lengthy, costly and complex regulatory process that requires intensive preclinical and clinical data, and the approval process can vary significantly depending on the regulatory authority of each jurisdiction. Relevant health authorities may, at the time of the filing of the application for a marketing authorization, or later during their review, impose requirements that can evolve over time, including requiring additional clinical trials, and such authorities may delay or refuse to grant approval.

Even where we have obtained marketing approval for a product in one or more major markets, we may need to invest significant time and resources in applying for approval in other markets, and there is no assurance that we will be able to obtain such approval. In recent years, health authorities have become increasingly focused on product safety and on the risk/benefit profile of pharmaceutical products, which could lead to more burdensome and costly approval processes and negatively affect our ability to obtain regulatory approval for products under development. For example, the FDA and

the EMA have been implementing strict requirements for approval, particularly in terms of the volume of data needed to demonstrate a product's efficacy and safety.

In the United States, our main market, even with the changes in the ACA to accelerate the regulatory process for certain products, including biosimilars, it is still a lengthy, costly and complex regulatory process. The ACA introduced a new abbreviated regulatory approval pathway for biological products found to be "biosimilar" to or "interchangeable" with a biological "reference product" previously licensed under a Biologics License Applications (BLA). This abbreviated approval pathway is intended to permit a biosimilar product to come to market more quickly and less expensively by relying to some extent on the data generated by the reference product's sponsor, and the FDA's previous review and approval of the reference product.

The law provides that no biosimilar application may be accepted for FDA review until four years after the date the reference product was first licensed by the FDA, and that the FDA may not make approval of an application effective until 12 years after the reference product was first licensed. The law also includes an extensive process for the innovator biologic and biosimilar manufacturer to litigate patent infringement, validity, and enforceability, which could increase costs of protecting our reference products. Once approved, biosimilars likely would compete with, and in some circumstances may be deemed under applicable laws to be "interchangeable with," the previously approved reference product. The extent to which a biosimilar product, once approved, will be substituted for any of our products, in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing. The FDA is actively seeking to encourage the entry of biosimilars into the marketplace, including issuing, in July 2018, its Biosimilar Action Plan, intended to enhance the speed of the biosimilar development and approval processes. We expect in the future to face greater competition from biosimilar products, including a possible increase in patent challenges, all of which could adversely affect our financial performance.

Regarding access to our products, the ACA established and provided significant funding for a Patient-Centered Outcomes Research Institute to coordinate and fund Comparative Effectiveness Research, as those terms are defined in the ACA. While the stated intent of Comparative Effectiveness Research is to develop information to guide providers to the most efficacious therapies, outcomes of Comparative Effectiveness Research could influence the reimbursement or coverage for therapies that are determined to be less cost effective than others. Should any of our products be determined to be less cost effective than alternative therapies, the levels of reimbursement for these products, or the willingness to reimburse at all, could be impacted, which could materially impact our financial results.

Failure to comply with laws and regulations governing the sales and marketing of our products or an adverse decision in lawsuits may result in adverse consequences to us.

We engage in various marketing, promotional and educational activities pertaining to, as well as the sale of, pharmaceutical products in a number of jurisdictions around the world. The promotion, marketing and sale of pharmaceutical products and medical devices is highly regulated and the sales and marketing practices of market participants such as us have been subject to increasing supervision by governmental authorities around the world, and we believe that this trend will continue.

For example, the laws governing our conduct in the United States are enforceable by criminal, civil and administrative penalties. Violations of laws such as the Federal Food, Drug and Cosmetic Act (FDCA), the Federal False Claims Act (FCA), the Public Health Service Act (PHS Act) or provisions of the U.S. Social Security Act known as the "Anti-Kickback Law" and the "Civil Monetary Penalties Law," or any regulations promulgated under their authority, may result in jail sentences, fines or exclusion from federal and state programs, as may be determined by Medicare, Medicaid, the Department of Defense, other regulatory authorities and the courts. There can be no assurance that our activities will not come under the scrutiny of regulators and other government authorities or that our practices will not be found to violate applicable laws, rules and regulations or prompt lawsuits by private citizen "relators" under federal or state false claims laws. For a description of fraud and abuse laws see "Regulatory Matters—Government Regulation—United States Government Regulation—Anti-fraud and Abuse Regulation."

Failure to comply with fraud and abuse laws and regulations could also result in other significant civil and criminal penalties and costs, including the loss of licenses and the inability to participate in federal and state health care programs, and could have a material adverse effect on our business. In addition, these measures may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require us to make changes in our operations or incur substantial defense and settlement expenses. The fraud and abuse laws and regulations have been subject to heightened enforcement activity over the past few years, and significant enforcement activity has been the result of "relators" who serve as whistleblowers by filing complaints in the name of the United States (and if applicable, particular states) under applicable false claims laws, and who may receive up to 30% of total government recoveries. Even

unsuccessful challenges by regulatory authorities or private relators could result in reputational harm and the incurring of substantial costs. Further, many of these laws are vague or indefinite and have not been interpreted by the courts, and have been subject to frequent modification and varied interpretation by prosecutorial and regulatory authorities, increasing the risk of noncompliance. Most states have adopted similar state false claims laws, and these state laws have their own penalties which may be in addition to FCA penalties, as well as other fraud and abuse laws. While we believe that we are substantially compliant with applicable fraud and abuse laws and regulations, and have adequate compliance programs and controls in place to ensure substantial compliance, we cannot predict whether changes in applicable law, or interpretation of laws, or changes in our services or marketing practices in response to changes in applicable law or interpretation of laws, could have a material adverse effect on our business.

Failure to satisfy requirements under the FDCA can also result in penalties, as well as requirements to enter into consent decrees or orders that prescribe allowable corporate conduct. In this regard, our Los Angeles facility was previously managed pursuant to a consent decree that was entered into in February 1998 based on action by the FDA and the U.S. Department of Justice, or the DOJ, addressing FDCA violations committed by the former owner of the facility, Alpha Therapeutic Corporation, or Alpha. The consent decree provided for annual inspection of the plant by the FDA. On March 15, 2012, the United States District Court for the Central District of California entered an order vacating the consent decree on the Los Angeles facility.

Adverse consequences can also result from failure to comply with the requirements of the 340B Program under the PHS Act, which extends discounts to a variety of community health clinics and other entities that receive health services grants under the PHS Act. In early 2016, HRSA finalized a regulation regarding the 340B pricing methodology, providing guidelines for when civil monetary penalties may be issued for "knowing and intentional" manufacturer overcharges of 340B covered entities. Under this regulation, which became effective on January 1, 2019, manufacturers who overcharge could be subject to significant monetary penalties. Such findings could also result in negative publicity that could harm the manufacturer's reputation or cause business disruption, penalties, or CMP. Under the rule, the CMP may be up to $5,000 for each instance of overcharging a covered entity. If we are ultimately required to change our sales or pricing practices with regard to the distribution of drugs under the 340B program, or if we were required to pay penalties under the applicable regulations, there would be an adverse effect on our revenues and profitability.

In addition, companies in the United States, Canada and the European Union are generally restricted from promoting approved products for other indications that are not specifically approved by the competent regulatory authorities, nor can companies promote unapproved products. Improper promotion of unapproved drugs or devices or unapproved indications for a drug or device may subject us to warnings from, or enforcement action by, regulatory agencies, harm demand for our products, and subject us to civil and criminal sanctions. Further, sanctions under the FCA have recently been brought against companies accused of promoting off-label uses of drugs, because such promotion induces the use and subsequent claims for reimbursement under Medicare and other federal programs. The ACA significantly strengthened provisions of the FCA, the anti-kickback provisions of Medicare and Medicaid and other health care antifraud provisions, leading to the possibility of greatly increased qui tam suits by relators for perceived violations. Industry data indicates that a significant portion of IVIG volume may be used to fill physician prescriptions for indications not approved by the FDA or similar regulatory authorities. Violations or allegations of violations of the foregoing restrictions could materially and adversely affect our business.

We are required to report detailed pricing information, net of included discounts, rebates and other concessions, to CMS for the purpose of calculating national reimbursement levels, certain federal prices and certain federal and state rebate obligations. We have established systems for collecting and reporting this data accurately to CMS and have instituted a compliance program to assure that the information collected is complete in all respects. If we report pricing information that is not accurate to the federal government, we could be subject to fines and other sanctions (including potential FCA liability) that could adversely affect our business.

To market and sell our products outside of the United States, we must obtain and maintain regulatory approvals and comply with regulatory requirements in such jurisdictions. The approval procedures vary among countries in complexity and timing. We may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all, which would preclude us from commercializing products in those markets. In addition, some countries, particularly the countries of the European Union, regulate the pricing of prescription pharmaceuticals. In these countries, pricing discussions with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost effectiveness of our product candidate to other available therapies. Such trials may be time consuming and expensive and may not show an advantage in efficacy for our products. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, in either the United States or the European Union, we could be adversely affected.

In the United States under a provision in the ACA, referred to as the Physician Payment Sunshine Act or Open Payments Program (the "PPS Act"), we are required to report and disclose payments or other transfers of value made to certain practitioners, such as physicians and teaching hospitals. CMS publishes information from these reports on a publicly available website, including amounts transferred and healthcare provider identities. Under the PPS Act we are required to collect and report detailed information regarding certain financial relationships we have with covered healthcare providers. The PPS Act preempts similar state reporting laws, although we or our subsidiaries may also be required to report under certain state transparency laws that address circumstances not covered by the PPS Act, and some of these state laws are also ambiguous. We are also subject to foreign regulations requiring transparency of certain interactions between suppliers and their customers. While we believe we have substantially compliant programs and controls in place to comply with these reporting requirements, we cannot assure you that regulations will not require us to take additional compliance steps. Our compliance with these rules imposes additional costs on us.

We also are subject to certain laws and regulations concerning the conduct of our foreign operations outside the United States, including the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-bribery laws and related laws, and laws pertaining to the accuracy of our internal books and records, which have been the focus of increasing enforcement activity in recent years. Under the FCPA, the United States has increasingly focused on regulating the conduct by U.S. businesses occurring outside of the United States, generally prohibiting remuneration to foreign officials for the purpose of obtaining or retaining business. Also, in some countries we may rely on third parties for the marketing and distribution of our products, and these parties may lack sufficient internal compliance resources, and may operate in foreign markets involving substantial corruption. If our efforts to monitor these parties fail to detect potential wrongdoing, we could be held responsible for the noncompliance of these third parties with applicable laws and regulations, which may have a material adverse effect on our business.

We could be adversely affected if other government or private third-party payors decrease or otherwise limit the amount, price, scope or other eligibility requirements for reimbursement for the purchasers of our products.

Certain of our products are subject to various cost-containment measures, such as government-imposed industry-wide price reductions, mandatory pricing systems, reference pricing systems, payors limiting access to treatments based on cost-benefit analyses, an increase in imports of drugs from lower-cost countries to higher-cost countries, shifting of the payment burden to patients through higher co-payments, limiting physicians' ability to choose among competing medicines, mandatory substitution of generic drugs for the patented equivalent, and growing pressure on physicians to reduce the prescribing of patented prescription medicines. Such pressures could have a material adverse impact on our business, financial condition or results of operations, as well as on our reputation.

For example, certain pharmaceutical products, such as plasma derivative products, are subject to price controls in several of our principal markets, including Spain and countries within the European Union. In the United States, where pricing levels for our products are established by governmental payors and negotiated with private third-party payors, if the amount of reimbursement available for a product is reduced, it may cause groups or individuals dispensing the product to discontinue administration of the product, to administer lower doses, to substitute lower cost products or to seek additional price-related concessions. These actions could have a negative effect on our financial results, particularly in cases where our products command a premium price in the marketplace or where changes in reimbursement induce a shift in the location of treatment. The existence of direct and indirect price controls and pressures over our products has affected, and may continue to materially adversely affect, our ability to maintain or increase gross margins. In addition, the growth of overall healthcare costs and certain weak economic and financial environment in certain countries where we do business, as well as increased scrutiny over pharmaceutical pricing practices, such as in the United States, all enhance these pricing pressures.

In the United States pricing concerns include political and legislative efforts to increase transparency around healthcare and pharmaceutical drugs costs. Various pricing proposals have been introduced, some of which could take effect based on action by federal administrative agencies without the need for Congressional action. The uncertainty around these pricing proposals affects our ability to plan, and the proposals, if adopted, in whole or in part, could adversely affect our business. For example, on November 12, 2020, CMS issued final rules imposing price transparency requirements on hospitals and group health plans. Specifically, beginning in 2022, group health plans must post, on a public internet website, in-network provider negotiated rates (which include rates with device suppliers and manufacturers), historical out-of-network allowed amounts and drug pricing information. Our negotiated rates with various providers and group health plans could be published, which could impact our ability to independently negotiate sales contracts and rate agreements.

An increasing number of states in the United States have also proposed or passed legislation that seeks to directly or indirectly regulate pharmaceutical drug pricing, such as by requiring drug manufacturers to provide advance notice of certain price increases, publicly report pricing information or to place a maximum price ceiling on pharmaceutical products

purchased by state agencies. State laws regulating pharmaceutical drug pricing may cause us to experience additional pricing pressures on our affected products, and could adversely affect our business.

Also, the intended use of a drug product by a physician can affect pricing. Physicians frequently prescribe legally available therapies for uses that are not described in the product's labeling and that differ from those tested in clinical studies and that are approved by the FDA or similar regulatory authorities in other countries. These off-label uses are common across medical specialties, and physicians may believe such off-label uses constitute the preferred treatment or treatment of last resort for many patients in varied circumstances. In the United States, many off-label uses of drug products may be reimbursed by Medicare and other third-party payors, generally based on the payors' determination that the intended use is for a medically accepted indication, for example, based on studies published in peer-reviewed medical journals or information contained in drug compendia, such as the United States Pharmacopeia-National Formulary. However, if reimbursement for off-label uses of products, including IVG, is reduced or eliminated by Medicare or other third-party payors, including those in the United States or the European Union, we could be adversely affected.

We are subject to extensive government regulatory compliance and ethics oversight.

Our business is subject to extensive government regulation and oversight by the many countries in which we operate. We have enacted anticorruption, privacy, healthcare and corporate compliance policies and procedures that govern our business practices and those of our distributors and suppliers. These policies and procedures are effectuated through education, training and monitoring of our employees, distributors and suppliers. In addition, to enhance compliance with applicable healthcare laws and mitigate potential liability in the event of noncompliance, regulatory authorities, such as HHS's Office of the Inspector General ("OIG") of the United States, have recommended the adoption and implementation of a comprehensive healthcare compliance program that generally contains the elements of an effective compliance and ethics program described in Section 8B2.1 of the U.S. Sentencing Commission Guidelines Manual. Increasing numbers of U.S.-based pharmaceutical companies have such programs, and we have adopted U.S. healthcare compliance and ethics programs that generally incorporate the OIG's recommendations. However, our adoption and enforcement of these various policies and procedures does not ensure that we will avoid investigation or the imposition of penalties by applicable government agencies.

Failure to comply with changing regulatory requirements could materially adversely affect our business.

We engage in various manufacturing, processing, marketing and sales activities pertaining to pharmaceutical products in a number of jurisdictions around the world. These activities subject us to several governmental regulations governing our global operations. The laws and regulations of the many jurisdictions that govern our business and operations are subject to varying and evolving interpretations that affect our ability to comply, and future changes, additions, and enforcement approaches, including in light of political changes. For example, in the United States, President Biden's administration has authorized and encouraged a freeze on certain federal regulations that have been published but are not yet effective, as well as a review of all federal regulations issued during President Trump's administration. Changes with respect to the applicable laws and regulations may require us to update or revise our operations, services, marketing practices, and compliance programs and controls, and may impose additional and unforeseen costs on us, pose new or previously immaterial risks to us, or may otherwise have a material adverse effect on our business. There can be no assurance that current and future government regulations will not adversely affect our business, and we cannot predict new regulatory priorities, the form, content or timing of regulatory actions, and their impact on the health care industry and on our business and operations.

We are subject to extensive environmental, health and safety laws and regulations.

Our business involves the controlled use and the generation, handling, management, storage, treatment and disposal of hazardous substances, wastes and various biological compounds and chemicals. The risk of contamination or injury from these materials cannot be eliminated. If an accident, spill or release of any regulated chemicals, substances or wastes occurs, we could be held liable for resulting damages, including for investigation, remediation and monitoring of the contamination, including natural resource damages, the costs of which could be substantial. As owners and operators of real property, we could also be held liable for the presence of hazardous substances as a result of prior site uses or activities, without regard to fault or the legality of the original conduct that caused or contributed to the presence or release of such hazardous substance on, at, under or from our property. We are also subject to numerous environmental, health and workplace safety laws and regulations, including those governing laboratory procedures, exposure to blood-borne pathogens and the handling of biohazardous materials, chemicals and wastes.

Although we maintain workers' compensation insurance to cover the costs and expenses that may be incurred due to injuries to our employees resulting from the use and handling of these materials, chemicals and wastes, this insurance may not provide adequate coverage against potential liabilities.

Additional or more stringent federal, state, local or foreign laws and regulations affecting our operations may be adopted in the future. We may incur substantial capital costs and operating expenses to comply with any of these laws or regulations and the terms and conditions of any permits required pursuant to such laws and regulations, including costs to install new or updated pollution control equipment, modify our operations or perform other corrective actions at our respective facilities. In addition, fines and penalties may be imposed for noncompliance with environmental and health and safety laws and regulations or for the failure to have or comply with the terms and conditions of required environmental permits.

Risks Relating to the Biomat Transactions

There can be no assurance that the Biomat Transactions will be consummated.

On June 30, 2021, the Company announced that it had entered into the SPA among Biomat USA, Newco, Holdco, Grifols Shared Services North America, Inc., Epsom Investment PTE. Ltd. and the Company pursuant to which the GIC Investor, an affiliate of GIC Private Limited, which is a sovereign wealth fund established by the Government of Singapore, will invest $990 million in the Company's wholly-owned US subsidiary Biomat USA. As part of the transaction, the GIC Investor will become a strategic investor in the Company's business, holding a minority stake in Biomat USA through the acquisition of Biomat Class B Equity Interests. The Biomat Class B Equity Interests will be issued pursuant to the charter documents of Biomat USA and Newco as amended on the closing date of the Biomat Transactions.

The consummation of the Biomat Transactions is subject to certain conditions, including applicable regulatory authorizations, such as from the Committee on Foreign Investment in the United States ("CFIUS"). In connection with the Biomat Transactions we sought consents from our note holders and our lenders to permit the transaction under the terms of our existing indebtedness and have obtained all such necessary consents. The closing date of the Biomat Transactions will be determined in accordance with the terms of the SPA (the "Biomat Transactions Consummation Date"), on or prior to the outside date which is December 15, 2021; provided, that if on such date the only condition remaining to be satisfied (other than conditions which, by their nature, are to be satisfied at the closing) is CFIUS approval, then the outside date will automatically be extended to March 15, 2022. There can be no assurance that the Biomat Transactions will be consummated.

Holders may be affected by the consummation of the Biomat Transactions.

Although Newco and Biomat USA will be restricted subsidiaries of the Company under the indenture governing the notes offered hereby, certain of the provisions of the amended charter documents of Newco and Biomat USA will limit the ability of Newco and Biomat USA to make distributions on the Class A Common Stock held by the Company, freely enter into or amend affiliate transactions and contracts, or otherwise affect the operations of Biomat USA (together with its subsidiaries Talecris, Interstate Blood Bank, Inc., Biomat USA South, Inc., GCAM, Inc. and, following the Internal Reorganization, Newco, the "Biomat Group,"). In addition, the Biomat Class B Equity Interests held by the GIC Investor are entitled pursuant to the provisions of the amended charter documents of Newco and Biomat USA to annual non-cumulative preferential dividends and certain optional redemption rights, all as specified in the charter documents. Such limitations and payments in respect of the Biomat Class B Equity Interests, to the extent they limit the ability of Newco and Biomat USA to make distributions on the Class A Common Stock held by the Company, may affect the ability of the Company and the continuing guarantors to make interest and principal payments on the notes as and when they fall due, which may in turn affect the value of the notes.

Risks Relating to the Acquisition

In connection with the Acquisition, we have only conducted limited due diligence with respect to Holdings and Biotest.

The Acquisition is being made pursuant to an auction process involving a publicly-listed company in Germany, which is one of our competitors. As a result, we were afforded the ability to conduct only a significantly limited due diligence with respect to Holdings and Biotest. Our diligence on Holdings and Biotest has been based solely on the information provided by TIIL during such limited due diligence exercise made in the context of the auction sale of Holdings, and on our review of publicly available information regarding Biotest. As a result, we may discover facts or circumstances of which we are currently unaware related to the shares we are acquiring in Holdings or the products we aim

to acquire in the Transactions following the consummation of the related tender offer. We cannot assure you that any potential remedies will be adequate for any liabilities we incur, and such liabilities could be significant.

If the consummation of the Acquisition does not occur, holders of the notes will not have any recourse against TIIL or the Company and its subsidiaries for the Acquisition.

Prior to the consummation of the Acquisition, the notes will not be guaranteed and will solely be the obligations of the Escrow Issuer but will have a first priority security interest in the applicable Escrow Account. Prior to the consummation of the Acquisition, holders of the notes will not have any recourse to the Company, its subsidiaries or TIIL. Prior to the consummation of the Acquisition, the notes will not be guaranteed by any of the Company's subsidiaries and neither the Company nor any of its subsidiaries will be subject to any of the covenants set forth in the indenture governing the notes. The Escrow Issuer does not conduct any material operations and has no material assets (other than the escrowed proceeds).

Between the time of the issuance of the notes and the consummation of the Escrow Issuer Merger, the parties to the Acquisition Agreement may agree to modify or waive the terms or conditions of such document without noteholder consent.

Prior to the consummation of the Acquisition, the parties to the Acquisition Agreement may agree to amendments or waivers of, or consents to departures or deviations from, the terms thereof and holders of the notes will not have the ability to veto any such actions. Although no such amendment, waiver or consent is presently contemplated, if the parties to the Acquisition Agreement decide to make changes to the terms thereof (including to the purchase price) or to waive conditions thereunder, the holders of the notes will not be able to prevent the release of the Escrowed Property to fund the Acquisition as a result of any such action and will not have any veto or consent rights in respect of any such actions.

The consummation of the Acquisition could be delayed.

The proposed acquisition of Holdings pursuant to the Acquisition Agreement is subject to a number of customary closing conditions, including the absence of certain legal impediments, that must be satisfied prior to the consummation of the Acquisition. It is possible that closing of the Acquisition could be delayed or the Acquisition could fail to close. If the Acquisition is not consummated on or prior to the Escrow Outside Date, or upon the occurrence of certain other events, the escrow proceeds of the notes will not be released to the Escrow Issuer and the Company to consummate the Acquisition but instead will be released to the trustee under the indenture that will govern the notes for the purpose of redeeming the notes pursuant to a special mandatory redemption in accordance with the procedures set forth therein.

We may not realize the anticipated synergies and growth opportunities from the Transactions.

The benefits that we expect to achieve as a result of the Transactions will depend, in part, on ability to accurately predict the success of Biotest. Following our expected acquisition of all of the equity interests of Biotest, success will in part depend on our ability to realize the potential anticipated cost synergies and on our ability to integrate the Biotest assets being acquired. Our success in realizing these cost synergies and the timing of this realization depends on the successful integration of the Biotest assets being acquired with our businesses and operations. Even if we are able to integrate such assets and implement the identified synergy realization plan, the integration may not result in the realization of the full benefits of the cost synergies that we currently expect within the anticipated time frame or at all. If the anticipated benefits and growth opportunities are not realized, our financial conditions and results of operations could be adversely affected.

Despite the due diligence investigations we conducted in connection with the Acquisition, we may not succeed in identifying all material risks and uncertainties associated. Furthermore, we may not achieve expected levels of revenue, profitability or productivity or otherwise operate in a manner consistent with our expectations or comparable to our existing businesses. Moreover, we may incur substantial expenses in connection with the integration of the Biotest assets which we anticipate being acquired and the implementation of the identified cost synergies. While we anticipate that certain expenses will be incurred, such expenses are difficult to estimate accurately and may exceed current estimates. See "—In connection with the Acquisition, we have conducted limited due diligence with respect to Holdings and Biotest."

If we do not issue sufficient notes pursuant to this offering, we may need to obtain additional financing for the Acquisition under significantly less favorable financial terms and with highly restrictive covenants.

In connection with the Acquisition, we received a commitment letter from Bank of America Europe Designated Activity Company ("BofA DAC") pursuant to which BofA DAC (or its designated affiliates) has agreed to provide financing to Grifols in the form of an unsecured bridge facility in an amount of up to €2,000,000,000 (the "Bridge

Commitment"). Bridge Commitment terms customarily provide for higher interest rates and significantly more restrictive covenants than a customary term financing. If we do not issue notes pursuant to this offering sufficient to fully finance the Acquisition, we may have to borrow funds under the bridge facility or otherwise on conditions less favorable than the terms and conditions of the notes. See "Description of Indebtedness—Bridge Commitment."

If there is a higher-than-anticipated level of participation by shareholders of Biotest in the tender offer pursuant to the Acquisition, we may not have the investment capacity under our First Lien Credit Facilities and EIB Term Loans to comply with our obligations; therefore, we may need to seek the consent of our lenders to complete the transaction, which may be costly or not forthcoming.

Covenants in our First Lien Credit Facilities and the EIB Term Loans restrict our ability to make additional investments. Pursuant to applicable law, we are required to make an offer to all remaining common and preferred shareholders of Biotest to acquire their shares. The consummation of the tender offer will be conditioned on the consummation of the Acquisition. Although we have investment capacity to complete the Acquisition and acquire such shares at our anticipated level of acceptance by shareholders, were all remaining shareholders of Biotest to tender their shares in the tender offer, the aggregate additional purchase price would be €810,216,215, which would exceed the existing investment capacity under our debt covenants and consummating the tender offer would result in a default under the credit agreement governing our existing First Lien Credit Facilities. To comply with the credit agreement governing our First Lien Credit Facilities and not be in default, we would be required in such circumstances to increase our investment capacity under the documents governing the First Lien Credit Facilities and the EIB Term Loans, which would require lender consent. Such consent may not be forthcoming or may be costly.

Although we are bound to consummate the Acquisition pursuant to the Acquisition Agreement, we have no control or influence over the decisions and management of Biotest until at least the consummation of the Acquisition, which will likely take several months.

On September 17, 2021, Grifols and TIIL entered into the Acquisition Agreement, pursuant to which Grifols agreed, on the terms and conditions set forth therein, to acquire from TIIL all of the existing equity interests owned by such company in Holdings, a German privately held stock corporation, and to accept an assignment from TIIL of certain shareholder loans granted by TIIL to Holdings. Holdings in turn owns 89.88% of the ordinary shares and 1.08% of the preferred equity shares of Biotest, a German stock corporation listed on the Frankfurt Stock Exchange that has a global presence supplying plasma protein products and biotherapeutic drugs. The consummation of the Acquisition is subject to certain conditions and regulatory approvals, and Grifols anticipates that it will take several months before the Acquisition is consummated. See "The Transactions." Biotest is not subject to any restrictions under the Acquisition Agreement and may adopt and implement new business policies, plans, initiatives or enter into material transactions including acquisitions and disposals of its business, operations and assets, that may not be restricted, limited or controlled by TIIL or Grifols. Grifols and TIIL have agreed to certain covenants (including a restriction on distributions being made by Holdings) to preserve any value realized by Biotest during the period pending completion of the Acquisition.

Risks Relating to the Escrow

If the conditions to the escrow are not satisfied, the Escrow Issuer will be required to redeem each series of notes, which means that you may not obtain the return you expect on the notes.

The gross proceeds from this offering of each series of notes will be deposited into the applicable Escrow Account. The release of escrow proceeds to the Escrow Issuer to consummate the Acquisition will be subject to the satisfaction of certain conditions, including the closing of the Acquisition on the same day as the release of such escrowed funds. The consummation of the Acquisition is subject to certain conditions, including regulatory approval. If the Acquisition is not consummated on or prior to the Escrow Outside Date, or upon the occurrence of certain other events, the escrow proceeds of each series of notes will not be released to the Escrow Issuer and the Company to consummate the Acquisition but instead will be released to the trustee under the indenture for the purpose of redeeming each series of notes pursuant to a special mandatory redemptions described in "Description of Notes—Escrow of Proceeds; Special Mandatory Redemption" and you may not obtain the return you expect to receive on the notes.

The special mandatory redemption price of each series of notes will be a price equal to 100.000% of the initial issue price of such series of notes plus accrued and unpaid interest from the issue date of the notes (or, if an interest payment has been made since the issue date of the notes, from the date of such interest payment) to, but not including, the special mandatory redemption date. Additional cash in respect of interest that would accrue on each series of notes from and after the issue date of the notes will not be pre-funded into the applicable Escrow Account on the issue date of the notes. Any payment of interest falling due on the notes prior to the Acquisition Escrow Release Date will be paid from

funds in escrow. The Company will commit on or prior to the date of the consummation of this offering to, in the event of a special mandatory redemption, capitalize the Escrow Issuer in an amount equal to the difference between the amounts in each Escrow Account that are available to be applied to redeem the applicable series of notes pursuant to the special mandatory redemption and the special mandatory redemption price. To the extent any funds are released from the Escrow Accounts in order to pay interest on the notes prior to the Acquisition Escrow Release Date, the risks herein related to escrow and the notes are increased as less than the principal amount of notes will be in the Escrow Accounts and a greater amount is required to be contributed in order to fund the Special Mandatory Redemption Price on a Special Mandatory Redemption Date. See "—We may make interest payments with Escrowed Property" below.

We may make interest payments with Escrowed Property.

The gross proceeds from this offering of each series of notes will be deposited into the applicable Escrow Account. If prior to the Acquisition Escrow Release Date the Escrow Issuer is required to make an interest payment on either series of notes, the Escrow Issuer may request from the Escrow Agent the release of funds equal to the amount of such interest payment and make such interest payment with such released escrowed proceeds. In such an event, holders of the notes offered hereby will continue to have a first lien security interest in the Escrow Accounts, however such accounts will hold less than the gross principal amount of notes offered hereby, thereby reducing the collateral securing the notes and their secured claim. As a result, the risks related to the escrow described herein are heightened. See "Description of Notes—Escrow of Proceeds; Special Mandatory Redemption."

In a bankruptcy proceeding, the holders of notes might not be able to apply the escrowed funds to repay the notes without bankruptcy court approval.

If we commence a bankruptcy or reorganization case, or one is commenced against us, while the Escrow Account remains funded, bankruptcy law may prevent the trustee under the indenture governing the notes from using the escrowed funds to pay the special mandatory redemption. The court adjudicating that case might find that the Escrow Account is the property of the bankruptcy estate. Although the amounts in the Escrow Account will be pledged as security for the notes during the term of the escrow, the automatic stay provisions of the federal bankruptcy laws generally prohibit secured creditors from foreclosing upon or disposing of a debtors' property without bankruptcy court approval. As a result, holders of the notes may not be able to have the funds in the Escrow Account applied at the time or in the manner contemplated by the indenture that will govern the notes and could suffer a loss as a result. If the court adjudicating that case finds that the Escrowed Property is the property of the bankruptcy estate, the court could authorize the use of such funds by the bankruptcy estate or the bankruptcy trustee, if one is appointed, with or without restrictions. As a result, the holders of the notes could become unsecured creditors of the bankruptcy estate. In such event, the only remedy available to the holders of the notes would be to sue for payment on the notes.

If, after the release of the funds from escrow, we file a bankruptcy petition, or if a bankruptcy petition is filed against us, you may receive a lesser amount for your claim under the notes than you would have been entitled to receive under the indenture governing the notes.

If, after the release of the funds from escrow, we file a bankruptcy petition under the U.S. Bankruptcy Code (or the applicable Spanish bankruptcy regulation) after the issuance of the notes, or if such a bankruptcy petition is filed against us, your claim against us for the principal amount of your notes may be limited to an amount equal to:

- the original issue price for the notes; and
- the portion of original issue discount that does not constitute "unmatured interest" for purposes of the U.S. Bankruptcy Code.

Any original issue discount that was not amortized as of the date of any bankruptcy filing would constitute unmatured interest. Accordingly, under these circumstances, you may receive a lesser amount than you would have been entitled to receive under the terms of the indenture governing the notes, even if sufficient funds are available.

Risks Relating to the Notes

The Escrow Issuer will have no assets or operations other than the gross proceeds of this offering and a commitment by the Company to capitalize accrued interest in the case of a special mandatory redemption.

The Escrow Issuer will have no assets or operations other than the gross proceeds of this offering and a commitment by the Company to capitalize accrued interest in the case of a special mandatory redemption. Prior to the

Acquisition Escrow Release Date, each series of notes will be solely obligations of the Escrow Issuer and will not be guaranteed and will not be the beneficiary of any credit support from the Company or any of its subsidiaries.

From the Acquisition Escrow Release Date, the notes will be general unsecured obligations of the Escrow Issuer, the Escrow Issuer will have no other indebtedness, and the notes will be unconditionally guaranteed by the Company and each of the guarantors other than Biomat USA, Talecris and Holdings. See "—Prior to the Biomat Transactions Consummation Date and the Transformation, the notes will be structurally subordinated to the First Lien Credit Facilities, EIB Term Loans, Secured Notes and Unsecured Notes with respect to Biomat USA, Talecris and Holdings, respectively." From and after the Escrow Issuer Merger, pursuant to a supplemental indenture with the trustee, the Company will assume all obligations of the Escrow Issuer under the notes and the indenture and the Escrow Issuer will cease to exist.

On or prior to the Acquisition Escrow Release Date, we may redeem up to €500 million of the notes during the 'non-call' period without payment of any "make-whole" premium, which will adversely affect your return.

As described under "Description of Notes—Optional Redemption—Capped Redemption," on or prior to the Acquisition Escrow Release Date, and following the expiration of all acceptance periods related to the VTO, the Escrow Issuer may at its option instruct the Escrow Agent to release escrowed proceeds to the Trustee in order to redeem an aggregate principal amount of notes in an amount not to exceed the lesser of (i) (x) the product of the number of Biotest untendered preferred shares multiplied by a price per share of €37.00 per share plus (y) the product of the number of Biotest untendered ordinary shares multiplied by a price per share of €43.00 (in each case other than those held by Holdings) and (ii) €500 million, at a price equal to 100% of the principal amount of such series of such notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, and without the payment of any "make-whole" premium provided that no less than $500 million dollar notes and no less than €500 million euro notes remain outstanding following any such Capped Redemption.

Although we may redeem these notes during the "non-call" period during which time bondholders are customarily entitled to receive a "make-whole" premium, holders of the notes which are redeemed will not be entitled to any customary "make-whole" premium upon such redemption. We may choose to exercise this redemption right at our option and, as a result, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of either series of notes. Our redemption right may also adversely impact your ability to sell the notes and you may not obtain the return you expect to receive on the notes. Such transactions could impact the market for the notes and negatively affect the liquidity of the notes.

The notes will not be guaranteed by the Company and the guarantors until the Acquisition Escrow Release Date and from such date will be unsecured and effectively subordinated to our and the guarantors' existing and future secured indebtedness including our existing First Lien Credit Facilities and Secured Notes.

Prior to the consummation of the Acquisition, the notes will not be guaranteed and will solely be the obligations of the Escrow Issuer but will have a first priority security interest in the applicable Escrow Account. The notes and the guarantees will be general unsecured obligations ranking effectively junior in right of payment to all of our existing and future secured indebtedness and that of each guarantor, including indebtedness under the First Lien Credit Facilities, the EIB Term Loans and the Secured Notes. As of June 30, 2021, the amounts outstanding under the First Lien Credit Facilities, the EIB Term Loans and the Secured Notes are €535 million, €212.5 million and €1,675 million, respectively. Also, all of the indebtedness outstanding under our purchase money indebtedness, equipment financing, and real estate mortgages will have a prior ranking claim on the underlying assets. Additionally, the indenture governing the notes will permit us to incur additional secured indebtedness in the future. In the event that we or a guarantor should be declared bankrupt, become insolvent or be liquidated or reorganized, any indebtedness that is effectively senior to the notes and the guarantees (including claims of preferential creditors) will be entitled to be paid in full from our assets or the assets of such guarantor, as applicable, securing such indebtedness before any payment may be made with respect to the notes or the affected guarantees. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets.

As of June 30, 2021, the notes and the guarantees would have been effectively subordinated to €5.6 billion of senior secured indebtedness.

Prior to the Biomat Transactions Consummation Date and the Transformation, the notes will be structurally subordinated to the First Lien Credit Facilities, EIB Term Loans, Secured Notes and Unsecured Notes with respect to Biomat USA and Talecris and Holdings, respectively.

Pursuant to the terms of the Acquisition Agreement, from and after the date on which the conditions precedent to consummate the Biomat Transactions have been satisfied (or waived), none of Newco, Biomat USA or any subsidiary of Biomat USA is permitted to be a guarantor of the Secured Notes, the Unsecured Notes, the EIB Term Loans, the First Lien Credit Facilities or any other indebtedness of the Company or its subsidiaries that is not indebtedness of Biomat USA or Newco itself, and each such guarantee is required to be released, including any guarantee. Furthermore all security interests held by The Bank of New York Mellon, London Branch, as notes collateral agent for the Secured Notes or any other party in respect of the shares of Newco, the shares of Biomat USA and any subsidiary of Biomat USA, or any assets of Newco, Biomat USA or any such subsidiary for the benefit of the Secured Notes, the EIB Term Loans, and the First Lien Credit Facilities are required to be released. In addition, prior to the Transformation, certain "financial assistance" rules prohibit Holdings from providing a guarantee of the notes offered hereby.

From and after the Acquisition Escrow Release Date, the notes will be guaranteed by the same guarantors (other than Holdings prior to the Transformation, and Biomat USA and Talecris, each of which will only become guarantors of the notes if the Biomat Transactions are not consummated) that guarantee obligations under the First Lien Credit Facilities from time to time in accordance with the guarantee threshold established therein, and the Secured Notes will continue to be secured by the same collateral that secures the First Lien Credit Facilities and the EIB Term Loans on a *pari passu* basis. If the Acquisition Escrow Release Date occurs prior to the Biomat Transactions Consummation Date, the notes offered in this offering will not have the benefit of the guarantees of Biomat USA or Talecris however, until the Biomat Transactions Consummation Date Biomat USA and Talecris will continue to guarantee our existing Secured Notes, Unsecured Notes and First Lien Credit Facilities. In addition, such releases may affect the ability of Grifols and the continuing guarantors to make interest and principal payments on its indebtedness, including the notes, as and when they fall due, which may in turn affect the value of the notes.Further, from and after the Acquisition Escrow Release Date and until the Transformation, Holdings will only guarantee the First Lien Credit Facilities, the EIB Term Loans, the Secured Notes and Unsecured Notes and the notes offered hereby will be structurally subordinated to such guarantee obligations. See "—Following the Acquisition Escrow Release Date, the notes and each of the guarantees will be structurally subordinated to present and future liabilities of our non-guarantor subsidiaries."

Our substantial level of indebtedness could adversely affect our financial condition, restrict our ability to react to changes to our business, and prevent us from fulfilling our obligations under our debt.

After the consummation of this offering, we will have a significant amount of indebtedness. As of June 30, 2021, on an as adjusted basis after giving effect to the offering of the notes, we would have €8.9 billion of indebtedness outstanding. See "Capitalization" and "Description of Indebtedness" for more detailed information.

Our high level of indebtedness could have important consequences for your investment in the notes and significant adverse effects on our business, such as:

- making it more difficult for us to satisfy our obligations with respect to the notes;
- making us more vulnerable to economic downturns and adverse developments in our business;
- impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes;
- reducing the funds available to us for operations and other purposes due to the substantial portion of our cash flow that we will use to pay interest on the notes and our other indebtedness;
- placing a prior ranking claim on the underlying assets of all of the indebtedness outstanding under our purchase money indebtedness, equipment financing and real estate mortgages;
- limiting our ability to fund a change of control offer;
- placing us at a competitive disadvantage compared to our competitors that may have proportionately less debt;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and

- restricting us from making strategic acquisitions or exploiting other business opportunities.

We expect to use cash flow from operations to pay our expenses and amounts due under the notes and our outstanding indebtedness. Our ability to make these payments depends on our future performance, which will be affected by financial, business, economic, and other factors, many of which we cannot control. Our business may not generate sufficient cash flow from operations in the future and our anticipated growth in revenue and cash flow may not be realized, either or both of which could result in our being unable to repay indebtedness, including the notes, or to fund other liquidity needs. If we do not have enough money, we may be required to refinance all or part of our then-existing debt (including the notes), sell assets, or borrow more money. We may not be able to accomplish any of these alternatives on terms acceptable to us, or at all. In addition, the terms of existing or future debt agreements may restrict us from adopting any of these alternatives. The failure to generate sufficient cash flow or to achieve any of these alternatives could materially and adversely affect our business, results of operations and financial condition, the value of the notes and our ability to pay the amounts due under the notes.

Despite our substantial indebtedness, we may still incur significantly more debt. This could exacerbate the risks associated with our substantial leverage.

We may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. Our business is capital intensive, and we regularly seek additional capital. Although the indenture governing the notes, and the agreements governing our existing indebtedness contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions, including secured debt, could be substantial. Incurring additional debt to current debt levels could exacerbate the leverage related risks described above. For more information on our indebtedness, see "Description of Indebtedness."

To service our indebtedness and other obligations, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the notes, and to fund working capital needs and planned capital expenditures will depend on our ability to generate cash in the future. A significant reduction in our operating cash flows resulting from changes in economic conditions, increased competition or other events beyond our control could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on our business, financial condition, results of operations, prospects and our ability to service our debt and other obligations. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking additional equity capital. We cannot assure you that any of these alternative strategies could be effected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on the notes and our other indebtedness.

In addition, our borrowings under the First Lien Credit Facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease.

We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under the First Lien Credit Facilities or otherwise in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the notes, on or before the maturity of such indebtedness. We cannot assure you that we will be able to refinance any of our indebtedness, including the notes, and on commercially reasonable terms or at all. For more information on our indebtedness, see "Description of Indebtedness."

We will need to repay or refinance borrowings under our First Lien Credit Facilities,Secured Notes and Unsecured Notes prior to the maturity of the notes. Failure to do so could have a material adverse effect upon us.

We expect that our existing First Lien Credit Facilities will mature in 2027 and our existing Secured Notes will mature in 2025 and 2027 and our existing Unsecured Notes will mature in 2025. As of June 30, 2021, on an as adjusted basis after giving effect to the Transactions, we would have had $2,304 million of term loan borrowings under the U.S. Dollar Term Loan Facility and €1,253 million of term loan borrowings under the Euro Term Loan Facility, with €833

million of availability (excluding €29 million of outstanding letters of credit) under our Revolving Credit Facility, €1,000 million outstanding under our Unsecured Notes, €905 million outstanding under our Secured Notes due 2025 and €770 million outstanding under our Secured Notes due 2027. See "Use of Proceeds" and "Capitalization." Consequently, prior to the maturity of the notes, we will need to repay, refinance, replace or otherwise extend the maturity of our First Lien Credit Facilities, Secured Notes and Unsecured Notes. Our ability to repay, refinance, replace or extend will be dependent on, among other things, business conditions, our financial performance and the general condition of the financial markets. If a financial disruption were to occur at the time that we are required to repay indebtedness outstanding under our First Lien Credit Facilities, Secured Notes or Unsecured Notes, we could be forced to undertake alternate financings, negotiate for an extension of the maturity of our First Lien Credit Facilities, Secured Notes and/or Unsecured Notes or sell assets and delay capital expenditures in order to generate proceeds that could be used to repay indebtedness under our First Lien Credit Facilities, Secured Notes and/or Unsecured Notes. We cannot assure you that we will be able to consummate any such transaction on terms that are commercially reasonable, on terms acceptable to us or at all. Our failure to repay, refinance, replace or otherwise extend the maturity of our First Lien Credit Facilities, Secured Notes and/or Unsecured Notes could result in an event of default under the indenture that will govern the notes and our First Lien Credit Facilities, Secured Notes and/or Unsecured Notes, which could lead to an acceleration or repayment of substantially all of our outstanding debt.

If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness, including a default under our existing indebtedness that is not waived by the required creditors, and the remedies sought by the creditors of such indebtedness, could prevent us from paying principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in our existing indebtedness and the indenture governing the notes), we could be in default under the terms of the agreements governing such indebtedness.

If our operating performance declines, we may need to obtain waivers from the required creditors under our existing indebtedness to avoid being in default. If we breach our covenants under our existing indebtedness and seek a waiver, we may not be able to obtain a waiver from the required creditors. If we fail to obtain waivers when required, we would be in default under our existing indebtedness. In the event of any such defaults, the creditors of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest. In addition, the lenders under our First Lien Credit Facilities and the EIB Term Loans could elect to terminate their commitments thereunder, cease making further loans and, together with creditors of our other indebtedness, institute foreclosure proceedings against our assets or take other enforcement action with respect to our assets, and we could be forced into bankruptcy or liquidation.

Covenants in our debt agreements restrict our business in many ways.

Covenants in our debt agreements contain, and the indenture governing the notes will contain, various covenants, with customary caveats, that limit our ability and/or our restricted subsidiaries' ability to, among other things:

- incur or assume liens or additional debt or provide guarantees in respect of obligations of other persons;
- issue redeemable stock and preferred equity;
- pay dividends or make distributions to the shareholders of Grifols or redeem or repurchase capital stock;
- prepay, redeem or repurchase debt;
- make loans, investments and capital expenditures;
- enter into agreements that restrict distributions from our restricted subsidiaries;
- sell assets and capital stock of our subsidiaries;
- enter into certain transactions with affiliates; and

- consolidate or merge with or into, or sell substantially all of our assets to, another person.

A breach of any of these covenants could result in a default under our debt agreements, including the indenture that will govern the notes. Upon the occurrence of an event of default, the respective creditors could elect to declare all amounts outstanding under the different debt agreements to be immediately due and payable and, in the case of the First Lien Credit Facilities, Secured Notes, Unsecured Notes and the EIB Term Loans, terminate all commitments to extend further credit. If we were unable to repay those amounts, creditors could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under the First Lien Credit Facilities and the Secured Notes. If the creditors under our existing indebtedness accelerate the repayment of borrowings, we may not have sufficient assets to repay our indebtedness, including the notes. See "Description of Indebtedness."

Our ability to meet our financial obligations depends on our ability to receive dividends and other distributions from our subsidiaries.

Our principal assets are the equity interests that we hold in our operating subsidiaries. As a result, we are dependent on dividends and other distributions from our subsidiaries to generate the funds necessary to meet our financial obligations, including the payment of principal and interest on our outstanding debt. Our subsidiaries may not generate sufficient cash from operations to enable us to make principal and interest payments on our indebtedness or may have preferential dividends which are required to be paid prior to any dividends to us. For example, each of Biomat USA and Newco are required to distribute annually preferred dividends to the GIC Investor (as defined herein) in respect of its investment in Biomat USA and Newco. Such annual dividends are equal to $4,168,421.05 per share payable by each of Biomat USA (in respect of its 10 preferential shares) and Newco (in respect of its 9 preferential shares) and carry additional rights with them as well including redemption rights and a liquidation preference of $52,105,263.16 per share. In addition, any payment of dividends, distributions, loans or advances to us by our subsidiaries could be subject to restrictions on dividends or, in the case of foreign subsidiaries, restrictions on repatriation of earnings under applicable local law and monetary transfer restrictions in the jurisdictions in which our subsidiaries operate. In addition, payments to us by our subsidiaries will be contingent upon our subsidiaries' earnings. Our subsidiaries are permitted under the terms of our indebtedness to incur additional indebtedness that may restrict payments from those subsidiaries to us. We cannot assure you that agreements governing current and future indebtedness of our subsidiaries will permit those subsidiaries to provide us with sufficient cash to fund payments on our indebtedness when due.

Our subsidiaries are legally distinct from us and, except for existing and future subsidiaries that guarantee certain indebtedness, have no obligation, contingent or otherwise, to pay amounts due on our debt or to make funds available to us for such payment.

The phasing out and ultimate replacement of LIBOR with an alternative reference rate and changes in the manner of calculating other reference rates may adversely impact the value of loans and other financial instruments we hold that are linked to LIBOR or other reference rates in ways that are difficult to predict and could adversely impact our financial condition and results of operations.

In July 2017, the U.K.'s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. In November 2020, the ICE Benchmark Administration announced that it would consult on its intention to cease publication of all EUR, CHF, JPY and GBP LIBOR tenors and two of the seven U.S. dollar LIBOR tenors (1 Week and 2 Months tenors) by the end of 2021, but its intention is to continue publication of the remaining five U.S. dollar LIBOR tenors (Overnight, 1, 3, 6, and 12 Months tenors) until June 2023. When phased out, LIBOR will be replaced with an alternative reference rate that will be calculated in a different manner. Similar changes have occurred or may occur with respect to other reference rates.

The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, identified the Secured Overnight Financing Rate, or SOFR, as the preferred alternative reference rate to U.S. dollar LIBOR and recommended a paced transition plan that involves the implementation of a reference rate based on SOFR before the end of 2021. SOFR is a more generic measure than LIBOR and considers the cost of borrowing cash overnight, collateralized by U.S. Treasury securities. Given the inherent differences between LIBOR and SOFR or any other alternative benchmark rate that may be established, there are many uncertainties regarding a transition from LIBOR. Our 2019 First Lien Credit Facilities contain a fallback provision providing for alternative rate calculations in the event LIBOR is unavailable, prior to any LIBOR rate transition. As a result, our level of interest payments we incur may change and the new rates we incur may not be as favorable to us as those in effect prior to any LIBOR phase-out.

Following the Acquisition Escrow Release Date, the notes and each of the guarantees will be structurally subordinated to present and future liabilities of our non-guarantor subsidiaries.

Not all of our subsidiaries will guarantee the notes. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of notes under the guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, administration, examinership, reorganization or other insolvency or bankruptcy proceeding of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the notes and each guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-guarantor subsidiaries. In particular, from and after the Acquisition Escrow Release Date and until the Transformation, the First Lien Credit Facilities, EIB Term Loans Secured Notes and Unsecured Notes will all be guaranteed by Holdings while the notes offered in this offering will not. As a result, until the Transformation, the notes will be structurally subordinated to all liabilities of Holdings including the guarantees provided with respect to the First Lien Credit Facilities, EIB Term Loans, Secured Notes and Unsecured Notes. In addition, from and after the consummation of the Biomat Transactions, each of Biomat USA and Newco subsidiaries, each of which will not guarantee the notes, are required to distribute annually preferred dividends to the GIC Investor (as defined herein) in respect of its investment in Biomat USA and Newco. See "—Our ability to meet our financial obligations depends on our ability to receive dividends and other distributions from our subsidiaries."

The covenants in the indenture governing the notes permit us to incur additional indebtedness at subsidiaries that do not guarantee the notes and in the future the revenue and Published EBITDA of such entities could increase, possibly substantially. Our non-guarantor subsidiaries accounted for €149.0 million, or 23.5% of our Published EBITDA for the six-month period ended June 30, 2021 and €409.3 million, or 30.9% of our Published EBITDA in the year ended December 31, 2020. In addition, our non-guarantor subsidiaries accounted for €7,265.1 million, or 44.8% of our assets for the six-month period ended June 30, 2021 and €6,608.6 million, or 43.3% of our assets for the year ended December 31, 2020 (excluding intercompany receivables).

The guarantees of the notes, along with any future guarantees of the notes, will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability.

Prior to the consummation of the Acquisition, the notes will not be guaranteed and will solely be the obligations of the Escrow Issuer but will have a first priority security interest in the applicable Escrow Account. After the consummation of the Acquisition, the Issuer's obligations under the notes will be guaranteed by the guarantors. The notes and the guarantees may be subject to claims that they should be limited or subordinated in favor of the Issuer's existing and future creditors under the laws of Ireland, Spain, Germany and the United States and/or any other applicable jurisdiction.

Enforcement of each guarantee will, where applicable, be limited to the extent of the amount which can be guaranteed by a particular guarantor without rendering the guarantee, as it relates to that guarantor, voidable or otherwise ineffective under applicable law and without rendering the guarantor insolvent or subject to any legal cause that would require it to be dissolved. These laws and defenses include those that relate to fraudulent conveyance or transfer, insolvency, voidable preference, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and similar laws, a court could subordinate or void any guarantee if it found that:

- the relevant guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the guarantor other person or to prefer one creditor over another or, in certain jurisdictions, even when the recipient was simply aware that the guarantor or other person was insolvent when it issued the guarantee;
- the guarantor did not receive fair consideration or reasonably equivalent value for the guarantee:
- the guarantor was insolvent, subsequently became insolvent or was rendered insolvent because of the guarantee or security;
- the guarantor was undercapitalized or became undercapitalized because of the guarantee;

- the guarantor intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity;
- the guarantee was not in the best interests or for the benefit of the guarantor; or
- the amount paid was in excess of the minimum amount permitted under applicable law.

The measure of insolvency for purposes of fraudulent conveyance and similar laws varies depending on the law applied. Generally, however, a guarantor would be considered insolvent if it could not pay its obligations as they became due. In such circumstances, if a court voided such guarantee, or held it unenforceable, noteholders would cease to have any claim in respect of the guarantor and would be a creditor solely of the Escrow Issuer and the remaining guarantors. If a court decides a guarantee was a fraudulent conveyance and voids the guarantee, or holds it unenforceable for any other reason, you may cease to have any claim in respect of the guarantor and would be a creditor solely of the Escrow Issuer and any remaining guarantors.

Enforcement of the guarantees across multiple jurisdictions may be difficult.

The notes will be issued by the Escrow Issuer, a company organized under the laws of Spain, and, after the consummation of the Acquisition, guaranteed by the guarantors, which are organized or incorporated under the laws of multiple jurisdictions. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in any of these jurisdictions. The rights of holders of the notes under the guarantees will thus be subject to the laws of a number of jurisdictions, and it may be difficult to enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors' rights. In addition, the bankruptcy, insolvency, administration and other laws of our jurisdiction of organization and the jurisdiction of organization of the guarantors may be materially different from, or in conflict with, one another, including creditor's rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to realize any recovery under the notes and the guarantees.

Relevant insolvency and administrative laws may not be favorable to creditors, including holders of notes, as the case may be, as insolvency laws of the jurisdictions in which you are familiar and may limit your ability to enforce your rights under the notes and the guarantees.

The Escrow Issuer and the Company are organized in Spain and certain of the guarantors are incorporated or organized in Spain. Some of our subsidiaries are incorporated or organized in jurisdictions other than those listed above and are subject to the insolvency laws of such jurisdictions. The insolvency laws of these jurisdictions may not be as favorable to your interests as creditors as the bankruptcy laws of the United States, Ireland or certain other jurisdictions. In addition, there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in relation to one another. In the event that any one or more of the Escrow Issuer, the Company or the guarantors or the Company's other subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Escrow Issuer, the Company, the guarantors and their respective shareholders. Prospective investors in the notes should consult their own legal advisors with respect to such considerations.

In particular, under Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal (the "Spanish Insolvency Law"), a debtor must apply for an insolvency proceeding, known as "*concurso de acreedores*" when it is not able to meet its current obligations or when it expects that it will soon be unable to do so. The filing of such a declaration of insolvency may be requested by the debtor, any creditor thereof and certain interested third parties. If filed by the debtor, the insolvency is deemed "voluntary" (c*oncurso voluntario*) and, if filed by a third party, the insolvency is deemed "mandatory" (*concurso necesario*). The directors of the debtor company must request the insolvency within two months from the moment they knew, or ought to have known, of the insolvency situation (or file with the insolvency court a communication ("pre-insolvency communication") under article 583 of the Spanish Insolvency Law (former article 5Bis) disclosing that the debtor company has commenced negotiations with its creditors to agree to a refinancing agreement or an advanced proposal of settlement agreement (*convenio entre acreedores*), to obtain an additional period of three months to negotiate with its creditors).

The debtor may file for insolvency (or pre-insolvency communication) as a protective measure in order to avoid (i) the attachment of its assets or (ii) certain enforcement actions that could be taken by its creditors.

Upon receipt of an insolvency petition by a creditor, the insolvency court may issue provisional interim measures to protect the assets of the debtor and may request a guarantee from the petitioning creditor asking for the adoption of such measures to cover damages caused by the preliminary protective measures.

In case of voluntary insolvency (*concurso voluntario*), the debtor company will usually maintain administrative control of its affairs; however, certain management decisions will be subject to the court administrator or receiver's authorization (*administración concursal*). In case of a mandatory insolvency (*concurso necesario*), the receiver will usually assume the administration of the debtor company, unless the insolvency court decides otherwise.

Unless otherwise provided by certain specific rules applicable to a certain type of contracts, creditors will not be able to accelerate the maturity of their credits based only on the declaration of the insolvency (*declaración de concurso*) of the debtor. Any provision to the contrary will be null and void.

The debt will cease to accrue interest from the declaration of insolvency, except for such debt secured with security rights in rem, and up to the amount obtained from the enforcement of the security.

Set-off is prohibited unless the requirement for the set-off were satisfied prior to the declaration of insolvency or the claim of the insolvent is governed by a law that permits set-off.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of the debtor and its creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor or administrative law).

The court order declaring the insolvency of the debtor shall contain an express request for the creditors to communicate and declare to the receiver any debts owed to them by the debtor, within a one-month period starting from the date after the publication of the declaration of insolvency in the State Official Gazette (*Boletín Oficial del Estado*), providing documentation to justify such credits. Based on the documentation provided by the creditors, the insolvency receivers draw up a list of acknowledged creditors and classify them according to the categories established under the Spanish Insolvency Law as follows: (i) debts against the insolvency estate (pre-deductible credits), (ii) debt benefiting from special privileges, (iii) debt benefiting from general privileges, (iv) ordinary debt and (v) subordinated debt.

Those claims classified within the insolvency proceeding as ordinary claims shall rank ahead of subordinated claims but behind creditors benefiting from general privileges, creditors against the estate and creditors benefiting from special privileges (who are given preferential rights in respect of underlying assets). Following the consummation of the Acquisition and release of funds from the applicable Escrow Account, in the case of insolvency of the Issuer, it is intended that the claims against the Issuer under the notes will be classified as ordinary claims and rank pari passu with all other outstanding unsecured and unsubordinated claims. However, certain actions or circumstances which are beyond the control of the Issuer may affect the relevant classification of the claims under the notes including among other things, as follows:

- any claim may become subordinated if it is not reported to the receivers within one month from the day following the publication of the court order declaring the insolvency in the Spanish Official Gazette (Boletín Oficial del Estado);

- a creditor's rights will be subordinated to the preferential and ordinary debts of a debtor in an insolvency proceeding if such creditor is determined to be a "specially related" party to the debtor. Under Spanish law, factors considered in determining if a party is "specially related" include (i) whether such party holds, directly and/or indirectly, more than 10% of the share capital (*capital social*) of the debtor (for companies that are not listed; 5% for companies that are listed) at the time the credit right under dispute in the insolvency scenario arises or (ii) in the event of companies belonging to the same group as the insolvent debtor and their ordinary shareholders, provided that such shareholders meet, directly and/or indirectly, the minimum shareholding requirements set out before. Additionally, under Spanish law payments made under an equitably subordinated loan preceding the bankruptcy of an obligor may in certain circumstances be clawed back; and

- interest (including under the notes) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date shall become subordinated.

Refinancing agreements (out-of-court workouts) may be court sanctioned (*homologado*) by the commercial court competent to conduct an eventual insolvency proceeding of the debtor, upon request by the debtor or by any creditor having entered into such refinancing agreements, if (i) they are based on a viability plan that allows the continuation of the

debtor´s business in the short and medium-term; (ii) they entail a significant enlargement of debtor's credit or a change in the financial structure by either granting a longer term or replacing previous claims with new ones; (iii) they have been entered into by creditors (whether or not subject to financial supervision (excluding public law claims, labor claims and commercial claims (*acreedores por operaciones comerciales*, e.g., suppliers) in order to calculate whether the required thresholds are met)) holding financial liabilities representing, at least, 51% of the debtor's financial liabilities at the date of the refinancing agreement; (iv) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached; and (v) the agreement is formalized in a public instrument. Court-sanctioned refinancing agreements may not be subject to a clawback action.

The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured financial creditors or (ii) on secured financial creditors to the extent of that part of their secured claim not covered by their security interest, as such security interest is to be valued in accordance with the rules set out by the Spanish Insolvency Law:

- If the court-sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's aggregate financial liabilities, stays of payments may be granted for up to five years or the debt converted into profit participation loans (*préstamos participativos*) with a duration of up to five years;

- further, these effects may also be extended to the amount of secured claims (up to the value of the security interest) of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the value of all secured claims of the debtor; and

- if the court-sanctioned refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

    - a deferral either of principal, interest or any other owed amount for a period of 5 or more years (but not more than ten years);

    - reductions of principal amounts owed (haircuts);

    - capitalization of debt (debt for equity swap). Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the refinancing agreement or (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap;

    - conversion of debt into profit participation loans of up to ten years, convertible obligations, subordinated loans, payment in kind facilities or in any other financial instrument with a ranking, maturity and features different from the original debt; and

    - assignment of assets or rights as assignment in kind for total or partial payment of the debt (*datio pro soluto* or debt-to-asset swap).

Further, these effects may also be extended to the amount of secured claims (up to the value of the security interest) of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the value of all secured claims of the debtor.

As to the rules to calculate whether the required thresholds have been reached, all creditors holding an interest in a syndicated loan will be deemed to have adhered to the refinancing agreement if it is favorably voted upon by creditors representing at least 75% of the liabilities under such loan, or a lower majority if so established in the syndicated loan agreement.

Finally, in 2021 pursuant to a preliminary project for the reform of the Insolvency law ("*Anteproyecto de reforma de la Ley Concursal*") Spanish government has initiated the process for the enactment of a new insolvency law, which probably result in amendments to the regime above. We cannot assess at this time of the effects of such amendments as the process is in very early stages and subject to further discussion and changes.

From an Irish perspective, if GWWO becomes subject to an insolvency proceeding and has obligations to creditors that are treated under Irish law as creditors that are senior relative to the holders of the notes, the holders of the notes may suffer losses as a result of their subordinated status during such insolvency proceedings.

GWWO is a company incorporated under the laws of Ireland. Pursuant to the Regulation (EU) No. 2015/848 on insolvency proceedings (recast), as amended from time to time (the "EUIR"), the place of the registered office of a company is presumed to be its "centre of main interests" ("COMI") in the absence of proof to the contrary. Therefore, any main insolvency proceedings in respect of GWWO would likely be commenced and conducted in accordance with the requirements of Irish insolvency laws. However, pursuant to the EUIR, where an Irish company conducts business in another member state of the European Union, the jurisdiction of the Irish courts may be limited if the company's COMI is found to be in another Member State. There are a number of factors that are taken into account to ascertain the COMI. The COMI should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The point at which the COMI of a particular company falls to be determined is at the time that the relevant insolvency proceedings are opened.

Examinership is a court procedure available under the Irish Companies Act to facilitate the survival of the whole or part of an Irish company or companies in financial difficulties. In circumstances where a company either (a) has its COMI for the purpose of the EUIR in Ireland or (b) is a company incorporated in Ireland and has its COMI for the purposes of the EUIR outside the EU Member States to which the EUIR applies (each an "Irish Examinership Company") is unable, or likely to be unable to pay its debts, then that Irish Examinership Company, the directors of that Irish Examinership Company, a contingent, prospective or actual creditor of that Irish Examinership Company, or shareholders of that Irish Examinership Company holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of that Irish Examinership Company are each entitled to petition the court for the appointment of an examiner to that Irish Examinership Company. Provided the petitioner can satisfy certain tests, including that there is a reasonable prospect of the Irish Examinership Company surviving, the Irish High Court or, in the case of certain small companies, the Irish Circuit Court (each, a "Court") appoints an independent examiner whose function is to formulate proposals for a scheme of arrangement or compromise to facilitate the survival of the Irish Examinership Company and the entirety or part of its business and supervise the restructuring process. Where the Court appoints an examiner to an Irish Examinership Company, it may, at the same or any time thereafter, make an order appointing the examiner to be examiner for the purposes of the Irish Companies Act to a related company (as defined by Section 2(10) of the Irish Companies Act) in accordance with Section 517 of the Irish Companies Act, where that related company (1) has its COMI in Ireland, (2) is a company incorporated in Ireland and has its COMI outside the EU Member States to which the EUIR applies or (3) is not a company incorporated in Ireland and has its COMI outside the EU Member States to which the EUIR applies but has a sufficient connection to Ireland such as to be capable of being wound up in Ireland. There can be no assurance that any guarantor would be exempt from an extension of the examinership.

During the protection period (the period from the time of filing of the examinership petition to the end of the examinership period) the day-to-day business of the company usually remains under the control of the directors of the Irish Examinership Company or related company, subject to certain rights of the examiner to apply to the Court. The examiner, once appointed, under Section 557 of the Irish Companies Act may apply to court during the examinership period to have certain transactions set aside and under Section 525 of the Irish Companies Act, in certain circumstances, can avoid a negative pledge given by the Irish Examinership Company prior to this appointment. Furthermore, the examiner may sell assets of the company which are the subject of security. Where such assets are the subject of a fixed security interest, the examiner must account to the holders of the fixed security interest for the amount realized and (to the extent that there are, or should be if market price was obtained, sufficient net realizations) discharge the amount due to the holders of the fixed security interest. During the period of protection, the examiner will formulate proposals for a compromise or scheme of arrangement to facilitate the survival of the Irish Examinership Company, and any of a related company in examinership, and the whole or any part of its or their undertaking as a going concern. A scheme of arrangement may be approved by the Court when at least one class of creditors who would be adversely affected by the scheme of arrangement has voted in favor of the proposals and the Court is satisfied that such proposals are (i) fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and (ii) not unfairly prejudicial to the interests of any interested party. The Court may not confirm any proposals if the sole or primary purpose of them is the avoidance of payment of tax due. Once confirmed by the Court, the scheme is binding on the Irish Examinership Company and all its members and creditors, including any dissenters.

If a guarantor which is an Irish Examinership Company is placed in examinership, the beneficiary of the guarantee will not be able to enforce its rights under its guarantee of the notes during the protection period. The effect of the appointment of an examiner is to suspend the enforcement rights of creditors for the protection period. For as long as an Irish Examinership Company is under the protection of the Court, no attachment, sequestration, distress or execution may

be put into force against the property or effects of the relevant Irish Examinership Company except with the consent of the examiner. No other proceedings in relation to the company may be commenced except by leave of the Court and subject to such terms as it may impose. In addition, no payment may be made by a company during the period when it is under protection of the Court by way of satisfaction or discharge of the whole or any part of a liability incurred by the company before the date of presentation of the petition for the appointment of the examiner, unless the report of the independent accountant (in the requisite report required in most cases to accompany the petition) contains a recommendation to that effect, or unless the court, on application being made by the examiner or any interested party, so authorizes it. The Court may authorize such payment if it is satisfied that a failure to do so would considerably reduce the prospects of the company or the whole or any part of its undertaking surviving as a going concern.

The Irish Companies Act provides, inter alia, that no proceedings of any sort may be commenced against a guarantor in respect of the debts of the Irish Examinership Company during the protection period. In addition unless the beneficiary of such guarantee complies with the following notice requirements in section 549 of the Irish Companies Act, such guarantee may not be enforced even after the conclusion of the examinership (unless the guarantor is also under the protection of the Court). A creditor must serve notice on the guarantor, permitting the guarantor to exercise the creditor's right to vote on the examiner's proposed scheme of arrangement. If this is not done within the prescribed time limit, the guarantee will be unenforceable. The moratorium under the Irish Companies Act runs for an initial period of 70 days (and may be extended to 100 days and further extended to 150 days at the discretion of the court) from the date of the presentation of the petition to the court for the appointment of the examiner. The ability to extend the period of protection to 150 days is an interim measure introduced as a result of COVID-19 under the Companies (Miscellaneous Provisions) (COVID-19) Act 2020, which will remain in force until December 31, 2021, although it may be extended further. In addition to the extensions referenced above, the period may be further extended by the Court for such period as the court considers necessary to decide whether or not to confirm the proposals. The examiner's proposals may generally provide for the forced write down of the Irish Examinership Company's liabilities (including under a guarantee) to creditors. The High Court has determined that amounts due to secured creditors may also be written down, provided that the secured creditor is paid the written down amount.

From a German law perspective, Holdings after the Transformation will be incorporated in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*, "GmbH"). Consequently, the grant of a guarantee by it is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaft mit beschränkter Haftung*, "GmbHG").

As a general rule, Sections 30 and 31 of the GmbHG prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (i.e., assets minus liabilities and liability reserves) is already less or would fall below the amount of its stated share capital (*Stammkapital*). The granting of a guarantee by a GmbH in order to secure liabilities of a direct or indirect parent or sister company may be considered disbursements under Sections 30 and 31 of the GmbHG. Therefore, in order to enable German subsidiaries to grant guarantees and to create security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 of the GmbHG, it is standard market practice for terms and conditions, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries in the legal form of a GmbH incorporated in Germany.

Pursuant to such limitation language, the beneficiaries of the security interests (including any guarantee) agree, subject to certain exemptions, to require payments under the guarantee or, as the case may be, enforce the security interests against the German subsidiary in the legal form of a GmbH only if and to the extent that such payment or, as the case may be, enforcement does not result in the GmbH's net assets falling below its stated share capital or, as the case may be, if the net assets are already below the amount of its stated share capital, to cause such amount to be further reduced. Accordingly, the security documents and other relevant documents relating to the guarantee provided by Holdings after the Transformation will contain such limitation language and the guarantee will be limited in the manner described. These limitations would, to the extent applicable, restrict the right of payment and would limit the claim accordingly irrespective of the granting of the guarantee and any security by Holdings. This could lead to a situation in which the guarantee or any security granted by Holdings cannot be enforced at all. German capital maintenance rules are subject to evolving case law (*Rechtsprechung*). Future court rulings may further limit the access of shareholders to assets of their subsidiaries constituted in the form of a GmbH, which can negatively affect the ability of Holdings to make payments on its guarantee and of the beneficiaries of any guarantee and security granted by Holdings to enforce such guarantee and security.

As a result of these legal provisions, following the Transformation Holdings, as guarantor of the notes being offered hereby, may be restricted in making payments under its guarantee, which in turn may result in a note holder's loss of the investment in the notes.

Our guarantor subsidiaries may be unable to fulfill their obligations under their guarantees.

We expect that our guarantor subsidiaries will use cash flow from operations to pay amounts due, if any, pursuant to their guarantees of the notes. The ability of such subsidiaries to make these payments depends on our future performance, which will be affected by financial, business, economic, and other factors, many of which we cannot control. Such subsidiaries' businesses may not generate sufficient cash flow from operations in the future and their anticipated growth in revenue and cash flow may not be realized, either or both of which could result in their being unable to honor their guarantees or to fund other liquidity needs. In particular, our cash flow from operations have been adversely affected by the impact of the COVID-19 pandemic in 2020 and in the first six-months of 2021, which impact we believe will continue for some time. See "Selected Historical Consolidated Financial Data" and "Operational and Financial Review—Factors and Trends Affecting Our Financial Condition and Results of Operations—Consequences of COVID-19." If such subsidiaries do not have enough cash, they may be required to refinance all or part of their then-existing debt, sell assets, or borrow additional amounts. They may not be able to accomplish any of these alternatives on terms acceptable to them, or at all. In addition, the terms of existing or future debt agreements, including our existing indebtedness and the Indenture that will govern the notes, may restrict such subsidiaries from adopting any of these alternatives. The failure of our subsidiaries to generate sufficient cash flow or to achieve any of these alternatives could materially and adversely affect the value of the notes and the ability of such subsidiaries to pay the amounts due under their guarantees, if any.

We may not be able to satisfy our obligations to holders of the notes upon a change of control or certain sales of assets.

Upon the occurrence of a change of control, as defined in the Indenture, we will be required to offer to purchase each series of notes at a price equal to 101% of the principal amount of such notes, together with any accrued and unpaid interest, to the date of purchase. See "Description of Notes—Repurchase at the Option of Holders—Change of Control."

Upon the occurrence of an asset sale, as defined in the Indenture, we may be required to offer to purchase each series of notes at a price equal to 100% of the principal amount of such notes, together with any accrued and unpaid interest, to the date of purchase. See "Description of Notes—Repurchase at the Option of Holders—Asset Sale."

We cannot assure you that, if a change of control offer or asset sale offer is made, we will have available funds sufficient to pay the change of control purchase price or asset sale purchase price for any or all of the notes that might be delivered by holders of the notes seeking to accept the change of control offer or asset sale offer. If we are required to purchase notes pursuant to a change of control offer or asset sale offer, we would be required to seek third-party financing to the extent we do not have available funds to meet our purchase obligations. There can be no assurance that we will be able to obtain such financing on acceptable terms to us or at all. Accordingly, none of the holders of the notes may receive the change of control purchase price or asset sale purchase price for their notes. Our failure to make or consummate the change of control offer or asset sale offer, or to pay the change of control purchase price or asset sale purchase price when due, will give the holders of the notes the rights described in "Description of Notes."

In addition, the events that constitute a change of control or asset sale under the Indenture may also be events of default under our existing indebtedness. These events may permit the creditors under our existing indebtedness to accelerate the debt outstanding thereunder and, if such debt is not paid, to enforce security interests in our specified assets, thereby limiting our ability to raise cash to purchase the notes and reducing the practical benefit of the offer-to-purchase provisions to the holders of the notes.

We may redeem your notes at our option, which may adversely affect your return.

As described under "Description of Notes—Optional Redemption," we have the right to redeem either series of notes in whole or in part beginning on October 15, 2024, at the redemption prices set forth in this offering memorandum, and the notes of either series may be optionally redeemed in full or in part before the notes of the other series are optionally redeemed in full (or at all). Following the Escrow Issuer Merger and prior to October 15, 2024, we may also redeem (1) up to 100% of each series of notes at a redemption price of 100% of the principal amount of such notes plus a make-whole premium and accrued interest and (2) up to 40% of each series notes at a redemption price of 100% of the principal amount of such Notes plus the annual coupon of the applicable series of notes and accrued interest. We may choose to exercise this redemption right when prevailing interest rates are relatively low. As a result, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the notes.

We may enter into certain transactions that would not constitute a change of control but that result in an increase of our indebtedness.

Subject to limitations under the indenture that will govern the notes offered hereby and the First Lien Credit Facilities, the EIB Term Loans, the Unsecured Notes and our Secured Notes, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a change of control under the indenture that will govern the notes and the First Lien Credit Facilities, the EIB Term Loans, the Unsecured Notes and our Secured Notes, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings in a way that adversely affects the holders of the notes. See "Description of Notes—Repurchase at the Option of Holders—Change of Control."

You may not be able to determine when a change of control giving rise to your right to have the notes repurchased by us has occurred following a sale of "substantially all" of our assets.

A change of control, as defined in the indenture that will govern the notes, will require us to make an offer to repurchase all outstanding notes. The definition of change of control includes a phrase relating to the sale, lease or transfer of "all or substantially all" of our assets. There is no precisely established definition of the phrase "substantially all" under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase their notes as a result of a sale, assignment, transfer, lease, conveyance or disposition of all or substantially all of our properties or assets to another individual, group or entity may be uncertain.

The trading prices of the notes will be directly affected by our ratings with major credit rating agencies, the prevailing interest rates being paid by companies similar to us, and the overall condition of the financial and credit markets.

The trading prices of the notes in the secondary market will be directly affected by our ratings with major credit rating agencies, the prevailing interest rates being paid by companies similar to us, and the overall condition of the financial and credit markets. It is impossible to predict the prevailing interest rates or the condition of the financial and credit markets. Credit rating agencies continually revise their ratings for companies that they follow, including us. Any ratings downgrade could adversely affect the trading price of the notes or the trading market for the notes, to the extent a trading market for the notes develops. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future.

We face risks related to rating agency downgrades.

We expect one or more rating agencies to rate the notes. If such rating agencies either assign the notes a rating lower than the rating expected by the investors or reduce the rating in the future, the market price of the notes would be adversely affected, and you may not be able to resell your notes at favorable prices or at all. In addition, if any of our other outstanding debt is rated and subsequently downgraded, raising capital will become more difficult, borrowing costs under our Credit Facilities, Secured Notes and other future borrowings may increase and the market price of the notes may decrease.

Many of the covenants in the indenture that will govern the notes will not apply to us if the notes are rated investment grade by any two of Moody's and S&P.

Many of the covenants in the indenture that will govern the notes will cease to apply to the notes during such time, if any, as the notes are rated investment grade by any two of Moody's and S&P and no default with respect to the notes has occurred and is continuing. Such covenants restrict, among other things, our ability to pay distributions, incur debt and enter into certain other transactions. Although there can be no assurance that the notes will ever be rated investment grade, any suspension of such covenants under the indenture would allow us to engage in certain transactions that would not be permitted when such covenants were in force. To the extent any suspended covenants are subsequently reinstated, any actions taken by us while the covenants were suspended would not result in an event of default under the indenture on the basis that such actions would have been prohibited by the covenants. See "Description of Notes—Certain Covenants—Effectiveness of Covenants."

We cannot assure you that an active trading market will develop for the notes.

Prior to this offering, there has been no trading market for the notes. We have been informed by the initial purchasers that they intend to make a market in the notes after the offering is completed. However, the initial purchasers may cease their market-making activities at any time without notice. In addition, the liquidity of the trading market in the notes, if any, and any market price quoted for the notes, may be adversely affected by changes in the overall market for

high-yield securities and by changes in our financial performance or prospects or in the financial performance or prospects for companies in our industry generally. In addition, such market-making activities will be subject to limits imposed by the United States federal securities laws, and may be limited during the pendency of any shelf registration statement. As a result, we cannot assure you that an active trading market will develop or be maintained for the notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. In that case you may not be able to sell your notes at a particular time or at a favorable price.

There are restrictions on transfers of the notes.

The notes have not been and will not be registered under the Securities Act or any state securities laws and are, and will be, subject to significant transfer restrictions. We do not intend to register the notes under the Securities Act or to offer to exchange the notes for notes that have been registered under the Securities Act in an exchange offer. The transfer and resale of the notes in jurisdictions outside the United States may be subject to restrictions under the laws of such jurisdictions. See "Notice to Investors." We are relying upon an exemption from registration under the Securities Act and applicable state securities laws in offering the notes. As a result, the notes may be transferred or resold only in transactions registered under, or exempt from, the Securities Act and applicable state securities laws and applicable laws and protections outside the United States.

We are not providing all of the information that would be required if this offering were being registered with the SEC.

This offering memorandum does not include all of the information that would be required if we were registering the offering of the notes with the SEC. In particular, this offering memorandum does not contain separate financial information about our guarantor and non-guarantor subsidiaries or certain historical executive compensation information. We urge you to consider this factor in connection with your evaluation of your investment in the notes.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013 amending Regulation (EC) No 1060/2009 on credit rating agencies, or the CRA Regulation, from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

Your ability to serve process and enforce civil liabilities under U.S. securities laws may be limited.

The Company is a company organized under the laws of Spain, and many of our subsidiaries are also incorporated outside of the United States. A substantial portion of our assets and the assets of our subsidiaries are located outside of the United States. In addition, nearly all of our directors and officers and certain of our subsidiaries' officers and directors are nationals or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or certain of our subsidiaries or their directors or officers with respect to matters arising under the Securities Act or to enforce against them judgments of courts of the United States predicated upon civil liability under the Securities Act. It may also be difficult to recover fully in the United States on any judgment rendered against such persons or against us or certain of our subsidiaries.

In addition, there is doubt as to the enforceability in Spain of original actions, or of actions for enforcement of judgments of U.S. courts of liabilities, predicated solely upon the securities laws of the United States. If a judgment was obtained outside Spain and efforts were made to enforce the judgment in Spain, there is some doubt that Spanish courts would agree to recognize and enforce a foreign judgment. Accordingly, even if you obtain a favorable judgment in a U.S. court, you may be required to re-litigate your claim in Spain. See also "Service of Process and Enforcement of Civil Liabilities."

Income payable under the notes may be subject to withholding.

We consider that, pursuant to the provisions of the Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, we are not obliged to withhold taxes in Spain on any interest paid on the notes to any holder of notes, irrespective of whether such holder of notes is a tax resident in Spain. The foregoing is subject to the paying agent complying with certain information procedures described in "Taxation—Spanish Taxation—Disclosure of Information in Connection with the Notes" below and to us receiving such information in a timely manner. We and the paying agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the notes. The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulations, rulings or interpretation thereof. Under Royal Decree 1065/2007, as amended, it is no longer necessary to provide an issuer with information regarding the identity and the tax residence of an investor or the amount of interest paid to it in order for the issuer to make payments free from Spanish withholding tax, provided that the securities: (i) are regarded as listed debt securities issued under Law 10/2014; and (ii) are initially registered at a foreign clearing and settlement entity that is recognized under Spanish regulations or under those of another OECD member state. We expect that the notes will meet the requirements referred to in (i) and (ii) above and that, consequently, payments made by us to holders of notes should be paid free of Spanish withholding tax, provided the paying agent complies with the procedural requirements referred to above. In the event a payment in respect of the notes is subject to Spanish withholding tax, we will pay the relevant holder such additional amounts as may be necessary in order that the net amount received by such holder after such withholding equals the sum of the respective amounts of principal, premium, if any, and interest, if any, which would otherwise have been receivable in respect of the notes in the absence of such withholding, except as provided in "Description of Notes."

Should the Spanish Tax Authorities maintain a different opinion as to the application by us of withholding on payments under the notes, we, with immediate effect, will make the appropriate withholding. Should this be the case, identification of holders of notes may be required and the procedures, if any, for the collection of relevant information will be applied by us (to the extent required) so that we can comply with our obligations under the applicable legislation as interpreted by the Spanish Tax Authorities.

Moreover, in the case of notes held by Spanish tax resident individuals (and, by Spanish entities subject to Spanish Corporate Income Tax, should the notes be deemed to have been placed totally or partially in Spain according to the criteria set out by the Spanish Directorate General of Taxes—*Dirección General de Tributos*—in the tax ruling dated July 27, 2004) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such notes may be subject to withholding by such depositary or custodian (currently 19%). Holders of notes must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their notes. No responsibility in any such respect will be assumed by us or the initial purchasers.

It is unclear whether the Proposed Financial Transactions Tax applies to the notes.

On February 14, 2013, the European Commission published a proposal (the "Commission's Proposal"), for a Directive for a common Financial Transactions Tax, ("FTT"), in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "Participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a broad scope and could, if introduced, apply to certain dealings in notes (including secondary market transactions) in certain circumstances. The issuance and subscription of notes should, however, be exempt. Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument that is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate or certain participating Member States may decide to withdraw. Prospective holders of notes are advised to seek their own professional advice in relation to the FTT.

The notes may not remain listed on Euronext Dublin.

We intend to maintain the listing of the euro notes and the dollar notes on Euronext Dublin, as long as such notes are outstanding. We cannot assure you that the notes will remain listed. If we cannot maintain the listing of the notes on Euronext Dublin or it becomes unduly onerous to maintain such listing, we may cease to maintain such listing on Euronext Dublin, provided that we will use commercially reasonable efforts to maintain the listing of the notes on another "recognized stock exchange," although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the euro notes as a result of listing on the Exchange or another "recognized listing exchange" for high yield issuers in accordance with the Indenture, the delisting of the notes from Euronext Dublin or another stock exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell the notes in the secondary market.

An investment in the euro notes by a purchaser whose home currency is not euro entails significant risks.

All payments of interest on and the principal of the euro notes and any redemption price for the euro notes will be made in euros. These risks include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the holder's currency) and the risk that authorities with jurisdiction over the holder's currency may impose or modify exchange controls. An investment in the euro notes by a purchaser whose home currency is not euro entails significant risks.

These risks generally depend on factors over which we have no control, such as economic, financial and political events and the supply of and demand for the relevant currencies. In the past, rates of exchange between euro and certain currencies have been highly volatile, and each holder should be aware that volatility may occur in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur during the term of the euro notes. An appreciation in the value of the holder's currency relative to the euro would decrease the holder's currency-equivalent yield on the euro notes, the holder's currency-equivalent value of the principal payable on the euro notes and the holder's currency-equivalent market value of the euro notes, and, in certain circumstances, could result in a loss to the holder. Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, holders of the euro notes may receive less interest or principal than expected, or no interest or principal.

The terms of the euro notes provided for in the indenture governing such notes will permit us to make payments in U.S. dollars if the Issuer is unable to obtain euros in certain circumstances, which could adversely affect the value of the euro notes.

The terms of the euro notes will permit us to make payments in U.S. dollars if the euro is unavailable to the Issuer due to the imposition of exchange controls or other circumstances beyond the Issuer's control or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the euro notes and the related note guarantees as required pursuant to the indenture that will govern the euro notes will be made in U.S. dollars until the euro is again available for the Issuer to be used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars on the basis of the then most recently available market exchange rate for euros, as the case may be.

Any payment so made in respect of the euro notes and the related note guarantees as required pursuant to the indenture that will govern the euro notes in U.S. dollars will not constitute an event of default under such indenture. Neither the trustee under such indenture nor the paying agent thereunder will have any responsibility for effecting any such conversion.

There may be risks associated with foreign currency judgments in a lawsuit for payment on the euro notes, for which an investor may bear currency exchange risk.

The indenture that will govern the euro notes and the euro notes themselves will be governed by the laws of the State of New York. Under New York law, a New York state court rendering a judgment on the euro notes would be required to render the judgment in euros.

However, in such a situation, the judgment would then be converted into U.S. dollars at the exchange rate prevailing on the date of entry of such judgment by the New York State court. Consequently, in a lawsuit for payment on the euro notes, investors of such euro notes would bear currency exchange risk until a New York state court judgment is entered, which could be a long time. In addition, a federal court in New York presiding over a dispute arising in connection

with the euro notes may apply the foregoing New York law or in certain circumstances may render the judgment in U.S. dollars.

In courts outside of New York, investors of such euro notes may not be able to obtain a judgment in a currency other than U.S. dollars. For example, a judgment for money in an action based on the euro notes in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of euros into U.S. dollars would depend upon various factors, including which court renders the judgment and when the judgment is rendered.

You should consult your own financial and legal advisors as to the risks entailed by an investment in the euro notes. The euro notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions.

We cannot assure you that the procedures for book-entry interests to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of your rights under the euro notes.

Unless and until notes in definitive registered form are issued in exchange for global notes, owners of book-entry interests will not be considered owners or holders of the euro notes except in the limited circumstances provided in the indenture governing such euro notes. The common depositary for Euroclear and Clearstream (or its nominee) will be the sole registered holder of the global notes representing the euro notes. After payment to the common depositary, the Issuer will have no responsibility or liability for the payment of interest, principal, or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture governing such euro notes. See “Book Entry; Delivery and Form.”

Unlike the holders of the euro notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers, or other actions from holders of the euro notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any request actions on a timely basis.

Similarly, upon the occurrence of an event of default under the indenture governing the euro notes, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the euro notes.

We cannot assure you that the procedures for book-entry interests to be implemented through DTC will be adequate to ensure the timely exercise of your rights under the dollar notes.

Unless and until notes in definitive registered form are issued in exchange for global notes, owners of book-entry interests will not be considered owners or holders of the dollar notes except in the limited circumstances provided in the indenture governing such euro notes. Cede & Co., as nominee of DTC, will be the sole registered holder of the global notes representing the dollar notes. After payment to DTC, the Issuer will have no responsibility or liability for the payment of interest, principal, or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, and if you are not a participant in DTC, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the indenture governing the dollar notes. See “Book Entry; Delivery and Form.”

Unlike the holders of the dollar notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers, or other actions from holders of the dollar notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any request actions on a timely basis.

Similarly, upon the occurrence of an event of default under the indenture governing the dollar notes, if you own a book-entry interest, you will be restricted to acting through DTC. We cannot assure you that the procedures to be implemented through DTC will be adequate to ensure the timely exercise of rights under the dollar notes.

There are circumstances other than the repayment or discharge of the notes under which the notes guarantees will be released automatically, including that the lenders under the First Lien Credit Facilities will have the discretion to release the guarantors under the First Lien Credit Facilities in a variety of circumstances.

Under various circumstances, the notes guarantees will be released automatically. The notes guarantee of a guarantor will be automatically released to the extent such guarantor is released in connection with a sale, exchange, transfer or other disposition of the equity interests or all or substantially all of the assets of such guarantor in a transaction not prohibited by the indenture that will govern the notes. The indenture will also permit us to designate one or more of the Issuer's restricted subsidiaries that is a guarantor of the notes as an unrestricted subsidiary, which will result in the guarantee of such guarantor being automatically released.

In addition, if a guarantor is released from its guarantee of the First Lien Credit Facilities, other than in connection with a refinancing of the First Lien Credit Facilities or a payment under such guarantee, such subsidiary's guarantee of the notes will be automatically released as well. While any obligations under the First Lien Credit Facilities remain outstanding, any guarantee of the notes may be released without action by, or consent of, any holder of the notes or the Trustee under the indenture governing the notes, at the discretion of lenders under the First Lien Credit Facilities as a result of such guarantor being released as a guarantor of the First Lien Credit Facilities, subject to certain exceptions. The lenders under the First Lien Credit Facilities will have the discretion to release the guarantees under the First Lien Credit Facilities in a variety of circumstances.

You will not have a claim as a creditor against any subsidiary that is no longer a guarantor of the notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will effectively be senior to claims of holders of the notes. For a description of all circumstances in which a notes guarantee will be automatically released, see "Description of Notes—Guarantees."

The as adjusted and non-IFRS financial information included in this offering memorandum is presented for informational purposes only and may not be an indication of our financial condition or results of operations in the future.

The as adjusted financial information included in this offering memorandum is presented for informational purposes only. The assumptions used in preparing the as adjusted financial information may not prove to be accurate and other factors may affect our financial condition or results of operations. Accordingly, our financial condition and results of operations in the future may not be consistent with, or evident from, such as adjusted financial information. The non-IFRS financial information included in this offering memorandum includes information that we use to evaluate our past performance, but you should not consider such information in isolation from or as an alternative to measures of our performance determined under IFRS. For further information regarding such limitations, see "Summary Historical Consolidated Financial Data."

The indenture that will govern the notes will not be qualified under the U.S. Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and we will not be required to comply with the provisions of the Trust Indenture Act.

The indenture that will govern the notes will not be qualified under the Trust Indenture Act and we will not be required to comply with the provisions of the Trust Indenture Act. Therefore, holders of the notes will not be entitled to the benefit of the provisions and protection of the Trust Indenture Act except to the extent there are similar provisions in the indenture that will govern the notes.

THE TRANSACTIONS

The Acquisition

On September 17, 2021, Grifols and TIIL entered into the Acquisition Agreement, pursuant to which Grifols agreed, on the terms and conditions set forth therein, to acquire from TIIL all of the existing equity interests owned by such company in Holdings, a German privately held stock corporation, and to accept an assignment from TIIL of certain shareholder loans granted by TIIL to Holdings. Holdings in turn owns 89.88% of the ordinary shares and 1.08% of the preferred equity shares of Biotest, a German stock corporation listed on the Frankfurt Stock Exchange that has a global presence supplying plasma protein products and biotherapeutic drugs primarily used in the therapeutic areas of clinical immunology, haematology and intensive care medicine. The purchase price for the acquisition of Holdings and the assignment of the shareholder loans is up to approximately €1,086,000,000 (subject to certain adjustments at and following the closing).

The Acquisition is not subject to a financing condition, but is subject to other customary conditions, including merger control clearances by the relevant authorities in the relevant jurisdictions. In addition, Grifols has agreed to make a voluntary tender offer to all remaining shareholders of Biotest to acquire their ordinary shares at a price of €43.00 per share and their preferred shares at a price of €37.00 per share. The consummation of the tender offer will be conditioned on the same merger control clearances required for the Acquisition. If all remaining shareholders of Biotest were to tender their shares in the tender offer, the aggregate additional purchase price would be €810,216,215. We intend to launch the tender offer promptly. The tender offer must remain open for at least four weeks or 20 U.S. business days, whichever is longer. The Acquisition is expected to close in the first half of 2022. See "Use of Proceeds."

The Acquisition Agreement contains representations, warranties and covenants of the parties that are customary for transactions of this type, including covenants which apply during the period pending completion of the Acquisition. Grifols is required to endeavor best efforts to procure the satisfaction of the merger control clearance conditions as soon as possible. The Acquisition Agreement contains indemnification provisions that are customary for transactions of this type, as well as specific indemnification provisions in respect of liabilities that may remain binding on Holdings upon consummation of the Acquisition. The parties are required to use their respective reasonable best efforts to take, or cause to be taken, all actions necessary, proper or advisable to consummate the Acquisition as promptly as practicable.

The Acquisition Agreement contains certain termination rights customary for a transaction of this type, including if completion has not occurred on or before the Escrow Outside Date, or if there is a breach of certain specified fundamental warranties which would give rise to a liability in excess of a certain threshold determined in the Acquisition Agreement.

The net proceeds of this offering, together with cash on hand, will be used to finance Grifols' obligations under the Acquisition Agreement and the tender offer for the remaining ordinary shares and preferred equity shares of Biotest, including the fees and expenses incurred in connection with the Transactions. See "Use of Proceeds."

This offering is not conditioned upon the closing of the Acquisition. The gross proceeds of this offering will be funded into escrow and, upon release of the funds from escrow, the proceeds from this offering will be used to fund an interest payment to the extent one arises prior to the Acquisition Escrow Release Date and otherwise will fund a portion of the Transactions as set forth below or, if applicable, will be used to fund the Special Mandatory Redemption as described herein. See "Summary—Escrow."

Rationale for the Acquisition

Historically, we have grown through organic and inorganic efforts to increase our global footprint, including our plasma centers' network. The Acquisition is aligned with our strategy to strengthen our plasma-derived therapeutics pipeline while expanding our plasma sourcing and diversifying our footprint in Europe, Middle East and Africa ("EMEA"). Upon completion of the Transactions, we expect to gain access to 26 additional plasma collection centers, an additional fractionation capacity of 1.5 million liters annually (with another 1.4 million liters annually expected to become available by 2022) and also expand our pipeline with 5 new products targeting 7 indications, expected to launch between 2022 and 2025.

The Acquisition is expected to significantly reinforce our industry capabilities by enhancing our plasma-derived medicines access, pipeline and sales presence. If the Acquisition is consummated, it will improve our position in the plasma-derived business by accelerating and expanding our commercial pipeline, bringing innovative therapies to drive revenue growth and expansion, as well as improving plasma economics and margins by leveraging currently unused proteins.

Significant revenue synergy opportunities would be present in respect of IgM, a novel plasma protein with large market potential, and fibrinogen, the first product with acquired indication focused on the U.S. market and strong potential in Europe. Both IgM and fibrinogen have a high profit margin potential since they are each derived from unused plasma fractions.

In addition, we expect to be able to take advantage of cost synergy opportunities by leveraging our mutual research and development advances and our already-licensed products, by rationalizing overlapping administrative, sales and marketing functions and reducing some capital expenditure requirements by utilizing Biotest's production capacity.

About Biotest

Founded in 1946, Biotest is a global company listed on the Frankfurt Stock Exchange that specializes in innovative hematology and clinical immunology solutions. Headquartered in Dreieich (Germany), it develops, produces and markets biological medicinal products with applications in hematology, clinical immunology and intensive care. Biotest's current portfolio includes 12 different products with a global commercial footprint in more than 90 countries (36% in Central Europe, 24% in East and South Europe, 23% in the Middle East, Africa and France, and 17% intercontinental). With subsidiaries in 10 countries, Biotest employs approximately 2,000 people around the world.

Plasma therapies represent 89% of Biotest's operations, while whole plasma and services comprise 10%.

As part of a broader pipeline, Biotest is leading clinical trials on plasma-derived Fibrinogen (BT-524) to treat congenital and acquired disorders. These include the Adjusted Fibrinogen Replacement Strategy (AdFirst) study in patients with high blood loss during spine surgery and abdominal surgery for treatment of pseudomyxoma peritonei (PMP).

Biotest is also conducting a clinical trial on plasma-derived IgM concentrated (Trimodulin, BT-588) for the treatment of patients with severe community-acquired pneumonia (sCAP).

In addition to fibrinogen and IgM, the company's pipeline also includes several plasma-derived assets.

Biotest has a manufacturing capacity of up to 1.5 million liters of plasma annually, which, according to public filings, it expects to double through its Next Level Project investment program that includes the construction of a basic plasma fractionation facility with 1.4 million liter per year capacity, and bulk production plants for albumin, new fibrinogen and IgM concentrate product lines, and next-generation polyvalent immunoglobulins. Its plasma center network includes 26 European centers located in Germany, Czech Republic and Hungary.

Biotest's revenue was approximately €507 million for the twelve months ended June 30, 2021 and €378.0 million, €400.0 million, €419.0 million and €484.0 million for the years ended December 31, 2017, 2018, 2019 and 2020, respectively.

Biotest's EBITDA (including the IFRS 16 impact), as adjusted to exclude the expenses in connection with its Next Level Project investment program and research and development in respect of monoclonal antibodies, was approximately €96.4 million (18.9% adjusted EBITDA margin) for the twelve months ended June 30, 2021 and €74.5 million (19.7% adjusted EBITDA margin), €92.5 million (22.9% adjusted EBITDA margin), €100.3 million (23.9% adjusted EBITDA margin) and €108.0 million (22.3% adjusted EBITDA margin) for the years ended December 31, 2017, 2018, 2019 and 2020, respectively.

USE OF PROCEEDS

As further described in the table and the accompanying footnotes below, upon satisfaction of the escrow conditions, we will use the net proceeds from this offering, together with cash from our balance sheet, to (i) finance and consummate the Acquisition, (ii) finance a tender offer for the remaining ordinary shares and preferred equity shares of Biotest, (iii) pay interest on the notes to the extent an interest payment date occurs prior to the Acquisition Escrow Release Date and (iv) pay fees and expenses incurred in connection with the Transactions (as defined herein). We intend to use any remaining proceeds for general corporate purposes, which may include the repayment of indebtedness (including, possibly, the Capped Redemption), capital expenditures and working capital.

This offering will be consummated prior to the consummation of the Acquisition. On the closing date of this offering the Escrow Issuer will execute and deliver the Escrow Agreement and will deposit, or cause to be deposited, the gross proceeds from the offering of the notes into the applicable Escrow Account. The release of escrow proceeds to the Escrow Issuer to consummate the Acquisition will be subject to the satisfaction of certain conditions, including the closing of the Acquisition substantially concurrently with or promptly following the release of such escrowed funds. The consummation of the Acquisition is subject to customary closing conditions, including the absence of certain legal impediments and review and clearance by the German Federal Cartel Office (*Bundeskartellamt*) and certain other regulatory authorities. If the Acquisition is not consummated on or prior to the Escrow Outside Date, or upon the occurrence of certain other events, the escrow proceeds of the notes will not be released to the Escrow Issuer and the Company to consummate the Acquisition but instead will be released to the trustee under the indenture that will govern the notes for the purpose of redeeming the outstanding notes pursuant to a special mandatory redemption in accordance with the procedures set forth in the indenture. The special mandatory redemption price of each series of notes will be a price equal to 100.000% of the initial issue price of such series of notes plus accrued and unpaid interest from the issue date of the notes (or, if an interest payment has been made since the issue date of the notes, from the date of such interest payment) to, but not including, the special mandatory redemption date. Additional cash in respect of interest that would accrue on each series of notes from and after the issue date of the notes will not be pre-funded into the applicable Escrow Account on the issue date of the notes. In the event that there is an interest payment prior to the Acquisition Escrow Release Date, the Escrow Issuer will use a portion of the escrowed proceeds to pay such interest. The Company will commit on or prior to the date of the consummation of this offering to, in the event of a special mandatory redemption, capitalize the Escrow Issuer in an amount equal to the difference between the amounts in each Escrow Account that are available to be applied to redeem the applicable series of notes pursuant to the special mandatory redemption and the special mandatory redemption price. See "Description of Notes—Escrow of Proceeds; Special Mandatory Redemption."

The table below sets forth the estimated sources and uses of funds in connection with the Transactions, assuming they occurred on June 30, 2021, and based on estimated amounts outstanding on that date. Actual amounts will vary from the estimated amounts shown below depending on several factors, including, among others, the level of participation by Biotest shareholders in the tender offer in connection with the Acquisition and differences from our estimated fees and expenses.

You should read the following together with the information included under the sections entitled "The Transactions," "Capitalization" and "Summary—Summary Historical Condensed Consolidated Financial Information" included elsewhere in this offering memorandum.

Sources	**€mm**	**Uses**	**€mm**
Notes offered hereby[(1)]	€2,001.8	Acquisition[(2)]	€1,896.2
Cash from balance sheet	€50.0	Estimated Transaction Fees and Expenses[(3)]	€50
Total Sources	**€2,051.8**	General corporate purposes	€105.6
		Total Uses	**€2,051.8**

(1) Represents the aggregate principal amount of the euro notes and dollar notes (converted using a U.S. dollar to euro exchange rate of $1.00 to €1.1715, which was the noon buying rate as of September 24, 2021) offered hereby and does not reflect the initial purchasers' discount, fees or commissions.

(2) Includes (i) €1,086,000,000 which represents the purchase price payable for 89.88% of the ordinary shares and 1.08% of the preferred equity shares of Biotest, as well as for the assignment from TIIL of certain shareholder loans owed by Holdings to TIIL under the Acquisition Agreement, assuming no adjustments for advisor retention or otherwise payable in connection with the Acquisition and assuming the Acquisition is made on a debt free basis and (ii) €810,216,215, which represents the aggregate purchase price pursuant to the tender offer in connection with the Acquisition (assuming a price per ordinary share of €43.00 and a price per preferred share of €37.00, and the participation of 100% of the common and preferred shareholders of Biotest). See "Risk Factors—Risks Related to the Acquisition—If there is a higher-than-anticipated level of participation by shareholders of Biotest in the tender offer pursuant to the Acquisition, we may not have the investment capacity under our First Lien Credit Facilities and EIB Term Loans to comply with our obligations; therefore, we may need to seek the consent of our lenders to complete the transaction, which may be costly or not forthcoming." and Risk Factors—Risks Related to the Notes— On or prior to the Acquisition Escrow Release Date, we may redeem up to €500 million of the notes during the 'non-call' period without payment of any "make-whole" premium, which will adversely affect your return."

(3) Represents estimated financing fees, costs and expenses associated with the Transactions, initial purchaser discounts, commissions and other financing fees and other transactional costs.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2021 on:

- a historical basis;
- an as adjusted basis to give effect to the $990 million in gross proceeds from the Biomat Transactions, $600 million of which will be used to repay Revolving Loans under the First Lien Credit Facilities, and assuming the remainder will be used pro rata to repay outstanding amounts (x) under our Tranche B Term Loans (equally between dollar and euro tranches) and (y) under the Secured Notes; and
- on an as further adjusted basis to give effect to this offering, and the use of the proceeds therefrom to consummate the Transactions.

This table should be read in conjunction with "Summary—The Transactions," "Use of Proceeds," "Selected Historical Consolidated Financial Data," "Operational and Financial Review," "Description of Indebtedness" and the annual and interim consolidated financial statements and related notes included elsewhere in this offering memorandum.

	As of June 30, 2021 (in millions of euros)[1]		
	Historical	As Adjusted[2]	As Further Adjusted
Cash and cash equivalents[3]	398	374	430
Existing Debt:			
EIB Term Loans[4]	213	213	213
Unsecured Notes[5]	1,000	1,000	1,000
Secured Notes[6]	1,675	1,567	1,567
First Lien Credit Facilities:[7]			
Revolving Loans[8]	535	29	29
Tranche B term loans($)	2,077	1,943	1,943
Tranche B term loans(€)	1,340	1,253	1,253
Other Credit Facilities and Financial Liabilities[9]	33	33	33
Euro Notes offered hereby[10]	—	—	1,400
Dollar Notes offered hereby[10]	—	—	602
Total Debt	6,873	6,038	8,040
Total Equity	6,937	6,937	6,937
Total Capitalization	13,810	12,975	14,977

(1) Except for the U.S. dollar notes offered hereby, the U.S. dollar amounts in the as adjusted and as further adjusted columns have been converted to euro using a U.S. dollar to euro exchange rate of $1.00 to €1.1856, which was the exchange rate as of June 30, 2021 used in our consolidated interim financial statements. The amount of the U.S. dollar notes offered hereby has been converted to euro using the noon buying rate of U.S. dollar to euro exchange rate as of September 24, 2021, which was $1.00 to €1.1715.

(2) Represents the historical amounts as adjusted to consider the $990 million in gross proceeds from the Biomat Transactions, $600 million of which will be used to repay Revolving Loans under the First Lien Credit Facilities, and the remainder will be used pro rata to (x) repay outstanding amounts under our Tranche B Term Loans and (y) be offered to repurchase the Secured Notes and, to the extent not accepted by holders of the Secured Notes, to make an offer to prepay the Tranche B Term Loans and, following such offers, any remaining proceeds may be used for general corporate purposes. The as adjusted column assumes that holders of our Secured Notes accept the offer to repurchase their notes and that there will not be any remaining proceeds to be used for general corporate purposes. See "Operational and Financial Review—Recent Developments—The Biomat Transactions."

(3) Cash and cash equivalents have been adjusted (i) in the as adjusted column to reflect the payment of (i) for consents following the consummation of the consent solicitation in connection with the Biomat Transactions, and (ii) in the as further adjusted column to reflect (x) the initial purchasers' discount, fees and commissions relating to the offering of the notes hereby, earned and payable upon issuance of the notes offered hereby, and the Bridge Commitment, and (y) the aggregate purchase price pursuant to the tender offer in connection with the Acquisition (assuming a price per ordinary share of €43.00 and a price per preferred share of €37.00, and the participation of 100% of the common and preferred shareholders of Biotest). No assurances can be given that 100% of such shareholders will accept such an offer, and any proceeds not used to purchase such shares will be used for general corporate purposes. See "The Transactions."

Cash and cash equivalents does not reflect changes in available cash that may occur prior to the closing of the Acquisition and does not reflect any cash used for the payment of consents to our existing lenders which may be necessary in connection with such tender offer.

(4) Represents our existing term loans with the European Investment Bank. See "Description of Indebtedness—EIB Term Loans."

(5) Represents our Unsecured Notes. See "Description of Indebtedness—The Unsecured Notes."

(6) Represents our Secured Notes. See "Description of Indebtedness—The Secured Notes." In connection with the Biomat Transactions we are required to make an offer to the holders of our Secured Notes to repurchase €108 million of such notes with a portion of the gross proceeds from the Biomat Transactions. The as adjusted amounts assume 100% participation in such offer. No assurances can be given that 100% of the amount of notes we offer to be repurchased will be tendered or that noteholders will accept such an offer, and any proceeds not used to repay such Secured Notes will be used for general corporate purposes. See note 2 above.

(7) Represents our existing First Lien Credit Facilities which mature in 2027, which are comprised of our euro tranche B term loan and our dollar tranche B term loan and excludes €535 million of outstanding letters of credit under the First Lien Credit Facilities. See "Description of Indebtedness."

(8) Our Revolving Loans which mature in November 2025 provide for borrowings of up to $1,000 million from time to time. As of the date of this Offering Memorandum, we had €535.2 million outstanding under our Revolving Loans. See "Description of Indebtedness."

(9) Other Credit Facilities and Financial Liabilities includes non-current other loans, current obligations, current and non-current financial liabilities less loan transaction costs.

(10) Represents the aggregate principal amount of the euro notes and dollar notes offered hereby and does not reflect the initial purchasers' discount, fees or commissions. The Escrow Issuer may, at its option, redeem up to €500 million aggregate principal amount of notes at a price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, and without the payment of any "make-whole" premium, subject to certain terms and conditions and in accordance with the procedures set forth in the indenture. See "Description of Notes—Optional Redemption—Capped Redemption."

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following is a summary of our historical consolidated financial data for the periods ended and as of the dates indicated below. You are encouraged to read this information together with our annual consolidated financial statements, consolidated interim financial statements and "Operational and Financial Review" included elsewhere in this offering memorandum. For a discussion of certain factors regarding our presentation of financial data, see "Presentation of Financial and Other Information—Financial Information."

The following table presents our consolidated financial data for the periods and as of the dates indicated. Our consolidated financial data as of and for the years ended December 31, 2020, 2019 and 2018 is derived from our annual consolidated financial statements as of and for the years ended December 31, 2020 and 2019, included elsewhere in this offering memorandum.

Our consolidated financial data as of and for the six-month period ended June 30, 2021 and 2020 is derived from our consolidated interim financial statements as of and for each of the six-month periods ended June 30, 2021 and 2020. See "Presentation of Financial and Other Information—Financial Information."

The following tables present our financial condition as of June 30, 2021 and December 31, 2020, 2019 and 2018:

Selected Historical Consolidated Financial Data

	As of June 30,	As of December 31,		
Consolidated Balance Sheet Data	**2021**	**2020**	**2019**	**2018**
		(in thousands of euros)		
Goodwill	5,988,765	5,332,271	5,507,063	5,209,230
Other intangible assets	1,570,576	1,557,650	1,433,534	1,385,537
Rights of use	719,165	678,696	703,858	—
Property, plant and equipment	2,415,934	2,324,107	2,159,545	1,951,983
Investments in equity accounted investees	1,904,321	1,869,020	114,473	226,905
Non-current financial assets	232,643	198,157	138,930	107,601
Deferred tax assets	142,145	149,921	123,034	112,539
Total non-current assets	**12,973,549**	**12,109,822**	**10,180,427**	**8,993,795**
Inventories	2,124,393	2,002,281	2,342,590	1,949,360
Trade and other receivables:				
Trade receivables	531,782	383,233	369,797	269,167
Other receivables	79,782	72,360	82,509	92,418
Current income tax assets	33,134	64,565	38,269	42,205
Trade and other receivables	644,698	520,158	490,575	403,790
Other current financial assets	9,681	11,118	1,728,926	53,965
Other current assets	62,864	51,750	58,111	42,344
Cash and cash equivalents	397,864	579,647	741,982	1,033,792
Total current assets	**3,239,500**	**3,164,954**	**5,362,184**	**3,483,251**
Total Assets	**16,213,049**	**15,274,776**	**15,542,611**	**12,477,046**

Consolidated Balance Sheet Data	As of June 30, 2021	As of December 31, 2020	2019	2018
		(in thousands of euros)		
Equity and Liabilities				
Share capital	119,604	119,604	119,604	119,604
Share premium	910,728	910,728	910,728	910,728
Reserves	4,138,199	3,776,932	3,009,599	2,441,931
Treasury stock	(164,189)	(43,734)	(49,584)	(55,441)
Interim dividend	—	—	(136,828)	(136,747)
Profit for the year attributable to the Parent	266,815	618,546	625,146	596,642
Total Equity	**5,271,157**	**5,382,076**	**4,478,665**	**3,876,717**
Other comprehensive income	(1,155)	(1,155)	(903)	(554)
Translation differences	(101,836)	(272,529)	344,357	349,391
Other comprehensive expenses	(102,991)	(273,684)	343,454	348,837
Equity attributable to the Parent	**5,168,166**	**5,108,392**	**4,822,119**	**4,225,554**
Non-controlling interests	1,768,925	1,611,663	2,023,649	471,050
Total Equity	**6,937,091**	**6,720,055**	**6,845,768**	**4,696,604**
Liabilities				
Grants	16,933	17,008	11,377	11,845
Provisions	25,761	27,271	8,030	6,114
Non-current financial liabilities	6,715,482	6,602,100	6,846,068	6,099,463
Other non-current liabilities	16,767	16,391	983	1,301
Deferred tax liabilities	579,537	556,813	463,827	404,398
Total non-current liabilities	**7,354,480**	**7,219,583**	**7,330,285**	**6,523,121**
Provisions	11,840	11,175	53,109	80,055
Current financial liabilities	940,906	424,612	361,312	277,382
Current debts with related companies	—	—	1,258	7,079
Trade and other payables:				
Suppliers	580,247	601,618	581,882	561,883
Other payables	177,321	141,089	165,632	159,816
Current income tax liabilities	29,535	3,482	5,966	1,917
Total trade and other payables	787,103	746,189	753,480	723,616
Other current liabilities	181,629	153,162	197,399	169,189
Total current liabilities	**1,921,478**	**1,335,138**	**1,366,558**	**1,257,321**
Total liabilities	**9,275,958**	**8,554,721**	**8,696,843**	**7,780,442**
Total Equity and Liabilities	**16,213,049**	**15,274,776**	**15,542,611**	**12,477,046**

The following table presents our profit and loss data for the six-month periods ended June 30, 2021 and June 30, 2020:

Consolidated Statement of Profit and Loss Data	For the Six-Month Period Ended June 30, 2021	2020	Change €	Change %
	(in thousands of euros, except percentages)			
Continuing Operations				
Net revenues	2,536,632	2,677,341	(140,709)	(5.3)%
Cost of sales	(1,422,509)	(1,638,723)	216,214	(13.2)%
Gross margin	**1,114,123**	**1,038,618**	**75,505**	**7.3%**
Research and development	(158,542)	(142,113)	(16,429)	11.6%
Selling, general and administration expenses	(507,002)	(484,367)	(22,635)	4.7%
Operating Expenses	**(665,544)**	**(626,480)**	**(39,064)**	**6.2%**
Profit/(loss) of equity accounted investees with similar activity to that of the Group	14,971	9,558	5,413	56.6%
Operating Results	**463,550**	**421,696**	**41,854**	**9.9%**
Finance income	4,949	4,580	369	8.1%
Finance costs	(119,698)	(126,280)	6,582	(5.2)%
Change in fair value of financial instruments	555	56,526	(55,971)	(99.0)%
Exchange differences	(5,243)	(10,755)	5,512	(51.3)%
Finance result	**(119,437)**	**(75,929)**	**(43,508)**	**57.3%**
Share of income/(losses) of equity accounted investees	34,122	(18,622)	52,744	(283.2)%
Profit before income tax from continuing operations	**378,235**	**327,145**	**51,090**	**15.6%**
Income tax expense	(75,647)	(65,469)	(10,178)	15.5%
Profit after income tax from continuing operations	**302,588**	**261,676**	**40,912**	**15.6%**
Consolidated profit for the period	**302,588**	**261,676**	**40,912**	**15.6%**

The following table presents our profit and loss data for the years ended December 31, 2020, 2019 and 2018:

Consolidated Statement of Profit and Loss Data	For the Year Ended December 31, 2020	2019	2018
	(in thousands of euros)		
Continuing Operations			
Net revenue	5,340,038	5,098,691	4,486,724
Cost of sales	(3,084,873)	(2,757,459)	(2,437,164)
Gross margin	**2,255,165**	**2,341,232**	**2,049,560**
Research and development	(294,216)	(276,018)	(240,661)
Selling, general and administration expenses	(985,616)	(942,821)	(814,775)
Operating Expenses	**(1,279,832)**	**(1,218,839)**	**(1,055,436)**
Profit/(loss) of equity accounted investees with similar activity to that of the Group	20,799	8,972	—
Operating Results	**996,132**	**1,131,365**	**994,124**
Finance income	8,021	114,197	13,995
Finance costs	(249,639)	(342,965)	(293,273)
Change in fair value of financial instruments	55,703	1,326	—
Impairment of financial assets at amortized cost	—	(37,666)	30,280
Exchange differences	8,246	(9,616)	(8,246)
Finance result	**(177,669)**	**(274,724)**	**(257,244)**
Share of income/(losses) of equity accounted investees	60,166	(39,538)	(11,038)
Profit before income tax from continuing operations	**878,629**	**817,103**	**725,842**
Income tax expense	(169,639)	(168,459)	(131,436)
Profit after income tax from continuing operations	**708,990**	**648,644**	**594,406**
Consolidated profit for the period	**708,990**	**648,644**	**594,406**

The following table presents certain financial data relating to us and our business:

	As of and for the last twelve months ended June 30,	As of and for the six-month period ended June 30,	As of and for the year ended December 31,		
	2021	2021	2020	2019	2018
		(in thousands of euros, except percentages)			
Capital expenditures[(1)]	(295,933)	(125,907)	(324,699)	(347,123)	(261,190)
Dividends paid	(372,175)	(258,945)	(113,230)	(238,740)	(278,841)
Net debt[(2)]	6,475,461	6,475,461	5,713,658	5,724,896	5,343,053
As adjusted net debt[(2)]	8,445,813	8,445,813	—	—	—
EBITDA[(3)]	1,502,847	664,687	1,449,801	1,462,523	1,247,724
Published EBITDA[(3)]	1,378,666	634,534	1,324,044	1,433,820	1,222,733
Published EBITDA Margin[(4)]	26,5%	25.0%	24.8%	28.1%	27.3%
Adjusted EBITDA[(3)]	1,547,666	808,034	1,472,144	1,433,820	1,222,733
Adjusted Net Revenue[(5)]	5,767,758	2,848,296	5,596,803	5,098,691	4,486,724
Adjusted EBITDA Margin[(6)]	26,8%	28.4%	26.3%	28.1%	27.3%
Further Adjusted EBITDA[(3)]	1,687,787	922,111	1,534,868	—	—
Further Adjusted EBITDA Margin[(3)(6)]	28,5%	31.2%	26.8%	—	—
Transaction Adjusted EBITDA[(3)]	1,784,187	—	—	—	—
Transaction Adjusted EBITDA Margin[(6)]	30.1%	—	—	—	—
Transaction Adjusted Leverage Ratio[(7)]	4.4	—	—	—	—

(1) Represents the additions of property, plant and equipment and computer software assets. We consider that this measure presents the investments made mainly to continue improving and expanding our production facilities in order to ensure our long-term sustainable growth.

(2) Net debt is calculated as follows:

	As of June 30,	As of December 31,		
	2021	2020	2019	2018
		(in thousands of euros)		
Existing Debt	6,873,324	6,293,305	6,466,878	6,376,845
Existing Credit Facilities[(i)]	3,416,607	3,369,451	3,587,171	5,233,638
Existing Notes[(ii)]	2,675,000	2,675,000	2,675,000	1,000,000
Other Credit Facilities and Financial Liabilities[(iii)]	781,717	248,855	204,707	143,207
Minus:				
Cash and cash equivalents	397,864	579,647	741,982	1,033,792
Net Debt[(iv)]	**6,475,461**	**5,713,658**	**5,724,896**	**5,343,053**

(i) Includes the First Lien Credit Facilities and the EIB Term Loans.
(ii) Includes the Secured Notes and the Unsecured Notes.
(iii) Other Credit Facilities and Financial Liabilities includes current and non-current financial liabilities less loan transaction costs excluding lease liabilities (IFRS 16 implementation impact).
(iv) Net debt for all periods after January 1, 2019 excludes the impact of IFRS 16. For the last twelve months ended June 30, 2021, the impact of IFRS 16 on our net debt was €783.1 million.

As adjusted net debt represents our net debt as at June 30, 2021 adjusted for the Transactions (including the payment of estimated related fees and expenses of €50 million) minus the use of cash on hand in connection with the tender offer in connection with the Acquisition as well as the use of cash on hand to pay the consent payments in connection with the Biomat Transactions. As adjusted net debt does not include the $990 million in gross proceeds from the Biomat Transactions, $600 million of which will be used to repay Revolving Loans under the First Lien Credit Facilities, and the remainder will be used pro rata to (x) repay outstanding amounts under our Tranche B Term Loans and (y) be offered to repurchase the Secured Notes and if not accepted by the Secured Notes, to make an offer to prepay the Tranche B Term Loan lenders and following such offers any remaining proceeds may be used for general corporate purposes. See "The Transactions." Assuming the Biomat Transactions were consummated prior to this offering our net debt adjusted for the Biomat Transactions would have been €5,664.6 million and our as adjusted net debt would have been €7,610.8 million, in each case reflecting the repayment of $600 million of our Revolving Loans, $159 million of our Dollar Tranche B Term Loan, and €87 million of our Euro Tranche B Term Loan under the First Lien Credit Facilities and €108 million of our Secured Notes.

(3) The following table sets forth the calculation of EBITDA, Published EBITDA, Adjusted EBITDA, Further Adjusted EBITDA, Biotest Adjusted EBITDA and Transaction Adjusted EBITDA. EBITDA is defined as profit after income tax from continuing operations before interest, income tax expense, depreciation and amortization. Our Published EBITDA is calculated as EBITDA adjusted for other financial results and share of profit/(loss) of equity accounted investees. Our Adjusted EBITDA is calculated as Published EBITDA adjusted for COVID-19 impact. Our Further Adjusted EBITDA is calculated as our Adjusted EBITDA adjusted by certain run rate adjustments. Transaction Adjusted EBITDA is calculated as our Further Adjusted EBITDA adjusted for Biotest Adjusted EBITDA. Biotest Adjusted EBITDA is calculated as Biotest EBITDA adjusted for expenses related to the Biotest's "Next Level Project" investment program and monoclonal antibodies research and development. We believe EBITDA, Published EBITDA, Adjusted EBITDA, Further Adjusted EBITDA and Transaction Adjusted EBITDA enhance our investors' understanding of our operating performance and is a useful measure of our ability to service and/or incur debt. EBITDA for all periods after January 1, 2019 includes the impact of IFRS 16. For the last twelve months ended June 30, 2021, the impact of IFRS 16 on our EBITDA, Adjusted EBITDA, Further Adjusted EBITDA was €74.6 million, and the impact of IFRS 16 on our Transaction Adjusted EBITDA was €79.2 million.

	As of and for the last twelve months ended June 30	As of and for the six-month period ended June 30,		As of and for the year ended,		
	2021	2021	2020	2020	2019	2018
	(in thousands of euros, except percentages)					
Profit after income tax from continuing operations	**749,902**	**302,588**	**261,676**	**708,990**	**648,644**	**594,406**
Interest (Finance cost)	(243,057)	(119,698)	(126,280)	(249,639)	(342,965)	(293,273)
Income tax expense	(179,817)	(75,647)	(65,469)	(169,639)	(168,459)	(131,436)
Amortization and depreciation	(330,071)	(166,754)	(158,216)	(321,533)	(302,455)	(228,609)
EBITDA	**1,502,847**	**664,687**	**611,641**	**1,449,801**	**1,462,523**	**1,247,724**
Share of income/(losses) of equity accounted investees	112,910	34,122	(18,622)	60,166	(39,538)	(11,038)
Amortization and depreciation from equity accounted investees net of tax [(i)]	(10,609)	(4,230)	—	(6,379)	—	—
Other financial result	21,880	261	50,351	71,970	68,241	36,029
Published EBITDA[(ii)]	**1,378,666**	**634,534**	**579,912**	**1,324,044**	**1,433,820**	**1,222,733**
COVID-19 Impact[(iii)]	169,000	173,500	152,600	148,100	—	—
Adjusted EBITDA	**1,547,666**	**808,034**	**732,512**	**1,472,144**	**1,433,820**	**1,222,733**
Run Rate Adjustments[(iv)]	140,121	114,077	36,680	62,724	—	—
Further Adjusted EBITDA	**1,687,787**	**922,111**	**769,192**	**1,534,868**	**1,433,820**	**1,222,733**
Biotest Adjusted EBITDA[(v)]	96,400	—	—	—	—	—
Transaction Adjusted EBITDA	**1,784,187**	—	—	—	—	—

(i) Corresponds to the amortization (net of tax) of the intangible assets identified in the Shanghai RAAS purchase price allocation.

(ii) The following table presents a reconciliation of Published EBITDA to Covenant EBITDA, which is our "Consolidated Cash Flows" as defined in the indenture governing the notes offered hereby. See "Description of Notes—Certain Definitions—Consolidated Cash Flow."

	As of and for the last twelve months ended June 30,
	2021
	(in thousands of euros)
Published EBITDA	**1,378,666**
IFRS 16 impact	(74,567)
Significant transaction costs related to business combinations	17,686
Covenant EBITDA	**1,321,785**

(iii) Represents estimated adjustments related to the COVID-19 pandemic. See "Risk Factors—Risks Related to the Company and Our Business—The Coronavirus pandemic has had, and could continue to have, a material, adverse impact on us." These adjustments reflect the COVID-19 impact in our profit and loss statement as a result of lower plasma collection due to lockdowns, restricted movement, quarantines and fear of disease, an increased cost of plasma collection due to lower capacity utilization and higher donor compensation. These effects have been partially offset by savings in operating costs including payment of lower commissions as a result of lower sales volumes, postponement of R&D testing, personnel cost savings related to nonpayment of bonuses and reduced travel expenses, and short-term agreements related to COVID-19 diagnostic tests. See "Operational and Financial Review—Consequences of COVID-19."

(iv) Represents the estimated run-rate impact of the plasma collection centers recently acquired from GC Pharma (2020), BPL (2021) and Kedrion (2021), as well as a plasma-supply agreement we entered into with Haema in Hungary (2021). Run-rate adjustments have been estimated considering estimated collections for the full year using pre-pandemic revenues and cost per liter, assuming such contracts were entered into at the beginning of the relevant period. See "Risk Factors—Risks Related to the Company and Our Business—We may not realize the expected benefits from the entry into new or amended contracts, cost-savings and business improvement initiatives." See note 3 to our consolidated interim financial statements included elsewhere in this offering memorandum.

(v) Represents Biotest's Adjusted EBITDA, which is calculated as follows:

	As of and for the last twelve months ended June 30,
	2021
	(in thousands of euros)
Earnings after taxes	(32,900)
Taxes	700
Financial result	21,600
Depreciation and amortization	29,700
Biotest EBITDA	**19,100**
Next Level Project investment program and monoclonal antibodies R&D expenses	**77,300**
Biotest Adjusted EBITDA	**96,400**

Without giving effect to the impact of IFRS 16, the Biotest EBITDA would be €14,500 and the Biotest Adjusted EBITDA would be €91,800, because of the adjustment for expenses in connection with Biotest's Next Level Project investment program. See "Operational and Financial Review—Factors Affecting Comparability—IFRS 16 (Leases)" and "The Transactions—About Biotest."

(4) Published EBITDA Margin is calculated as Published EBITDA divided by Net Revenue.

(5) Adjusted Net Revenue is calculated as net revenue adjusted for the lower sales of the main plasma-derived proteins as a result of the lower plasma collection volumes due to COVID-19.

(6) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Adjusted Net Revenue. Further Adjusted EBITDA is calculated as Adjusted EBITDA divided by Adjusted Net Revenue. Transaction Adjusted EBITDA Margin is calculated as Transaction Adjusted EBITDA divided by Adjusted Net Revenue.

(7) Transaction Adjusted Leverage Ratio is calculated as (i) as adjusted net debt of €7,610.8 million, which assumes the Biomat Transactions were consummated prior to the date of this offering, divided by (ii) €1,722.7 million, which represents Transaction Adjusted EBITDA of €1,784.2 million as adjusted by (x) subtracting the €79.2 million impact of IFRS 16 (of which €74.6 million is attributable to Grifols and €4.6 million is attributable to Biotest) and (y) adding back €17.7 million of transaction costs related to Grifols business combinations.

OPERATIONAL AND FINANCIAL REVIEW

You are encouraged to read the following discussion and analysis of our financial condition and results of operations together with our annual consolidated financial statements as of and for the years ended December 31, 2020, 2019 and 2018 and the related footnotes and consolidated interim financial statements for the six-month periods ended June 30, 2021 and 2020 and the related notes included at the end of this offering memorandum. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. See the section entitled "Risk Factors" included elsewhere in this offering memorandum for a discussion of some of the important factors that could cause actual results to differ materially from those described or implied by the forward-looking statements contained in the following discussion and analysis. See the section entitled "Cautionary Statement Regarding Forward-Looking Statements" included elsewhere in this offering memorandum.

The financial information contained herein was obtained from our annual consolidated financial statements at December 31, 2020, 2019 and 2018 prepared in accordance with IFRS-EU and from our consolidated interim financial statements as of and for each of the six-month periods ended June 30, 2021 and 2020 prepared in accordance with International Accounting Standard 34 (IAS 34) as adopted by the European Union. The following discussion should also be read in conjunction with "Presentation of Financial and Other Information" and "Selected Historical Consolidated Financial Data."

Business Overview

We are one of the leading global specialty plasma therapeutics companies developing, manufacturing and distributing a broad range of biological medicines based on plasma derived proteins. Plasma derivatives are proteins found in human plasma, which once isolated and purified, have therapeutic value. These protein-based therapies extend and enhance the lives of individuals who suffer from chronic and acute, often life-threatening, conditions, including primary and secondary immunological deficiencies, Chronic Inflammatory Demyelinating Polyneuropathy, or CIDP, A1PI deficiency and related emphysema, immune-mediated ITP, Guillain Barré syndrome, Kawasaki disease, allogeneic bone marrow transplants, hemophilia A and B, von Willebrand disease, traumatic or hemorrhagic shock and severe burns. In addition, we have built a diagnostic business that focuses on researching, developing, manufacturing and marketing in vitro diagnostics products for use in clinical and blood bank laboratories. We also specialize in providing infusion solutions, nutrition products and medical devices for use in hospitals and clinics.

Our products and services are used by healthcare providers in over 100 countries to diagnose and treat patients with hemophilia, immune deficiencies, infectious diseases and a range of other medical conditions, and we have a direct presence, through the operation of commercial subsidiaries, in over 30 countries.

We are a leading producer in the industry in terms of total sales globally. We believe we have a top three market position in various segments of the plasma derivatives industry, including A1PI, IG and albumin as well as in terms of plasma collection centers and fractionation capacity. Our long-term aim is to further strengthen our leadership through the development of new and differentiated plasma-derived therapeutics, and the expansion of our global plasma collection footprint via M&A and greenfield projects.

For the year ended December 31, 2020, our consolidated net revenue, profit after income tax from continuing operations and Published EBITDA were €5,340.0 million, €709.0 million and €1,324.0 million, respectively, representing a Published EBITDA margin of 24.8%. For the six-month period ended June 30, 2021, our consolidated net revenue, profit after income tax from continuing operations and Published EBITDA were €2,536.6 million, €302.6 million and 634.5 million respectively, representing a Published EBITDA margin of 25.0%.

We organize our business into five divisions: Bioscience, Diagnostic, Hospital, Bio Supplies and Others. These divisions also represent our operating segments:

Bioscience. The Bioscience division includes activities relating to the manufacture of plasma derivatives for therapeutic use, including the reception, analysis, quarantine, classification, fractionation and purification of plasma and the sale and distribution of end products. The main plasma products we manufacture are IG, Factor VIII, A1PI and albumin. We also manufacture intramuscular (hyperimmune) immunoglobulins, ATIII, Factor IX and plasma thromboplastin component, or PTC. The Bioscience division accounted for €4,242.5 million, or 79.5%, of our total net revenue in 2020, and €1,986.0 million, or 78.3%, of our total net revenue in the six-month period ended June 30, 2021.

Diagnostic. The Diagnostic division focuses on researching, developing, manufacturing and marketing *in vitro* diagnostics products, including analytical instruments, reagents, software and associated products for use in clinical and

blood bank laboratories, covering the entire value chain from donation to transfusion. We concentrate our Diagnostic business in transfusion medicine (immunology, immunohematology) and specialty diagnostics such as hemostasis. The Diagnostic division's main customers are blood donation centers, clinical analysis laboratories and hospital immunohematology services. The Nucleic Acid Testing, or NAT, Donor Screening Unit is engaged in research, development, manufacturing and commercialization of assays and instruments based on NAT technology for transfusion and transplantation screening. NAT technology makes it possible to detect the presence of infectious agents in blood and plasma donations, contributing to greater transfusion safety. The Diagnostic division accounted for €775.9 million, or 14.5%, of our total net revenue in 2020 and €395.5 million, or 15.6%, of our total net revenue in the six-month period ended June 30, 2021.

Hospital. The Hospital division offers technology and services for hospitals, clinics and specialized centers for the manufacture of medicines, as well as physiological saline solution, enteral nutritional fluids and medical devices for interventional therapy. It also includes products that we do not manufacture but that we market as supplementary to the products that we do manufacture. The Hospital division accounted for €118.7 million, or 2.2%, of our total net revenue in 2020 and €67.7 million, or 2.7%, of our total revenue in the six-month period ended June 30, 2021.

Bio Supplies. Net revenue from Bio Supplies primarily consists of revenue related to biological products for non-therapeutic use as well as all income derived from manufacturing agreements with Kedrion and third party sales of Haema and Biotest US. The Bio Supplies division accounted for €224.1 million, or 4.2%, of our total net revenue in 2020 and €107.3 million, or 4.2%, of our total net revenue in the six-month period ended June 30, 2021.

Others. Net revenue from Others primarily consists of revenue from the rendering of manufacturing services to third party companies.

Recent Developments

The Biomat Transactions

On June 30, 2021, the Company announced that it had entered into the Biomat Transactions, comprised of an SPA among our wholly-owned subsidiary Biomat USA, Newco, Holdco, Grifols Shared Services North America, Inc., the GIC Investor and the Company, pursuant to which the GIC Investor, an affiliate of GIC Private Limited, which is a sovereign wealth fund established by the Government of Singapore, will invest $990 million in Biomat USA. As part of the transaction, the GIC Investor will become a strategic investor in our business, holding a minority stake in Biomat USA and its holding company Newco through the acquisition of newly issued Biomat Class B Common Stock and Newco Class B Common Stock, each a non-voting stock class with certain preferential rights. The Biomat Class B Equity Interests will be issued pursuant to the charter documents of Biomat USA and Newco as amended on the closing date of the Biomat Transactions (the "amended charter documents").

The consummation of the Biomat Transactions is subject to certain customary closing conditions, including applicable regulatory authorizations, such as from CFIUS, and consents from holders of the Unsecured Notes and the Secured Notes and the lenders under the First Lien Credit Facilities and the EIB Term Loans. The consents from such holders and lenders have been obtained. See "Description of Indebtedness." The outside date for closing the Biomat Transactions is December 15, 2021; provided, that if on such date the only condition remaining to be satisfied (other than conditions which, by their nature, are to be satisfied at the closing) is CFIUS approval, then the outside date will automatically be extended to March 15, 2022.

Upon successful closing of the Biomat Transactions, we will own 76.2% and the GIC Investor will own 23.8% of the Biomat Group. Subject to certain minority shareholder remedies in the charters applicable to the Biomat Class B Common Stock, we will continue to oversee all aspects of the Biomat USA and Newco management and operations. All plasma collected by the Biomat Group will continue to be supplied to us for the production of plasma-derived medicines, through a long-term plasma supply agreement.

We intend to use the net proceeds (expected to be $990 million, less related costs and expenses) from the Biomat Transactions to first repay outstanding revolving loans under the First Lien Credit Facilities in a maximum aggregate amount of $600 million and to use the remainder of the net proceeds on a pro rata basis, (i) to repay outstanding term loans under the First Lien Credit Facilities and (ii) conduct an asset sale offer to holders of the Secured Notes in accordance with the terms of its indenture. If holders of the Secured Notes do not tender an amount equal to or in excess of the amount offered to be repurchased pursuant to the asset sale offer, any of the amount remaining after consummation of an asset sale offer will be offered to repay an additional amount of outstanding term loans under the First Lien Credit Facilities.

The Acquisition

On September 17, 2021, Grifols and TIIL entered into the Acquisition Agreement, pursuant to which Grifols agreed, on the terms and conditions set forth therein, to acquire from TIIL all of the existing equity interests owned by such company in Holdings, a German privately held stock corporation, and to accept an assignment from TIIL of certain shareholder loans granted by TIIL to Holdings. Holdings in turn owns 89.88% of the ordinary shares and 1.08% of the preferred equity shares of Biotest, a German stock corporation listed on the Frankfurt Stock Exchange that has a global presence supplying plasma protein products and biotherapeutic drugs primarily used in the therapeutic areas of clinical immunology, haematology and intensive care medicine. The purchase price for the acquisition of Holdings and the assignment of the shareholder loans is up to approximately €1,086,000,000 (subject to certain adjustments at and following the closing).

The Acquisition, and the offering of the notes hereby, will increase our level of indebtedness. See "Capitalization." We are committed to deleveraging in the medium term and maintaining elevated and adequate levels of liquidity through (i) internally generated cash flows, and (ii) a substantial decrease in dividend payments in the medium term. We also do not envision any material acquisitions in the medium term. See "The Transactions" for a detailed description of the Acquisition.

Factors Affecting Our Financial Condition and Results of Operations

Consequences of COVID-19

General

Due to the COVID-19 pandemic, Grifols experienced several extraordinary impacts on its operational and financial performance. These came as consequences of lower plasma collection due to lockdowns and restricted movement, quarantines and fear of disease but also, the unprecedented economic stimulus programs provided by the U.S. government and an increased cost of plasma collection due to lower capacity utilization and higher donor compensation. This has been partially offset by savings in operating costs and sales of Grifols-developed COVID-19 diagnostic tests, resulting in an estimated net COVID-19 impact in our profit and loss statement of €169 million for the twelve months ended June 30, 2021.

The impact on sales has been mostly driven by plasma supply constraints. We believe that sales and EBITDA should normalize once supply limitations are lifted. However, this may take between nine and twelve months to occur due to the time required to process and sell our plasma products following donor collection in line with industry standards.

Of the COVID-19 related impact to our EBITDA, the negative impacts of lower collection volumes (€201 million) and higher costs per liter (€97 million) amounted to €298 million over the twelve months ended June 30, 2021. Prior to this period, Grifols declared a one-time under-absorption charge of €205 million in the second quarter of 2020. It remains unclear at this time how the developments in relation to COVID-19 will continue to evolve through the remainder of 2021 and beyond, and the extent to which COVID-19 might further impact our business, results of operations and financial condition. We have and will continue to monitor the situation closely.

During the twelve months ended June 30, 2021, we partially offset the negative COVID-19 impacts to our EBITDA through operating costs savings and short-term agreements related to COVID-19 test sales of €61 million and €68 million, respectively.

Excluding the €169 million negative impact to our EBITDA that is related to COVID-19 would result in an Adjusted EBITDA of €1.5 billion compared to our Published EBITDA of €1.4 billion for the twelve months ended June 30, 2021. Further adjusting approximately €140 million for the run-rate benefits related to the additional 43 plasma collection centers acquired during 2020 and the first six months of 2021, our Further Adjusted EBITDA for the twelve months ended June 30, 2021 is approximately €1.7 billion. We anticipate, assuming current conditions, this will remain relatively stable over the medium term. For the months of July and August 2021, the COVID-19 impact on our results has been consistent with the first half of 2021.

We currently anticipate that the negative impact to our EBITDA related to COVID-19 will increase to €470-525 million per year over the next 18 months due to the elevated cost of plasma that was sourced during the COVID-19 pandemic and lower fixed cost absorption. This estimation does not consider the mitigating effects of incremental cost savings. See "Selected Historical Consolidated Financial Data."

Plasma Collections

A reduction in plasma collections resulting from pandemic lockdowns that reduced access to our collection facilities was the leading factor that put pressure on performance over the last twelve months. Donors faced stay-at-home orders, quarantines, restricted movement and fear of disease that limited their ability to attend our centers and negatively impacted plasma collection volumes. In addition, travel restrictions, specifically the U.S. border closure with Mexico put further pressures on collection centers close to the U.S. southern border. Finally, unprecedented government stimulus programs issued to households lowered the financial incentive for individuals to donate.

During 2020 sales were relatively insulated from the impact of the reduced collection volumes as the Company was able to draw on its existing reserves of inventories for the production and sale of finished products throughout the year, thereby supporting continued sales at relatively normal volumes. However, due to the required processing time from collection to sale of plasma of 9-12 months, the impact of lower plasma collections from the pandemic will continue over the next 18 months. The impact to EBITDA for the twelve months ended June 30, 2021 amounted to a €201 million reduction.

We believe that these headwinds are temporary in nature and expected to normalize as the COVID-19 recovery progresses, vaccination roll-outs continue, financial stimulus incentives taper off as from September 2021 and movement restrictions are alleviated or lifted entirely. See "Risk Factors—Risks Relating to the Company and Our Business—The Coronavirus pandemic has had, and could continue to have, a material, adverse impact on us." According to management's current expectations, Plasma collections in Europe have already rebounded to exceed 2020 and pre-pandemic levels, and U.S. collections are on track for collection recovery to pre-pandemic levels by the end of this year and the first half of 2022, with an early trend of return to normal observed in the second quarter of 2021.

The reduction in plasma collections was the leading factor that put pressure on performance during 2020 and 2021. For the six-month period ended June 30, 2021 and the year ended December 31, 2020, our net plasma supply decreased by approximately 5% and 15%, respectively, as compared to the same period in the prior year. Our recent acquisitions of plasma collection centers have helped us mitigate the decrease. See "—Acquisitions." Absent additional stay at home orders or mobility restrictions, in the medium term, Grifols is well prepared to support increasing collections, particularly due to its recently enlarged footprint of 43 new collection centers over the past 12 months, including: BPL (25 centers), GC Pharma (11 centers), Kedrion (7 centers) as well as a plasma-supply agreement with Haema in Hungary (7 centers). Grifols plasma center network is expected to reach a total of 370 centers as of December 31, 2021.

Cost of Plasma

Grifols' gross margins came under pressure during the pandemic due to temporary inflation in the plasma cost per liter ("CPL"). Our reported CPL increased by 20% in 2020. This increase came partly as a result of higher compensation paid to donors as well as due to lower absorption of fixed costs at donor centers. At the same time, a decrease in plasma collection has resulted in a corresponding decrease in processed volumes at our manufacturing facilities, affecting factory cost absorption negatively. Both impacts led to a negative effect of €97 million on our EBITDA for the twelve months ended June 30, 2021. See "Business—The Bioscience Division." Included in these impacts there are extraordinary non-recurring costs mainly related to compliance and safety measures that we undertook during the pandemic.

We believe that the inflated donor compensation will reduce over time as the COVID-19 recovery progresses. The expected expiry of the COVID-19 stimulus programs as from September 2021, will be a key driver for donors to return, with expectations of a half-way cost reduction compared to pre-COVID-19 levels for the 2021 financial year. Further cost base dynamics are expected to resolve due to resumption of normalized donation volumes and realization of scale efficiencies as capacity utilization recovers. We are also implementing several technological advancements at collection centers in order to reduce processing time, improve labor and equipment productivity and increase donor recruitment and retention, all of which we believe will further reduce CPL. As noted above, the anticipated improvement in terms of CPL will lag nine to twelve months with respect to our profit margins.

Other Operating Expenses

A number of other operating cost savings were made during the pandemic, partially offsetting the aforementioned negative impact on our EBITDA related to COVID-19.

The non-payment of full bonuses resulted in lower operating expenses. Together with reduced travel and related expenses and lower distributor fees that were paid as a result of lower Bioscience revenues volumes, the total COVID-19-related savings amounted to €61 million for the twelve months ended June 30, 2021. Based on management's expectations,

for the year ended December 31, 2021, we expect to capture approximately €100 million cost structural savings, mainly targeting specific administrative and support functions.

COVID-19 NAT Tests

As part of the Company´s overall pandemic response, Grifols developed in record time its Procleix® SARS-COV2 NAT diagnostic testing kit. Grifols' Diagnostic Division entered into agreements with Hologic to sell these clinical diagnostic tests in Spain and Hungary, resulting in an additional EBITDA of €68 million for the twelve months ended June 30, 2021. This agreement is set to expire at the end of 2021 and contributions are expected to no longer be realized in the future.

Run-rate Adjustments from Recent Acquisitions

Grifols expanded its plasma collection footprint with the acquisitions of Green Cross America (GCAM) in 2020 and centers from BPL and Kedrion as well as a plasma-supply agreement with Haema in Hungary in 2021. These 43 centers add 1.9 million liters capacity which equate to more than €140 million in EBITDA on a run-rate adjusted basis for the twelve months ended June 30, 2021. See "Risk Factors—Risks Relating to the Acquisition—We may not realize the expected benefits from the entry into new or amended contracts, cost-savings and business improvement initiatives."

Price Controls

Certain healthcare products, including plasma derivative products, are subject to price controls in many of the markets where they are sold, including Spain and other countries in the European Union. The existence of price controls over these products has adversely affected in the past, and may continue to adversely affect, our ability to maintain or increase our prices and gross margins.

Plasma Supply Constraints

Plasma is the key raw material used in the production of plasma-derived products. Our ability to continue to increase our revenue depends substantially on increased access to plasma. We currently obtain our plasma from the United States and Europe (Germany, Austria and Hungary) primarily through our plasma collection centers and, to a much lesser extent, through agreements with third parties.

A continued increase in demand for plasma products could lead to industry supply constraints. In response, we and certain of our competitors and independent suppliers could open a number of new plasma collection centers.

As of June 30, 2021, we operated 351 plasma collection centers located across the United States and Europe, across Germany, Austria and Hungary. We have expanded our plasma collection network through a combination of organic growth by opening new plasma collection centers and acquisitions. In 2016, we purchased equity interests in the Interstate Blood Bank Group (Interstate Blood Bank, Inc., Bio-Blood Components, Inc. and Plasma Biological Services, LLC, collectively referred to herein as the "IBBI Group"), and on April 10, 2019, we exercised our option to purchase the remaining 51.0% equity interest of the IBBI Group, which has 36 FDA-approved centers (26 plasma collection centers and 10 blood donation centers), as well as an analytical laboratory. On October 1, 2020, we obtained 11 U.S. plasma collection centers from GC Pharma. As part of the GC Pharma acquisition, we must supply certain output of plasma arising from the 11 collection centers for a 24-month period commencing on October 1, 2020. In 2021, we acquired 25 plasma collection centers from BPL and seven U.S. plasma donation centers from Kedrion.

The COVID-19 pandemic has had an adverse impact on our plasma collection volumes, mainly in the United States. Among the reasons for this negative impact are mobility restrictions, closings of the border with Mexico and stimulus checks paid to American families with children, which lowered the willingness to donate plasma. For the year ended December 31, 2020, our net plasma supply decreased by approximately 15% as compared to the previous year. In 2021, we are advancing on our efforts to increase plasma supply through our expansion plan, comprising organic and inorganic growth through, such as: (i) plasma collected through our plasma collection centers, including acquiring centers from BPL and Kedrion, (ii) plasma collected through our 30-year plasma supply agreement with each of Haema and Biotest US and (iii) plasma purchased from third-party suppliers pursuant to various plasma purchase agreements. As of June 30, 2021, plasma donations are gradually recovering in the United States. In the first half of 2021, there has been an upward trend in plasma collection following the rollout of vaccination plans and easing of COVID-19 restrictions. In Europe, plasma collections exceed 2020 levels and pre-pandemic levels. Our recent acquisitions of plasma collection centers have helped us mitigate in part such decrease. See "—Acquisitions" and "—Consequences of COVID-19" for additional details.

Acquisitions

In addition to the acquisitions described above under "—Recent Developments" and "—Plasma Supply Constrains," we have undertaken the acquisitions described below since January 1, 2018.

MedKeeper Acquisition

On January 24, 2018, we acquired a majority stake in Goetech, a U.S. technology firm based in Denver, Colorado, doing business under the brand as MedKeeper. This transaction, for a total of $98 million, included a 51% stake in MedKeeper and a call option for Grifols and put option for MedKeeper for the remaining 49% on the third anniversary of the deal.

On November 9, 2020, we acquired, through our subsidiary Grifols Shared Services North America Inc., the remaining 49% interest in MedKeeper for the amount of $60.2 million. MedKeeper's core business is the development and distribution of web and mobile-based platforms for hospital pharmacies that improve quality standards, productivity in the process, control systems and monitoring different preparations while increasing patient safety. This investment will enhance the activity of the Grifols Hospital division and it is part of the strategy to underpin this division into the U.S. market. The acquisition complements our Pharmatech line and enhances our presence in the U.S. market.

The GC Pharma Acquisition

On July 20, 2020, we executed share purchase arrangements with South Korean based GC Pharma, and other investors for the purchase of a plasma fractionation facility and two purification facilities located in the city of Montreal, Canada, as well as 11 plasma collection centers located in the U.S., for a total consideration of approximately $457 million, subject to certain working capital and other adjustments.

The Canadian facilities are currently in the process of obtaining needed licenses and regulatory approvals by competent health authorities for the manufacturing of plasma-derived products. When licensed and approved, we will become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 million liters annually. We plan to be ready to manufacture IVIG and albumin in the Canadian facilities to supply the Canadian market starting in 2023.

The GC Pharma acquisition closed on October 1, 2020. As part of the consummation of the GC Pharma acquisition and through a plasma supply agreement, we are committed to supplying a certain output of plasma arising from the 11 plasma collection centers in the U.S. to GC Pharma for a 24-month period concluding on October 1, 2022.

The Alkahest Acquisition

In March 2015, we entered into a definitive agreement to acquire 47.58% of the equity of Alkahest, a California biopharmaceutical company, for a $37.5 million payment upon entry into the agreement and a further payment of $12.5 million to fund the development of Alkahest's plasma-based products.

On September 2, 2020, we executed an agreement with the remaining shareholders in Alkahest, to acquire the remaining shares of Alkahest. On December 15, 2020, we closed the transaction and acquired the remaining shares of Alkahest (57.55%) in exchange for a total price of $146 million, on a debt free basis. We paid $22 million at the closing of the transaction and the remaining $124 million on February 1, 2021. With this transaction, we gain total control of Alkahest.

Alkahest is a clinical stage biopharmaceutical company targeting neurodegenerative and age-related diseases with transformative therapies derived from a deep understanding of the plasma proteome in aging and disease. Our acquisition of the remaining shares of Alkahest is part of our commitment to the research and development of therapeutic alternatives designed to contribute to both scientific and social development. It is also aligned with our strategy of complementing our range of existing plasma protein therapies and diagnostic products to treat and diagnose serious diseases and to extend the quality of human life.

NSPO Joint Venture

On November 24, 2020, we executed the NSPO JV Agreement, a binding master joint venture agreement with the Egyptian based National Service Projects Organization to incorporate a new company under the laws of Egypt, Grifols Egypt. Grifols Egypt is owned by Grifols and NSPO on a 49%-51% basis, respectively. Grifols Egypt will develop and

construct 20 plasma collection centers throughout Egypt and will be capable of initially collecting approximately 600,000 liters of plasma annually, a fractionation facility with an annual fractionation capacity of up to one million liters of plasma, a purification and fill & finish facility, a warehouse and an analysis laboratory.

For us, Grifols Egypt will free-up plasma and manufacturing capacity and bring diversification to our plasma procurement sources. Additionally, through a future contract manufacturing agreement, we will secure the processing of the plasma collected in Egypt into plasma-derived products to serve Egyptian national needs. The NSPO JV Agreement also provides that for the implementation of any similar project (including the commercialization of plasma or plasma derived products) in certain countries within the Middle East and the entire African continent, Grifols and NSPO shall exclusively work through Grifols Egypt.

Grifols Egypt follows equivalent quality, safety and general operational standards as are applied by us in our worldwide operations, hence, as part of the recognized value to be contributed by Grifols into the Grifols Egypt, we will provide our knowledge and expertise in the industry as well as know-how and technology held by it, providing, among other things, engineering services and quality assurance support to set the infrastructure and processes of Grifols Egypt to the strictest quality and safety standards.

The Shanghai RAAS Acquisition

On March 7, 2019, we entered into an Agreement for Assets Purchase by Share Issue, or the Shanghai RAAS Agreement, with Shanghai RAAS. Shanghai RAAS is a leader in China's plasma derivatives sector and is listed on the Shenzhen Stock Exchange. Pursuant to the Shanghai RAAS Agreement, on March 30, 2020, we acquired 26.2% of the voting and economic rights in Shanghai RAAS in exchange for the contribution of 45% of the economic rights and 40% of the voting rights in our U.S. subsidiary, Grifols Diagnostic Solutions Inc. ("GDS"). Thus, we have become the largest shareholder of Shanghai RAAS, while we maintain operational, political and economic control of GDS.

As part of the acquisition, we also entered into an Exclusive Strategic Alliance Agreement pursuant to which Shanghai RAAS became the exclusive distributor of our plasma-derived products and transfusional diagnostic solutions in China. In exchange for royalties, we provide technological and know-how support in the bioscience and diagnostic fields to Shanghai RAAS.

Acquisition and Sale of Haema and Biotest US

In June 2018, we completed the acquisition of Haema, a German based pharmaceutical company that owns 35 collection centers throughout Germany on the acquisition date, for a purchase price of €220 million on a debt free basis. In August 2018, we completed the acquisition of Biotest US, a U.S. based pharmaceutical company that owns 24 plasma collection centers, for a purchase price of $286 million. In December 2018, we sold our 100% stake in Haema and Biotest US to Scranton Enterprises B.V., one of our major shareholders and a related party, for $538 million. This acquisition and subsequent sale allowed us to reinforce our financial structure. We have an option to repurchase the shares of Haema and Biotest US from Scranton Enterprises B.V. exercisable at any time. Our Plasma Supply Agreement in place with Haema and Biotest US has been extended for a 30-year period and we continue to operate the companies' plasma collection centers.

Trends

Plasma-derived protein therapies are essential to extend and improve the lives of individuals suffering from chronic, acute and life-threatening conditions including infectious diseases, such as hepatitis, immunological diseases, such as multiple sclerosis, hemophilia, von Willebrand disease, liver dialysis and acute conditions such as burns and severe blood loss. For this reason, the administration of these products cannot be interrupted or postponed without putting patients' lives at risk. This ensures a stable demand for such products. In addition, because of the nature of the diseases treated, the reimbursement rates for plasma derivative products in the United States are high. Any changes to such rates would likely elicit a strong lobbying response in the United States.

Based on MRB reports, sales in the human plasma-derived product industry have grown at a compound annual rate of 8.8% globally from 2000 to 2018. We believe that many plasma derivative products are underutilized and will continue to benefit from strong demand. Additionally, new indications are being explored for a number of plasma-derived therapies, such as the treatment of Alzheimer's disease. We believe that the volume of global sales of plasma derivative products will continue to grow driven primarily by the same factors that have contributed to its historical growth, including:

- population growth;
- the discovery and approval of new applications and indications for plasma-based products;
- an increase in the number of diagnosed patients and diagnosed but previously-untreated patients;
- geographic expansion; and
- physicians' greater awareness of conditions and treatments.

In 2020, 15.6% of our net revenue were generated in the European Union, as compared to 15.7% in 2019 and 17.8% in 2018. As of June 30, 2020, 17.8% of our net revenue were generated in the European Union. We anticipate that the percentage of our net revenue generated in the European Union will not significantly increase in the second half of 2021.

There are significant barriers to entry into the plasma derivative products industry, as the industry is highly regulated and requires significant expertise and capital investments. We do not expect these barriers to decrease in the near term.

Regulatory Environment. In order to operate in the plasma derivatives industry, manufacturers and distributors must comply with extensive regulation by the FDA, the EMA and comparable authorities worldwide. As a result, significant investments are required to develop, equip and maintain the necessary storage, fractionation and purification facilities and to develop appropriate sale, marketing and distribution infrastructures. Additionally, only proteins derived from plasma collected at FDA-approved centers can be marketed in the United States, so securing an adequate supply of U.S. source plasma is required to operate in the United States. We expect these regulatory restrictions to continue.

Product Pipeline. We have an expanded portfolio of key products as a result of our recent acquisitions and will continue to invest in research and development with respect to new product and new indications for existing products. Some key research and development projects underway include clinical studies of the use of albumin, diagnostic and vaccine therapies to treat Alzheimer's disease, of albumin to treat advance cirrhosis and ascites, and of antithrombin in heart surgery.

Capital Expenditures. From 2018 through 2022, we are undertaking a €1.4 billion investment plan that involves among other investments, cumulative industrial capital investments to expand the manufacturing capacities of the Bioscience division as well as investments in the Diagnostic and Hospital divisions.

Other Factors

Our financial and operating prospects can also be significantly affected by a number of other internal and external factors, such as unfavorable changes in governmental regulation or interpretation, increased competition, the inability to hire or retain qualified personnel necessary to sustain planned growth, the loss of key senior managers, problems in developing some of the international operations and lack of sufficient capital, among others.

Factors Affecting Comparability

As a result of certain events, such as adoption of material new accounting standards and amendments or major acquisitions and disposals, year-on-year comparisons of financial results may not be fully comparable. Our revenue, operating profit and other financial results may be affected by such factors as changes in accounting standards or changes in the scope of our business between financial periods.

IFRS 16 (Leases)

IFRS 16 brings in a single model for lease accounting by lessees in the statement of financial position. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard. Lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing guidance on leases, including IAS 17 "Leases," IFRIC 4 "Determining whether an arrangement contains a lease," SIC-15 "Operating leases—Incentives" and SIC-27 "Evaluating the substance of transactions involving the legal form of a lease."

IFRS 16 is mandatory for all financial years beginning on or after January 1, 2019. We adopted IFRS 16 for the first time on January 1, 2019. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

We have employed the following solutions when applying the simplified method to leases previously classified as operating leases under IAS 17 Leases:

- We have not applied IFRS 16 to agreements that were not previously deemed to contain a lease under IAS 17 and IFRIC 4 "Determining whether an arrangement contains a lease."
- We have excluded the initial direct costs from the measurement of the right-of-use asset on the date of first-time adoption.
- We have excluded leases that expire within 12 months as from the date of first-time adoption.
- We have excluded of leases in which the underlying asset has a low value.

The reconciliation of lease liabilities for buildings and warehouses in relation to leases which had previously been classified as operating leases under IAS 17 (related to non-cancelable agreements and renewals) and lease liabilities under IFRS 16 at January 1, 2019 is as follows:

	As of January 1, 2019
Operating lease commitments existing as at 31 December 2018	400,579
Periods covered by an option to extend the lease by the Group	579,261
Discontinuing using the Group's incremental borrowing rate	(311,116)
Finance lease liabilities recognised as at 31 December 2018	1,395
Short-term leases recognised on a straight-line basis as expense	(4,822)
Others	(349)
Lease liability recognised as at 1 January 2019	**664,948**

As a result of the application of IFRS 16, our results of operation for the years ended December 31, 2020 and 2019 are not directly comparable to the year ended December 31, 2018.

Summary of Certain Differences between IFRS-EU and IFRS-IASB

The financial statements we file annually on Form 20-F with the SEC are prepared in accordance with IFRS-IASB, which, for our purposes, are identical to the IFRS-EU standards. Differences arise between IFRS-IASB and IFRS-EU when an IASB approved statement has become effective, however the standard has not been adopted by the EU, or although having been adopted has not yet become effective. We normally early adopt any EU adopted standards to minimize any potential differences in our financial statements. We are not aware of any material items between IFRS-IASB and IFRS-EU that might impact our financial statements.

Critical Accounting Policies under IFRS-EU

The preparation of consolidated financial statements in accordance with IFRS-EU requires us to make estimates and judgments in certain circumstances that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures of contingent assets and liabilities. A detailed description of our significant accounting policies is included in the notes to our consolidated financial statements included elsewhere in this offering memorandum.

We believe that certain of our accounting policies are critical because they require subjective and complex judgments, often requiring the use of estimates about the effects of matters that are inherently uncertain. We apply estimation methodologies consistently from year to year. Other than changes required due to the issuance of new accounting guidance, there have been no significant changes in our application of critical accounting policies during the

periods presented. We periodically review our critical accounting policies and estimates with the Audit Committee of our board of directors, or the Board.

The following is a listing of the accounting policies that we consider critical to our consolidated financial statements. For a more detailed description, see Note 2 to the unaudited consolidated interim financial statements as of and for each of the six-month periods ended June 30, 2021 and 2020 and Notes 2 and 4 to our annual consolidated financial statement as of and for each of the years ended December 31, 2020 and 2019.

- Business combinations;
- Foreign currency transactions and balances;
- Leases;
- Impairment of goodwill, other intangible assets and other non-financial assets subject to depreciation or amortization;
- Inventories; and
- Revenue recognition.

Results of Operations

Six-Month Period Ended June 30, 2021 Compared to Six-Month Period Ended June 30, 2020

The following discussion and analysis contains information regarding our results of operations for the six-month period ended June 30, 2021 as compared to the six-month period ended June 30, 2020:

	For the Six-Month Period Ended June 30,		Change	
Consolidated Statement of Profit and Loss Data	**2021**	**2020**	**€**	**%**
	(in thousands of euros, except percentages)			
Continuing Operations				
Net revenues	2,536,632	2,677,341	(140,709)	(5.3)%
Cost of sales	(1,422,509)	(1,638,723)	216,214	(13.2)%
Gross margin	**1,114,123**	**1,038,618**	**75,505**	**7.3%**
Research and development	(158,542)	(142,113)	(16,429)	11.6%
Selling, general and administration expenses	(507,002)	(484,367)	(22,635)	4.7%
Operating Expenses	**(665,544)**	**(626,480)**	**(39,064)**	**6.2%**
Profit/(loss) of equity accounted investees with similar activity to that of the Group	14,971	9,558	5,413	56.6%
Operating Results	**463,550**	**421,696**	**41,854**	**9.9%**
Finance income	4,949	4,580	369	8.1%
Finance costs	(119,698)	(126,280)	6,582	(5.2)%
Change in fair value of financial instruments	555	56,526	(55,971)	(99.0)%
Exchange differences	(5,243)	(10,755)	5,512	(51.3)%
Finance result	**(119,437)**	**(75,929)**	**(43,508)**	**57.3%**
Share of income/(losses) of equity accounted investees	34,122	(18,622)	52,744	(283.2)%
Profit before income tax from continuing operations	**378,235**	**327,145**	**51,090**	**15.6%**
Income tax expense	(75,647)	(65,469)	(10,178)	15.5%
Profit after income tax from continuing operations	**302,588**	**261,676**	**40,912**	**15.6%**
Consolidated profit for the period	**302,588**	**261,676**	**40,912**	**15.6%**

Net Revenue

Net revenue is calculated by subtracting certain chargebacks, cash discounts, volume rebates, Medicare and Medicaid discounts and other discounts from our gross revenue. See Note 5 to our consolidated interim financial statements included in this offering memorandum.

Net revenue decreased by 5.3% (an increase of 2.3% in constant currency), or €140.7 million, in the six-month period ended June 30, 2021 as compared to the same period in the prior year. The decrease was largely due to a decrease

in Bioscience sales, offset in part by increases in net revenue in the Diagnostics and Hospital divisions, as explained below. See "—Factors Affecting Our Financial Condition and Results of Operations—Consequences of COVID-19."

The following table reflects a summary of net revenue by each of our divisions for the six-month period ended June 30, 2021, as compared to the same period of 2020:

Summary of Net Revenue by Division	Six-Month Period ended June 30, 2021	% of total net revenue	Six-Month Period ended June 30, 2020	% of total net revenue	% var	% var CC[(1)]
	(in thousands of euros, except for percentages)					
Bioscience	1,986,024	78.3%	2,158,852	80.6%	(8.0)%	(0.1)%
Diagnostic	395,483	15.6%	340,012	12.7%	16.3%	22.9%
Hospital	67,750	2.7%	57,863	2.2%	17.1%	19.5%
Bio Supplies	107,260	4.2%	126,718	4.7%	(15.4)%	(8.5)%
Others	15,488	0.6%	18,657	0.7%	(17.0)%	(11.5)%
Intersegments	(35,373)	(1.4)%	(24,761)	(0.9)%	42.9%	51.7%
Total	**2,536,632**	**100.0%**	**2,677,341**	**100.0%**	**(5.3)%**	**2.3%**

(1) Net revenue variance in constant currency is determined by comparing adjusted current period net revenue, calculated using prior period monthly average exchange rates, to the prior period net revenue. See "Non-IFRS Financial Measures—Constant Currency."

Bioscience. Net revenue for the Bioscience Division decreased 8.0% (0.1% at constant currency) from €2,158.9 million in the six-month period ended June 30, 2020 to €1,986.0 million in revenues in the six-month period ended June 30, 2021. This decrease was mainly due to lower sales due to the impact beginning in March 2020 of the COVID-19 pandemic, which adversely affected our plasma collection volumes. In turn, a decrease in plasma collection results in a corresponding decrease in production volumes approximately nine to twelve months down the line given the nature of our manufacturing process. See "—Factors Affecting Our Financial Condition and Results of Operations—Consequences of COVID-19."

During the six-month period ended June 30, 2021, there was strong demand for IG, albumin, alpha-1 and specialty proteins (hyperimmune and intramuscular immunoglobulins). This strong demand was backed by mid-single-digit price increases, but was partially offset by lower sales volumes of IVIG.

New product launches, including Xembify®, VISTASEAL™ and TAVLESSE® also contributed to the revenue performance in the periods. Immunoglobulin demand remains strong, led by the U.S., Canada and several European Union (EU) countries. The contribution of subcutaneous immunoglobulins (SCIG) was particularly noteworthy in the second quarter of 2021.

Albumin sales maintained their increase trajectory, driven by double-digit growth in China, where demand for albumin continues to present significant growth potential. Albumin sales also grew in traditional markets such as the U.S., Europe and Latin America, where demand remains robust.

Alpha-1 antitrypsin continues to drive the division's revenues, attaining double-digit growth in the second quarter of 2021. We remain committed to increasing the diagnosis of alpha-1-antitrypsin deficiency for patients, particularly in countries such as Germany and France.

The performance of specialty proteins, including hyperimmune and intramuscular immunoglobulins, was very positive and grew in double digits in the six-month period ended June 30, 2021. Of note were strong U.S. sales of our anti-rabies immunoglobulin (HyperRAB®) and the U.S. market launch of a new format of anti-hepatitis B immunoglobulin (HyperHEP B®), currently prescribed in more than 20 countries.

In terms of new products, TAVLESSE® (fostamatinib) recorded strong sales in European countries where it has been launched. Within the framework of the agreement with Rigel Pharmaceuticals, it is used to treat chronic immune thrombocytopenia ("ITP") in adult patients refractory to other treatments.

Diagnostic. The Diagnostic Division's net revenue increased by 16.3% (22.9% at constant currency) from € 340.0 million in the six-month period ended June 30, 2020 to €395.5 million in the six-month period ended June 30, 2021. This increase was driven by the Division's main business lines.

Our NAT systems (Procleix® NAT Solutions), used to screen whole blood and plasma donations via Transcription-Mediated Amplification ("TMA"), continued to be in high demand. In particular, we recorded strong sales

of the TMA diagnostic test used to detect COVID-19, which, in addition to its high sensitivity, can also adapt to large volumes of samples in an automated way.

The blood typing line also resumed its previous trend with significant growth in the U.S., various European countries, where we performed the first Erytra-Eflexis® installation in Austria, and Japan. Its sales include both analyzers (Erytra®, Erytra-Eflexis® and Wadiana®) and reagents (DG-Gel® cards, red blood cells and antiserums).

Additionally, sales of recombinant proteins to produce diagnostic immunoassays remained stable. The design and development of a new recombinant protein (sCD38) is worth highlighting. This product will enhance the safety of blood transfusions in cancer patients, a significant advance in the area of immune-hematological testing.

Hospital. Net revenue from increased by 17.1% (19.5% at constant currency) from €57.9 million in the six-month period ended June 30, 2020 to €67.7 million in the six-month period ended June 30, 2021. The reason for the increase relates to a recovery in hospital investments and treatments as the COVID-19 pandemic began to come under containment. We experienced an improved performance in all of the division's business lines, particularly Pharmatech, intravenous solutions and third-party manufacturing services.

In the oncology field, the division announced the installation of two new Kiro Oncology systems in the U.S., one in New York's Mount Sinai-The Blavatnik Family Chelsea Medical Center and the other in the Seattle Cancer Center Alliance, the only cancer center in Washington state.

Bio Supplies. The division records sales of biological products for non-therapeutic use and other biological products, as well as those related to the fractionation and purification agreements signed with Kedrion and third-party plasma sales channeled through Haema and Biotest US.

Net revenue from Bio Supplies decreased by 15.4% (8.5% at constant currency), from €126.7 million in the six-month period ended June 30, 2020 to €107.3 million in the six-month period ended June 30, 2021, mainly due to decreased sales as a result of lower whole blood collections and Bio Supplies Commercial sales phasing. See "—Factors Affecting Our Financial Condition and Results of Operations—Consequences of COVID-19."

Net Revenue by Geographic Region

The following table reflects a summary of net revenue by each of our geographic regions for the six-month period ended June 30, 2021 as compared to the same period of 2020:

Summary of Net Revenue by Region	Six-Month Period ended June 30, 2021	% of total net revenue	Six-Month Period ended June 30, 2020	% of total net revenue	% var	% var CC[(1)]
			(in thousands of euros, except for percentages)			
European Union[(2)]	452,536	17.8%	376,442	14.1%	20.2%	20.5%
United States and Canada	1,576,893	62.2%	1,844,576	68.9%	(14.5)%	(6.1)%
Rest of the World	507,203	20.0%	456,323	17.0%	11.1%	21.3%
Total	**2,536,632**	**100.0%**	**2,677,341**	**100.0%**	**(5.3)%**	**2.3%**

(1) Net revenue variance in constant currency is determined by comparing adjusted current period net revenue, calculated using prior period monthly average exchange rates, to the prior period net revenue. See "Non-IFRS Financial Measures—Constant Currency."

(2) Net revenue earned in the European Union includes net revenue earned in Spain.

We believe that our ongoing internationalization has helped to improve our sales performance. In the six-month period ended June 30, 2021, 92.9% of net revenue, or €2.4 billion, was derived from countries outside of Spain. International expansion remains a strategic priority to stimulate our organic growth, although each division focuses on specific markets and distinct strategies to optimize sales. See "Business—Our Business Strategy—Further Enhance Our Global Presence."

Net revenue in the U.S. and Canada decreased by 14.5% (6.1% at constant currency) from €1,844.6 million in the six-month period ended June 30, 2020 to €1,576.9 million in the six-month period ended June 30, 2021, mainly due to lower volume sales of IVIG partially offset by price increases, as a result of plasma supply constraints. Meanwhile, sales in the European Union rose by 20.2% (20.5% at constant currency) to €452.5 million between the same period, led by growth

in countries like Spain, Hungary and France. Sales in Rest of the World increased by 11.1% (21.3% at constant currency) during the six-month period ended June 30, 2021 to €507.2 million, principally as a result of growth in China.

Cost of sales

Cost of sales decreased by 13.2% from €1.6 billion in the six-month period ended June 30, 2020 to €1.4 billion in the same period of 2021. Cost of sales as a percentage of net revenue decreased to 56.1% compared to 61.2% in the six-month period ended June 30, 2020. This was mainly due to the €205 million non-cash adjustment to our inventory value in 2020, mainly as a result of the effect of the COVID-19 pandemic. See "—Factors Affecting Our Financial Condition and Results of Operations—Consequences of COVID-19," and "Business—Raw Materials."

Gross Margin

The increase in gross margin from 38.8% of net revenue in the six-month period ended June 30, 2020 to 43.9% in the same period of 2021 was mainly due to the decrease in cost of sales, as described above.

Research and development

Research and development spending increased by 11.6%, from €142.1 million (5.3% of net revenue) in the six-month period ended June 30, 2020 to €158.5 million (6.3% of net revenue) in the same period of 2021. These results underscore Grifols' ongoing efforts to integrate and develop cutting-edge projects as those of Alkahest and GigaGen. See "Business—Research and Development" for additional details.

Selling, general and administration expenses

Selling, general and administration expenses increased by 4.7% from €484.4 million in the six-month period ended June 30, 2020 to €507.0 million in the same period of 2021, mainly as a result of growth in our operating activity, including through the integration of new companies, such as Alkahest, GigaGen and Green Cross.

Finance result

Finance result in the six-month period ended June 30, 2021 represented a loss of €119.4 million, compared to a loss of €132.5 million in the same period of 2020, when excluding the one-time €56.5 million positive change in the fair value of financial instruments in connection with the closing of the Shanghai RAAS transaction in 2020. The decrease mainly results from a €6.6 million decrease in financial costs in connection with indebtedness and a €5.5 million decrease in expenses from exchange differences. See Note 15 to our consolidated interim financial statements.

Income tax expense

In the six-month period ended June 30, 2021, we had a profit before income tax of €378.2 million and income tax expense of €75.6 million, which represents a tax rate of 20%. Our effective tax rate remained steady in comparison to the six-month period ended June 30, 2020.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

The following discussion and analysis contains information regarding our results of operations for the year ended December 31, 2020 as compared to the year ended December 31, 2019:

Consolidated Statement of Profit and Loss Data	Year Ended December 31, 2020	2019	Change €	%
	(in thousands of euros, except for percentages)			
Continuing Operations				
Net revenue	5,340,038	5,098,691	241,347	4.7%
Cost of sales	(3,084,873)	(2,757,459)	(327,414)	11.9%
Gross margin	**2,255,165**	**2,341,232**	**(86,067)**	**(3.7)%**
Research and development	(294,216)	(276,018)	(18,198)	6.6%
Selling, general and administration expenses	(985,616)	(942,821)	(42,795)	4.5%
Operating expenses	**(1,279,832)**	**(1,218,839)**	**(60,993)**	**5.0%**
Profit/(loss) of equity accounted investees with similar activity to that of the Group	20,799	8,972	11,827	131.8%
Operating result	**996,132**	**1,131,365**	**(135,233)**	**(12.0)%**
Finance income	8,021	114,197	(106,176)	(93.0)%
Finance costs	(249,639)	(342,965)	93,326	(27.2)%
Change in fair value of financial instruments	55,703	1,326	54,377	4,100.8%
Impairment of financial assets at amortized cost	—	(37,666)	37,666	(100.0)%
Exchange differences	8,246	(9,616)	17,862	(185.8)%
Finance result	**(177,669)**	**(274,724)**	**97,055**	**(35.3)%**
Profit/(loss) of equity accounted investees	60,166	(39,538)	99,704	(252.2)%
Profit before income tax from continuing operations	**878,629**	**817,**103	**61,526**	**7.5%**
Income tax expense	(169,639)	(168,459)	(1,180)	0.7%
Profit after income tax from continuing operations	**708,990**	**648,644**	**60,346**	**9.3%**
Consolidated profit for the year	**708,990**	**648,644**	**60,346**	**9.3%**

Net Revenue

Net revenue increased by €241.3 million from €5.1 billion in 2019 to €5.3 billion in 2020. This 4.7% (6.1% at constant currency) net revenue increase is the result of growth in the Bioscience and Diagnostic divisions, where the contribution of new products accounted for more than 50% of revenue growth.

The following table reflects a summary of net revenue by each of our divisions for 2020, as compared to 2019:

Summary of Net Revenue by Division	Year ended December 31, 2020	% of total net revenue	Year ended December 31, 2019	% of total net revenue	% var	% var CC[(1)]
	(in thousands of euros, except for percentages)					
Bioscience	4,242,502	79.5%	3,993,462	78.3%	6.2%	7.6%
Diagnostic	775,889	14.5%	733,604	14.4%	5.8%	7.3%
Hospital	118,675	2.2%	134,441	2.6%	(11.7)%	(10.3)%
Bio Supplies	224,090	4.2%	266,540	5.2%	(15.9)%	(15.3)%
Others	31,989	0.6%	22,820	0.5%	40.2%	40.4%
Intersegments	(53,107)	(1.0)%	(52,176)	(1.0)%	1.8%	(2.7)%
Total	**5,340,038**	**100.0%**	**5,098,691**	**100.0%**	**4.7%**	**6.1%**

(1) Net revenue variance in constant currency is determined by comparing adjusted current period net revenue, calculated using prior period monthly average exchange rates, to the prior period net revenue. See "Non-IFRS Financial Measures—Constant Currency."

Bioscience. Net revenue for the Bioscience division increased by 6.2% (7.6% at constant currency) from €4.0 billion in 2019 to €4.2 billion in 2020. This increase was primarily due to an upturn in immunoglobulins sales in countries including the United States and Canada, an increase in albumin sales, particularly in the United States and China, and the strong contribution of new products like Xembify®, Vistaseal™ and Tavlesse®.

Immunoglobulins sales remain strong, achieving double-digit growth thanks to solid demand in markets with high per capita consumption, namely, the U.S. and Canada, and several countries in the European Union and Latin America. Grifols has a range of immunoglobulins for both intravenous and subcutaneous administration (Xembify®) to adapt to patients' diverse needs. Albumin sales also remain strong amid positive growth in the U.S., Canada and China.

Despite the pandemic, alpha-1 antitrypsin revenues continue to grow in the U.S. and Canada, its core markets. Grifols continued to enhance its portfolio in 2020, integrating new products and presentations, including the FDA-approved Prolastin®-C Liquid in 0.5-gram and 4-gram vials. We currently have three presentations to offer patients more treatment alternatives.

In terms of new product launches, of note are the robust sales of the biological sealant, developed and manufactured by Grifols using a combination of two plasma proteins (fibrinogen and thrombin) to control surgical bleeding. Launched in the last quarter of 2019, the product is sold and distributed by Ethicon under the trade name Vistaseal™. Also worth highlighting is the market launch of Tavlesse® (fostamatinib) in specific European countries. Sold under an agreement with Rigel Pharmaceuticals, this product is used to treat chronic immune thrombocytopenia (ITP) in adult patients who are refractory to other treatments.

Diagnostic. Diagnostic division net revenue increased by 5.8% (7.3% at constant currency) from €733.6 million in 2019 to €775.9 million in 2020. This increase was primarily due to a significant increase in sales, particularly in Spain, of its TMA (Transcription-Mediated Amplification) molecular test to detect the SARS-CoV-2 virus. TMA is a commonly used technique known for its high sensitivity and capacity to automate large sample volumes.

Sales of Procleix® NAT Solutions, used to analyze blood donations, were also strong in Japan, Australia, the Philippines and Bulgaria, among other countries. These systems are able to screen for a diversity of pathogens, including the human immunodeficiency virus (HIV), hepatitis viruses (A, B, C and E), West Nile virus, Zika, dengue and the causative agents of babesiosis.

The blood-typing line maintains its upward trend in the U.S. and Latin America, where sales continued to grow in countries such as Argentina. Sales include both analyzers (Erytra®, Erytra Eflexis® and Wadiana®) and reagents (DG-Gel® cards, red blood cells and anti-serums).

Hospital. Net revenue from the Hospital division decreased by 11.7% (10.3% at constant currency) from €134.4 million in 2019 to €118.7 million in 2020. This decrease was primarily due to impact of COVID-19, which caused a slowdown in certain hospital investments and treatments.

We are a leading supplier of technology and services for hospitals, clinics and specialized centers. Its leading-edge automated compounding device (KIRO Fill®) and next-generation suite of web- and mobile-based applications (PharmacyKeeper) optimize hospital-pharmacy operations and enhance patient safety by affording greater accuracy and safety in the preparation of intravenous (IV) medications. These advancements improve patient safety and reduce reliance on manual processes.

Our Pharmatech business line offers comprehensive solutions to enhance hospital pharmacy operations, including the inclusiv® product portfolio, comprised by equipment, software and solutions to improve the safety and quality of sterile compound preparations. The division also consolidated sales of its MedKeeper® and Kiro Grifols® technological solutions.

Bio Supplies. Net revenue from Bio Supplies decreased by 15.9% (15.3% at constant currency) from €266.5 million in 2019 to €224.1 million in 2020 mainly as a result of a drop in third-party plasma sales, stemming mainly from the roll-off of specific third party plasma sales contracts. As planned, this will enable Grifols to increase its plasma volume to fuel the growth of plasma-derived therapies.

Net Revenue by Geographic Region

The following table reflects a summary of net revenue by each of our geographic regions for 2020 as compared to 2019:

Summary of Net Revenue by Region	Year ended December 31, 2020	% of total net revenue	Year ended December 31, 2019[3]	% of total net revenue	% var	% var CC[1]
	(in thousands of euros, except for percentages)					
European Union[2]	834,492	15.6%	799,460	15.7%	4.4%	4.5%
United States and Canada	3,599,746	67.4%	3,390,811	66.5%	6.2%	7.1%
Rest of the World	905,800	17.0%	908,420	17.8%	(0.3)%	3.4%
Total	**5,340,038**	**100.0%**	**5,098,691**	**100.0%**	**4.7%**	**6.1%**

(1) Net revenue variance in constant currency is determined by comparing adjusted current period net revenue, calculated using prior period monthly average exchange rates, to the prior period net revenue. See "Non-IFRS Financial Measures—Constant Currency."
(2) Net revenue earned in the European Union includes net revenue earned in Spain.
(3) For comparison purposes, 2019 U.K. figures have been reclassified from European Union to Rest of the World.

We believe that our ongoing internationalization has helped to improve our sales performance. We have seen a stabilization in the proportion of net revenue to total net revenue accounted for by Spain, as we continue to focus on increasing sales in regions less affected by austerity measures, with shorter payment periods and better margins. In 2020, 93.6% of net revenue, or €5.0 billion, was derived from countries outside of Spain. International expansion remains a strategic priority to stimulate our organic growth, although each division focuses on specific markets and distinct strategies to optimize sales.

Revenues in the U.S. and Canada grew by 6.2% (7.1% at constant currency) in 2020 as compared to 2019 to €3.6 billion. Meanwhile, sales in the European Union rose by 4.4% (4.5% at constant currency) to €834.5 million between the same periods, led by growth in countries like Spain, Italy, Germany and France. Sales in Rest of the World decreased by 0.3% (increased by 3.4% at constant currency) in 2020 as compared to 2019 to €905.8 million.

Cost of sales

Cost of sales increased by 11.9% from €2.8 billion in 2019 to €3.1 billion in 2020. Cost of sales as a percentage of net revenue increased to 57.8% compared to 54.1% in 2019. This was mainly due to the €205 million impact to adjust Grifols' inventory value (non-cash), mainly as a result of the effects of the COVID-19 pandemic. See "Business—Raw Materials."

Gross Margin

The decrease in gross margin from 45.9% of net revenue in 2019 to 42.2% in 2020 was mainly due to the aforementioned €205 million impact booked in cost of sales.

Research and development

Research and development spending increased from €276.0 million (5.4% of net revenue) in 2019 to €294.2 million (5.5% of net revenue) in 2020. See "Business—Research and Development" for additional details.

Selling, general and administration expenses

Selling, general and administration expenses increased by 4.5% from €942.8 million in 2019 to €985.6 million in 2020 mainly as a result of growth in our operating activity, including through the integration of new companies, such as Alkahest and Green Cross.

Finance result

Finance result decreased by 35.3% from a loss of €274.7 million in 2019 to a loss of €177.7 million in 2020. This decrease was primarily a result of the completion of the debt-refinancing process in November 2019, a positive €18 million impact from exchange rate differences, and €57 million in capital gains following the closing of the Shanghai RAAS transaction in the first quarter of 2020. See Notes 11 and 27 to our annual consolidated financial statements included in this offering memorandum for more information regarding our finance result.

Income tax expense

In 2020, we had a profit before income tax of €878.6 million and income tax expense of €169.6 million, which represents a tax rate of 19.3%. Our effective tax rate decreased from 20.6% in 2019 primarily due to a change in the country mix of our taxable income.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

The following discussion and analysis contains information regarding our results of operations for the year ended December 31, 2019 as compared to the year ended December 31, 2018:

Consolidated Statement of Profit and Loss Data	Year Ended December 31, 2019	Year Ended December 31, 2018	Change €	Change %
	(in thousands of euros, except for percentages)			
Continuing Operations				
Net revenue	5,098,691	4,486,724	611,967	13.6%
Cost of sales	(2,757,459)	(2,437,164)	(320,295)	13.1%
Gross margin	**2,341,232**	**2,049,560**	**291,672**	**14.2%**
Research and development	(276,018)	(240,661)	(35,357)	14.7%
Selling, general and administration expenses	(942,821)	(814,775)	(128,046)	15.7%
Operating expenses	**(1,218,839)**	**(1,055,436)**	**(163,403)**	**15.5%**
Profit/(loss) of equity accounted investees with similar activity to that of the Group	8,972	—	8,972	100%
Operating result	**1,131,365**	**994,124**	**137,241**	**13.8%**
Finance income	114,197	13,995	100,202	716.0%
Finance costs	(342,965)	(293,273)	(49,692)	16.9%
Change in fair value of financial instruments	1,326	—	1,326	100%
Impairment of financial assets at amortized cost	(37,666)	30,280	(67,946)	(224.4)%
Exchange differences	(9,616)	(8,246)	(1,370)	16.6%
Finance result	**(274,724)**	**(257,244)**	**(17,480)**	**6.8%**
Profit/(loss) of equity accounted investees	(39,538)	(11,038)	(28,500)	258.2%
Profit before income tax from continuing operations	**817,103**	**725,842**	**91,261**	**12.6%**
Income tax expense	(168,459)	(131,436)	(37,023)	28.2%
Profit after income tax from continuing operations	**648,644**	**594,406**	**54,238**	**9.1%**
Consolidated profit for the year	**648,644**	**594,406**	**54,238**	**9.1%**

Net Revenue

Net revenue increased by €612.0 million from €4.5 billion in 2018 to €5.1 billion in 2019. This 13.6% (9.2% at constant currency) net revenue increase is the result of the sustainable growth strategy. Over the last year, our strategic investments to increase its access to plasma, as well as efforts to boost its sales activities and operations, all contributed to the group's solid performance.

The following table reflects a summary of net revenue by each of our divisions for 2019, as compared to 2018:

Summary of Net Revenue by Division	Year ended December 31, 2019	% of total net revenue	Year ended December 31, 2018	% of total net revenue	% var	% var CC(1)
	(in thousands of euros, except for percentages)					
Bioscience	3,993,462	78.3%	3,516,704	78.4%	13.6%	8.9%
Diagnostic	733,604	14.4%	702,265	15.6%	4.5%	1.1%
Hospital	134,441	2.6%	119,454	2.7%	12.5%	12.1%
Bio Supplies	266,540	5.2%	167,004	3.7%	59.6%	54.1%
Others	22,820	0.5%	22,451	0.5%	1.6%	(2.8)%
Intersegments	(52,176)	(1.0)%	(41,154)	(0.9)%	26.8%	22.6%
Total	**5,098,691**	**100.0%**	**4,486,724**	**100.0%**	**13.6%**	**9.2%**

(1) Net revenue variance in constant currency is determined by comparing adjusted current period net revenue, calculated using prior period monthly average exchange rates, to the prior period net revenue. See "Non-IFRS Financial Measures—Constant Currency."

Bioscience. Net revenue for the Bioscience division increased by 13.6% (8.9% at constant currency) from €3.5 billion in 2018 to €4.0 billion in 2019. This increase was primarily due to sales of immunoglobulins (including specialty immunoglobulins), and was especially strong, growing by double digits, particularly in the United States. Also noteworthy was the recovery of albumin sales in China following the renewal of certain licenses and the upward trend in alpha-1 antitrypsin sales.

Revenue growth stemmed from strategic investments and efforts in recent years to increase our access to plasma and successfully meet the rising demand of the main plasma proteins. Demand for immunoglobulin remains strong in all regions, especially in the U.S. and main EU markets. These markets, in addition to using immunoglobulins to treat primary

immunodeficiencies, also utilize them to treat secondary immunodeficiencies and neurological diseases like chronic inflammatory demyelinating polyneuropathy (CIPD). Sales of this plasma protein recorded double-digit growth in 2019.

We remain committed to continuously developing new formulations and indications of our therapies to meet the growing needs of patients worldwide. In July 2019, Grifols received FDA approval for Xembify®, a 20% subcutaneous immunoglobulin that broadens our portfolio of products to treat primary immunodeficiencies. We launched Xembify® in the U.S. in the fourth quarter of 2019 and are currently working with global health authorities to obtain approval in Canada, Europe and other global markets.

Albumin sales recovered throughout the year, particularly in the second half of 2019. Its double-digit growth was the result of strong demand in China, the U.S. and various EU countries. The Chinese market currently leads sales for the plasma protein and continues to hold great growth potential.

Alpha-1 antitrypsin revenues continue to grow. Market breakthrough of this plasma protein grew in the U.S. and the main EU markets thanks to effective sales strategies and an upsurge in the number of diagnosed patients. We continue our efforts to boost the rate of diagnosis of alpha-1 antitrypsin deficiency by developing solutions like AlphaKit™ (blood test) and AlphaID™ (buccal swab).

The sales trend of Factor VIII moderated its decline in the last quarter of 2019. In the current market FVIII/VWF concentrates still play a key role in preventing and treating bleeds, and in the prevention and eradication of inhibitors. Our commitment to ensure product availability for all patients and the efforts to position Factor VIII products in the new competitive landscape led to a stabilization in our sales volume.

We continue to promote our specialty proteins to enhance our differential product portfolio. Strong sales of specialty hyperimmunoglobulin, most notably the new formulation of its anti-rabies immunoglobulin (HyperRAB®), contributed to the division's revenue growth.

VISTASEAL™ is a fibrin sealant developed by Grifols to control surgical bleeding and distributed by Ethicon as part of a strategic global alliance. VISTASEAL™ reflects our ongoing strategic efforts to expand our product portfolio of plasma proteins.

VISTASEAL™ combines fibrinogen and thrombin and is administered with Ethicon's airless spray device technology. The biological components of VISTASEAL™ are manufactured in our industrial complex in Barcelona (Spain) in a designated plant with a production capacity of 30,000 kits, as well as the capacity to expand to 3 million equivalent liters of plasma.

Diagnostic. Diagnostic division net revenue increased by 4.5% (increased by 1.1% at constant currency) from €702.3 million in 2018 to €733.6 million in 2019. This increase was primarily due to the higher sales recorded by the transfusion medicine line, with NAT donor-screening solutions and recombinant proteins leading growth.

We are the worldwide leader in transfusion diagnostics, the division's main engine for growth in 2019. This business area includes NAT donor screening diagnostics (Procleix® NAT Solutions), blood typing solutions and the manufacture of recombinant antigens for immunoassays.

Sales of NAT donor screening solutions remained stable due to an increase in plasma donations and greater market breakthrough in EMEA and Japan. Over the last 12 months, the division continued to consolidate its global-expansion strategy, opening up new markets for its NAT-technology solutions in Malta, Hungary, Slovakia, Bulgaria, Peru, Panama and Ecuador.

We also broadened our product portfolio by incorporating new FDA-approved reagents to detect babesiosis. After obtaining the CE mark, the division will launch its innovative Procleix® Panther® with ART, designed to improve workflow efficiencies in laboratories.

Sales of the blood-typing line grew by double digits. The product portfolio includes analyzers (Wadiana®, Erytra® and Erytra Eflexys®), gel cards (DG-Gel®) and reagents. Sales were especially strong in China, a market with significant growth potential; the U.S., the line's main market thanks to a solid sales strategy and successful strategic investments; Latin America, and specific markets in Asia and Europe.

We also reinforced our presence in Africa with the installation of the first Erytra Eflexis® in the largest hospital in Tunisia.

We continue our efforts to consolidate our line of recombinant proteins for immunoassays. The agreement with PCL will further consolidate this business line.

Sales of blood-extraction bags grew significantly, a segment that will expand following the start-up of operations in the new Brazil plant. The new plant in Campo Largo (Brazil) dedicated to the manufacturing of blood-collection bags has an annual production capacity of 2 million units, scalable to 4 million units. The plant's production output will initially serve the Brazilian market, although Grifols plans on reinforcing its presence in other Latin American markets over the next two years as it obtains the necessary regulatory approvals.

Revenues of specialty diagnostics remain stable, with sales expected to grow with the gradual expansion of the clinical diagnostics portfolio. As such, it is important to highlight the FDA approvals of QNext®, a coagulometer developed in-house, and DG-PT (thromboplastin), one of the main reagents to promote hemostasis. With this latter approval, we became the first company in more than 15 years to obtain an authorization in the U.S. market to sell instruments and reagents for routine hemostasis testing.

Hospital. Net revenue from the Hospital division increased by 12.5% (12.1% at constant currency) from €119.5 million in 2018 to €134.4 million in 2019. This increase was primarily due to an increase in sales in 2019 across all of the division's business lines, especially the Pharmatech line in the U.S. This business line offers comprehensive solutions for operational pharmacy, including the inclusiv® IV Compounding Portfolio, which includes equipment, software and services to improve safety and quality in compounded sterile preparations. With a double-digit upturn in sales, this line represents an important growth lever for the division fueled by the MedKeeper® and Kiro Grifols® technology solutions.

We are a leading supplier of technology and services for hospitals, clinics and specialized centers for the manufacture of medicines. The launch of our system for automated compounding of intravenous treatments (KIRO Fill®) and software enhancements to the workflow platform for intravenous preparations (PharmacyKeeper) optimizes hospital-pharmacy operations by affording greater accuracy and safety in the preparation of (IV) medications. This advancement improves patient safety and reduces reliance on manual processes.

Sales of IV solutions grew as a result of U.S. demand for our physiological saline solution (manufactured in the Murcia, Spain plant) and its use in our network of plasma collection centers. Sales of the Nutrition and Medical Devices lines also increased, accompanied by an upturn in third-party manufacturing services.

Bio Supplies. The division records sales of biological products for non-therapeutic use and other biological products, as well as those related to the fractionation and purification agreements signed with Kedrion and third-party plasma sales channeled through Haema and Biotest US.

Net revenue from Bio Supplies increased by 59.6% (54.1% at constant currency) from €167.0 million in 2018 to €266.5 million in 2019 mainly as a result of the significant increase in sales of biological products for non-therapeutic use and plasma sold to third parties, which amount to €180 million.

Net Revenue by Geographic Region

The following table reflects a summary of net revenue by each of our geographic regions for 2019 as compared to 2018:

Summary of Net Revenue by Region	Year ended December 31, 2019	% of total net revenue	Year ended December 31, 2018	% of total net revenue	% var	% var CC[(1)]
	ands of euros, except for percentages)					
European Union[(2)]	856,662	16.8%	800,274	17.8%	7.0%	7.0%
United States and Canada	3,390,811	66.5%	2,974,429	66.3%	14.0%	8.0%
Rest of the World	851,218	16.7%	712,021	15.9%	19.5%	16.8%
Total	**5,098,691**	**100.0%**	**4,486,724**	**100.0%**	**13.6%**	**9.2%**

(1) Net revenue variance in constant currency is determined by comparing adjusted current period net revenue, calculated using prior period monthly average exchange rates, to the prior period net revenue. See "Presentation of Financial and Other Information."

(2) Net revenue earned in the European Union includes net revenue earned in Spain.

We believe that our ongoing internationalization has helped to improve our sales performance. We have seen a stabilization in the proportion of net revenue to total net revenue accounted for by Spain, as we continue to focus on

increasing sales in regions less affected by austerity measures, with shorter payment periods and better margins. In 2019, 94.7% of net revenue, or €4.8 billion, was derived from countries outside of Spain. International expansion remains a strategic priority to stimulate our organic growth, although each division focuses on specific markets and distinct strategies to optimize sales.

Revenues in the U.S. and Canada grew by 14.0% (8.0% at constant currency) in 2019 to €3,390.8 million. Meanwhile, sales in the European Union rose by 7.0% (7.0% at constant currency) to €856.7 million, headed by growth in countries like Spain, Germany, the U.K. and France. Sales in Rest of the World increased by 19.5% (16.8% at constant currency) in 2019 to €851.2 million.

Cost of sales

Cost of sales increased by 13.1% from €2.4 billion in 2018 to €2.8 billion in 2019. Cost of sales as a percentage of net revenue decreased to 54.1% compared to 54.3% in 2018. This was mainly due to enhanced production efficiencies and a stable cost of plasma.

Gross Margin

The increase in gross margin from 45.7% of net revenue in 2018 to 45.9% in 2019 was mainly due to solid demand of main proteins, enhanced production efficiencies and a stable the cost of plasma.

Research and development

Research and development spending increased from €240.7 million (5.4% of net revenue) in 2018 to €276.0 million (5.4% of net revenue) in 2019. See "Business—Research and Development" for additional details.

Selling, general and administration expenses

Selling, general and administration expenses increased by 15.7% from €814.8 million in 2018 to €942.8 million in 2019 mainly as a result of the expansion of Grifols' plasma donation network in the U.S. and Germany as part of its acquisition strategy to increase its access to plasma.

Finance result

Finance result increased by 6.8% from a loss of €257.2 million in 2018 to a loss of €274.7 million in 2019. This increase was primarily a result of the new accounting standard for leases – IFRS 16 – in effect as of January 1, 2019 amounting to €34.6 million, mainly affecting plasma donation centers.

Income tax expense

In 2019, we had a profit before income tax of €817.1 million and income tax expense of €168.5 million, which represents a tax rate of 20.6%. Our effective tax rate increased from 18.1% in 2018 primarily due to a change of country mix-in profits.

Impact of Inflation

We historically have not been affected materially by inflation in our core geographies.

Liquidity and Capital Resources

Uses and Sources of Funds

Our principal liquidity and capital requirements consist of costs and expenses relating to:

- the operation of our business (see "—Results of Operations," "—Liquidity and Capital Resources—Net Cash from Operating Activities" and "—Working Capital" for a description and quantification of costs and expenses relating to our operations);

- capital expenditures for existing and new operations (see "—Capital Expenditures" for a description and quantification of our capital expenditures, including capital expenditures on other intangible assets and rights of use additions, incurred in the six-month period ended June 30, 2021 and in each of the years ended December 31, 2020, 2019 and 2018, as well as our planned capital expenditures for 2021 and 2022);

- the purchase price of acquisitions (see "—Recent Developments" and "—Factors Affecting Our Financial Condition and Results of Operations—Acquisitions" for a description of our most recent acquisitions); and

- and debt service requirements relating to our existing and future debt (see "Description of Indebtedness" for a description and quantification of our principal indebtedness).

Historically, we have financed our liquidity and capital requirements through internally generated cash flows, mainly attributable to revenue and debt financings. As of June 30, 2021, our cash and cash equivalents totaled €397.9 million. In addition, as of June 30, 2021 and December 31, 2020, we had the equivalent of €414.7 million and €922.5 million, respectively, available under our debt agreements, including the equivalent of €308 million and €817 million, respectively, available as Revolving Loans under our First Lien Credit Facilities.

We expect our cash flows from operations combined with our cash balances and availability under the Revolving Loans from the First Lien Credit Facilities to provide sufficient liquidity to fund our current obligations (primarily debt service and acquisition payments as described above), projected working capital requirements and capital expenditures for at least the next twelve months. Currently, we do not generate significant cash in any country that might have restrictions for funds repatriation, and we estimate that the existing cash located in Ireland, Spain and the United States, along with the cash generated from operations, will be sufficient to meet future cash needs in key countries.

The Acquisition, and the offering of the notes hereby, will increase our level of indebtedness. See "Capitalization." We are committed to deleveraging in the medium term and maintaining elevated and adequate levels of liquidity through (i) internally generated cash flows, and (ii) a substantial decrease in dividend payments in the medium term. We also do not envision any material acquisitions in the medium term. See "The Transactions" for a detailed description of the Acquisition.

Historical Cash Flows

The table below presents our net cash from operating, investing and financing activities for each of the six-month periods ended June 30, 2021 and 2020 and each of the years ended December 31, 2020, 2019 and 2018.

	Six-Month Period Ended June 30,		Year Ended December 31,		
	2021	2020	2020	2019	2018
			(in thousands of euros)		
Net cash from operating activities	339,302	540,710	1,110,336	568,933	737,428
Net cash (used in) investing activities	(623,362)	(223,063)	(858,115)	(548,789)	(781,867)
Net cash from/(used in) financing activities	85,110	(178,417)	(354,401)	(332,356)	152,503

Net Cash from Operating Activities

In the six-month period ended June 30, 2021, we generated net cash from operating activities of €339.3 million. The principal effects on working capital were as follows:

- increase of €142.7 million in trade receivables. The average collection period increased to 37 days (30 days in the same period in 2020);

- increase of €65.9 million in inventory levels primarily due to the increase in the cost of plasma and an increase in period-to-period plasma volume collections through recent strategic acquisitions during 2021. Inventory turnover was 270 days at June 30, 2021, compared with 246 days reported at June 30, 2020; and

- increase of €29.4 million in trade payables. The average payment period increased from 55 days at June 30, 2020 to 59 days at June 30, 2021.

In the year ended December 31, 2020, we generated net cash from operating activities of €1.1 billion. The principal effects on working capital were as follows:

- increase of €40.3 million in trade receivables. The average collection period remained stable at 27 days (26 days in 2019);

- decrease of €164.6 million in inventory levels due to lower plasma collections and higher inventory utilization for the production of plasma-derived medicines during 2020, offset in part by the increase in the cost of plasma. Inventory turnover was 237 days at December 31, 2020, compared with 310 days reported at December 31, 2019; and

- increase of €34.2 million in trade payables. The average payment period increased from 60 days at December 31, 2019 to 62 days at December 31, 2020.

In the year ended December 31, 2019, we generated net cash from operating activities of €568.9 million. The principal effects on working capital were as follows:

- increase of €98.8 million in trade receivables. The average collection period remains stable at 26 days (22 days in 2018);

- increase of €323.7 million in inventory levels due to the implementation of several strategic initiatives to better anticipate and meet the solid demand for plasma-derived products, inventory turnover was 310 days at December 31, 2019, compared with 292 days reported at December 31, 2018; and

- decrease of €2.0 million in trade payables, while the average payment period decreased from 65 days at December 31, 2018 to 60 days at December 31, 2019.

In the year ended December 31, 2018, we generated net cash from operating activities of €737.4 million. The principal effects on working capital were as follows:

- positive impact of €33.3 million as a result of improvements in accounts receivable. The average collection period dropped to 22 days, compared to 24 days in 2017;

- improved payment management led to a positive impact of €117.1 million; and

- increased inventory levels had a negative impact of €231.7 million due to higher volumes of plasma collected to meet the rising demand of the main plasma proteins. Grifols aims to manage its inventory in a way that anticipates the growing demand reflected by growth forecasts.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to €781.9 million in 2018, €548.8 million in 2019, €858.1 million in 2020, and €623.4 million in the six-month period ended June 30, 2021.

Investments made in 2018 included the acquisition of a 51% stake in MedKeeper for $98 million, the acquisition of a 100% stake in Haema for €220 million and the acquisition of a 100% stake in Biotest US for $286 million. In December 2018, we sold our 100% stakes in Haema and Biotest US to Scranton Enterprises B.V. for the aggregate amount of $538 million. In addition, we invested €308 million in investments in property, plant and equipment and other intangibles in 2018. See "—Factors Affecting Our Financial Condition and Results of Operations—Acquisitions—Acquisition and Sale of Haema and Biotest US" above.

Investments made in 2019 included the acquisition of the remaining 51% stake in Interstate Blood Bank Group for €89 million, the acquisition of four plasma collection centers from Kedrion GmBH for €20.5 million, and €412 million invested in property, plant and equipment and other intangibles.

Investments made in 2020 included the acquisition of Green Cross Biotherapeutics and Green Cross North America for $457.2 million (€387.9 million) and the remaining payment for the MedKeeper acquisition of $60.2 million (€51.2 million). We also invested €363 million in property, plant and equipment and other intangibles in 2020.

Investments made during the six-month period ended June 30, 2021 included the acquisition of BPL for $385 million (€318 million), seven plasma collection centers from Kedplasma, LLC for $55.2 million (€46 million), the first payment related to the acquisition of GigaGen for an amount of €37.6 million and the remaining payment for the Alkahest

acquisition of $126 million (€100 million). In addition to the aforementioned acquisitions, we invested €133 million in property, plant and equipment and other intangibles in the first half of 2021. See "—Factors Affecting Our Financial Condition and Results of Operations—Acquisitions."

Net Cash from/(Used in) Financing Activities

Net cash from financing activities was €152.5 million in 2018, primarily as a result of dividend payouts of €278.8 million and €386.2 million of inflow from transactions with minority interests with no loss of control related with the subsequent sale of Haema and Biotest US. We maintain operating control of the plasma collection centers and hold an exclusive and irrevocable call option for both companies.

Net cash used in financial activities was €332.4 million in 2019, primarily as a result of dividend payouts of €238.7 million and €84.4 million of fees related to the refinancing.

Net cash used in financial activities was €354.4 million in 2020, primarily as a result of dividend payments of €113.2 million, net payments related to financial instruments amounting to €243.4 million, including debt repayment of €152.0 million, and lease payment of €78.9 million.

Net cash from financial activities was €85.1 million in the six-month period ended June 30, 2021, primarily as a result of our buy-back program amounting to €125.7 million, dividend payments of €258.9 million and payments related to financial instruments amounting to €208.8 million, including debt repayment of €17 million, and lease payment of €41.0 million; partially offset by drawing down $350 million and €240 million on the Revolving Loans.

Working Capital

Our working capital, which is driven primarily by our trade receivables turnover and inventory aging, can vary significantly period to period depending on the activity. Our capital requirements will depend on many factors, including our rate of sales growth, acceptance of our products, continued access to adequate manufacturing capacities, maintaining cGMP compliant facilities, the timing and extent of research and development activities, and changes in operating expenses, including costs of production and sourcing of plasma, all of which are subject to uncertainty. We anticipate that our cash needs will be significant and that we may need to increase our borrowings under current or future debt agreements in order to fund our operations and strategic initiatives. We anticipate that our working capital will increase in absolute terms in order to grow our business.

Inventory Aging

Inventory aging average increased from 2018 to 2019, as a result of the strategic buildup of inventories. Inventory turnover rose to 310 days at December 31, 2019, compared to 292 days at December 31, 2018. In 2019, inventory turnover increased to 310 days as a result of the implementation of several initiatives to better anticipate and meet the solid demand for plasma derived products.

Inventory aging average decreased from 2019 to 2020, as a result of the adverse impact of the COVID-19 pandemic on plasma volumes collected during the year. See "Business—Raw Materials" for additional details. Inventory turnover decreased to 237 days at December 31, 2020, compared to 310 days at December 31, 2019.

Inventory aging average increased from June 30, 2020 to June 30, 2021, primarily as a result of an increase in the cost of plasma and larger plasma volume collections through recent strategic acquisitions during 2021. See "Business—Raw Materials" for additional details. Inventory turnover increased to 270 days at June 30, 2021, compared to 246 days at June 30, 2020.

Trade Receivables

Our receivables had an aging average of 37, 27, 26 and 22 days at June 30, 2021, December 31, 2020, 2019 and 2018, respectively. We are focused on optimizing our working capital.

We may sell receivables with a maturity beyond 30 days to financial institutions without recourse. We sold €1,505 million, €2,736 million, €1,593 million and €1,188 million of receivables to third parties during the six-month period ended June 30, 2021 and the years ended 2020, 2019, and 2018, respectively.

Capital Expenditures

The following table presents our capital expenditures, including expenditures in other intangible assets and rights of use additions in the six-month period ended June 30, 2021 and the years ended December 31, 2020, 2019 and 2018, by division.

	Six-Month Period Ended June 30,	Year Ended December 31,		
	2021	2020	2019[1]	2018
		(in thousands of euros)		
Bioscience division	148,621	289,062	868,103	220,531
Hospital division	6,731	11,548	62,298	15,354
Diagnostic division	4,770	34,516	103,911	58,064
Bio Supplies	2,111	10,915	65,448	2,050
Others	352	1,150	1,768	883
Unallocated	33,708	107,178	73,544	19,795
Total	**196,293**	**454,369**	**1,175,072**	**316,677**

(1) The 2019 totals include €747.9 million related to rights of use as a result of the new accounting standard. For more information see IFRS 16 "Leases."

January 2018 through June 2021

The most important capital projects relating to the expansion and improvement of our manufacturing facilities during 2018, 2019, 2020 and the first half of 2021 were:

Parets site (Barcelona, Spain):

- investments to increase purification capacity of fibrin sealant and topic thrombin of €8.9 million in 2018, €20.8 million in 2019, €3.2 million in 2020 and €0.9 million in the first half of 2021;
- investments in a plant to manufacture Prolastin-C® of €0.7 million in 2018, €1.8 million in 2019 and €1.3 million in 2020;
- investments to increase the albumin purification capacity of €1.6 million in 2018, €2.1 million in 2019, €0.1 million in 2020 and €45,000 in the first half of 2021;
- investments to increase Factor VIII manufacturing capacity of €3.4 million in 2018, €1.6 million in 2019 and €0.6 million in the first half of 2021;
- investments to adapt manufacturing facilities to EMA regulation related to the manufacturing of sterile medicinal products of €2.6 million in 2019, €3.1 million in 2020 and €0.2 million in the first half of 2021;
- investments in new production lines for diagnostic gel cards of €0.7 million in 2018; and
- investments to increase the production of intravenous solutions bags of €1.5 million in 2018, €0.7 million in 2019, €1.6 million in 2020 and €0.5 million in the first half of 2021.

Clayton site (North Carolina, United States):

- construction of a new immunoglobulins purification and filling plant for €13.4 million in 2018, €33.4 million in 2019, €65.8 million in 2020 and €10 million in the first half of 2021;
- construction of a new 6 million liter fractionation plant for €43.9 million in 2018, €31.2 million in 2019, €10.4 million in 2020 and €1.9 million in the first half of 2021;
- investments in manufacturing areas for Factor VIII employing the method used at our Parets site for €2.4 million in 2018;

- land acquisitions in Clayton for €0.1 million in 2018;

- investments to expand packaging incubators for €1.1 million in 2020 and €0.8 million in the first half of 2021; and

- investments of €0.2 million in 2018, €2.9 million in 2019, €0.4 million in 2020 and €10,000 in the first half of 2021 for the construction of a finished goods warehouse with the capacity to store 6,000 pallet positions.

Los Angeles (California, United States):

- increasing our albumin purification capacity and including a new presentation in ready-to-use flexible bags for €0.8 million in 2018, €0.3 million in 2019, €1 million in 2020 and €0.7 million in the first half of 2021; and

- investments to increase our IVIG purification capacity of €0.9 million in 2018, €2.5 million in 2019, €3.1 million in 2020 and €0.5 million in the first half of 2021.

Dublin (Ireland):

- investments to build a new headquarters, global operations and logistics center to serve as part of the new global operations center of the Bioscience division of €1.6 million in 2018, €3.4 million in 2019, €4.8 million in 2020 and €0.4 million in the first half of 2021; and

- investment in a new albumin purification and filling plant for bags of €26.9 million in 2018, €42.8 million in 2019, €21.7 million in 2020 and €17.6 million in the first half of 2021.

San Diego (California, United States):

- investments of €13.1 million in 2018, €6.8 million in 2019, €1.1 million in 2020 and €0.4 million in the first half of 2021 to expand manufacturing capacity for our NAT Diagnostic business, including quality control, research and development labs and an R&D pilot plant.

Emeryville (California, United States):

- investments of €0.4 million in 2019, €7.3million in 2020 and €1.5 million in the first half of 2021 for the new protein manufacturing process and scale up labs based on mammalian cell cultures; and

- investments of €3.3 million in 2018 to consolidate the manufacturing of antigens in a new building.

Other Investments:

- investments in serialization to enhance manufacturing and packaging identification of €3.8 million in 2018, €4.6 million in 2019, €1.9 million in 2020 and €0.5 million in the first half of 2021;

- investments in new donor centers and donor center expansions in the United States of €21.8 million in 2018, €7.9 million in 2019, €6 million in 2020 and €9.3 million in the first half of 2021;

- investments of €0.7 million in 2018, €7.6 million in 2019, €9.7 million in 2020 and €3.2 million in the first half of 2021, to expand our overall lab testing capacity;

- Campo Largo (Paraná), Brazil: land acquisition and construction of commercial offices and a plant to manufacture bags used for collection, storage and transfusion of blood components for €2.2 million in 2018 and €0.9 million in 2019;

- Spain: investments of €1.5 million in 2018, €1.6 million in 2019, €0.6 million in 2020 and €0.2 million in the first half of 2021 to increase the capacity to manufacture parenteral solutions by approximately eight million units, reaching approximately 60 million units of total capacity. This increase will allow Grifols to produce a big portion of the anticoagulant solution required for plasma donations, following the vertical integration strategy for Bioscience business;

- investments of €1.5 million in 2018, €0.7 million in 2019, €1.6 million in 2020 and €0.5 million in the first half of 2021 to increase the production of intravenous solutions bags;

- investments of €2 million in 2020 and €1.2 million in the first half of 2021 to increase our plastic manufacturing capacity and create vertical integration for the group with synergies between the Bioscience and Hospital divisions;

- acquisition of a new plot next to our Barcelona manufacturing facilities of 50,000 square meters that will be used to grow the company's industrial and research capabilities, adding to the current Grifols workforce in the region by more than 3,500 employees; and

- investments to remodel our commercial offices worldwide of €3.8 million in 2018, €0.7 million in 2019, €1 million in 2020 and €1.3 million in the first half of 2021, including new offices in Dubai, Paris, Beijing, Singapore, Chile, Mexico, Tokyo, Argentina, Czech Republic and Shanghai, as well as a new warehouse in the U.K.

July 2021 through December 2022

Pursuant to the Hologic transaction, which was completed on January 31, 2017, we acquired a facility located in San Diego, California. At the San Diego facility, we manufacture oligos and reagents for the Transcripted Mediated Amplification NAT kits for blood and plasma infectious diseases screening. In that facility, we are also going to create new areas manufacturing IH reagent and kits. In our Emeryville site, we are also investing in expanding our Mammalian manufacturing areas by adding new capabilities for the synthesis of recombinant protein.

We are undertaking a €1.4 billion investment plan from 2018 through 2022 that involves, among other investments, cumulative industrial capital investments to expand the manufacturing capacities of the Bioscience division, as well as investments in the Diagnostic and Hospital divisions.

The majority of our investments benefit our Bioscience division, with the goal of improving the structure of our plasma collection centers in the United States and expanding our manufacturing facilities. We aim to optimize utilization of our fractionation capacity by obtaining FDA and EMA licenses and completing other requirements to purify any of our intermediate products at any of our plants.

We are also expanding and relocating plasma donation centers and improving infrastructures related to raw materials classification, preparation and storage facilities, logistics centers and analysis laboratories. As of June 30, 2021, we had 351 operational plasma collection centers and plan to have 520 approved plasma collection centers globally by 2026.

With our acquisition of German company Haema, we have recovered the ability to have plasma collection centers in Europe as we keep expanding our U.S. centers.

The most important planned capital projects relating to the expansion and improvement of our manufacturing facilities are:

- Clayton and Barcelona: plasma thawing capacity increase;

- Clayton: new quality control labs and completion of our new purification and finish facility for 6 million liters plasma equivalent;

- Murcia: investments to increase our plastic manufacturing capacity;

- Dublin: completion of a purification, fill and finish plant for albumin;

- Emeryville: new manufacturing areas for Mammalian cells;

- San Diego: expansion of blood testing systems;

- Montreal: new building for plasma fractionation and purification;

- construction of a new corporate building in Barcelona with an underground connection to unify the corporate site; and

- construction of new plasma collection centers as well as further relocation and renovation of our existing centers.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Indebtedness

Our current and non-current financial liabilities, excluding the impact of IFRS 16, as of June 30, 2021 were €6.9 billion, of which a substantial majority (€6.0 billion) was long-term debt. As adjusted for the offering of the notes, we would have approximately €8.9 million of indebtedness outstanding as of June 30, 2021. See "Description of Indebtedness" and "Capitalization."

Financial Derivatives

We did not engage in financial derivatives transactions in the six-month period ended June 30, 2021 or the years ended December 31, 2020 and 2019. The First Lien Credit Facilities permit us to enter into hedging transactions.

Quantitative and Qualitative Disclosures about Market Risk

The risks inherent in our market-sensitive instruments are potential losses that may arise from adverse changes to interest rates, foreign exchange rates and market prices. We are subject to market risk resulting from changes in interest rates because such changes may affect the cost at which we obtain financing. We are subject to exchange rate risk with respect to our debt denominated in foreign currencies.

Currency Risk

We operate internationally and are exposed to currency risks when operating in foreign currencies, in particular with respect to the U.S. dollar. Currency risk is associated with future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

We hold several investments in foreign operations, the net assets of which are exposed to currency risk. Currency risk affecting net assets of our foreign operations in U.S. dollars are mitigated primarily through borrowings in the relevant foreign currency. Our main exposure to currency risk is to the U.S. dollar, which is used in a significant percentage of our transactions in foreign currencies.

If the U.S. dollar had strengthened by 10% against the euro at December 31, 2020, equity would have increased by €750.6 million and profit would have increased by €13.2 million. This analysis assumes that all other variables are held constant, especially that interest rates remain constant. A 10% weakening of the U.S. dollar against the euro at December 31, 2020 and December 31, 2019 would have had the opposite effect for the amounts shown above, all other variables being held constant.

Interest Rate Risk

Our interest rate risks arise from current and non-current borrowings. Borrowings at variable interest rates expose us to cash flow interest rate risks. The purpose of managing interest rate risk is to balance the debt structure, maintaining part of borrowings at fixed rates and hedging part of variable rate debt.

A significant part of the financing in 2020 and the six-month period ended June 30, 2021, accrues interest at fixed rates. This fixed interest debt amounted to €3,005.1 million as of June 30, 2021, which represented 66% of our total debt in euros. The additional loans of €212.5 million in the aggregate from the European Investment Bank represented 5% of our total debt in euros.

Our senior euro denominated debt, including fixed and variable interest rate, represented 64% of our total senior debt at June 30, 2021 and 67% at December 31, 2020. Total fixed-interest debt represented a total of 43% of debt at June 30, 2021, and 46% at December 31, 2020.

As of the date of this offering memorandum, we are not participating in hedging of Euros or U.S. dollars. In previous years, the fair value of interest rate swaps, contracted to reduce the impact of rises in variable interest rates (LIBOR and EURIBOR), were accounted for on a monthly basis. These derivative financial instruments comply with hedge accounting requirements.

If the interest rate had been 100 basis points higher at December 31, 2020, the interest expense would have increased by €36.2 million. A 100 basis points decrease in interest rates at December 31, 2020 would have had the opposite effect for the amounts shown above.

Market Price Risk

We are subject to price risk with respect to raw materials, which is mitigated by the vertical integration of the hemoderivatives business in a sector that is highly concentrated.

BUSINESS

History and Development of Grifols

We were founded in 1940 in Barcelona, Spain by Dr. José Antonio Grifols i Roig, a specialist and pioneer in blood transfusions and clinical analysis and the grandfather of our current Chairman of the Board. We have been making and selling plasma derivative products for more than 70 years. Over the last 25 years, we have grown from a predominantly domestic Spanish company into a global company by expanding both organically and through acquisitions throughout Europe, the United States, Latin America and Asia.

We were incorporated in Spain as a limited liability company on June 22, 1987 under the name Grupo Grifols, S.A., and we changed our name to Grifols, S.A. in 2005. We conduct business under the commercial name "Grifols." Our principal executive office is located at Avinguda de la Generalitat, 152 Parque Empresarial Can Sant Joan, 08174 Sant Cugat del Vallès, Barcelona, Spain and our telephone number is +34 93 571 0500. Our registered office is located at c/Jesús y María, 6, Barcelona, Spain.

We are a vertically integrated global producer of plasma derivatives and we believe we rank in the top three largest producers in the industry. Our activities include sourcing raw material, manufacturing various plasma derivative products and selling and distributing final products to healthcare providers. We have expanded our plasma collection network and our manufacturing capacity through a combination of organic growth and acquisitions. As of June 30, 2021, we had 351 operating plasma collection centers located across the United States, Germany, Austria and Hungary; and a manufacturing capacity of 21 million liters of plasma per year. We plan to reach a fractionation capacity of approximately 28 million liters by 2026 and 520 approved plasma collection centers globally by 2026.

We also research, develop, manufacture and market in vitro diagnostics products, including analytical instruments, reagents, software and associated products for use in clinical and blood bank laboratories and hospital products.

The following are some of our most important milestones:

- On September 17, 2021, we entered into an Acquisition Agreement pursuant to which we agreed to acquire all of the existing equity interest in Holdings and to accept an assignment from TIIL of certain shareholder loans granted by TIIL to Holdings. Holdings in turn owns 89.88% of the ordinary shares and 1.08% of the preferred equity shares of Biotest, a global company that supplies plasma protein products and biotherapeutic drugs, for a total consideration of approximately €1,086,000,000 (subject to certain adjustments at and following the closing). As a result of the Transactions, we will acquire 26 additional plasma collection centers (see "The Transactions");

- On October 15, 2020, we acquired 100% of the equity of Alkahest, a California biopharmaceutical company, for a total consideration of $146 million. In 2015, we had previously acquired a significant minority stake of Alkahest and, with this transaction, we gain total control of the company;

- On October 1, 2020, we acquired a plasma fractionation facility and two purification facilities located in Montreal, Canada, as well as 11 plasma collection centers located in the U.S., from GC Pharma, for a total consideration of $457 million. When the facilities are licensed and approved, we will become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 million liters annually. We plan to be ready to manufacture IVIG and albumin in the Canadian facilities to supply the Canadian market starting in 2023;

- On March 30, 2020, we acquired 26.2% of the voting and economic rights in Chinese company Shanghai RAAS, in exchange for 45% of the economic rights and 40% of the voting rights in our U.S. subsidiary, GDS;

- In June 2018, we completed the acquisition of German based pharmaceutical company Haema for a purchase price of €220 million;

- In August 2018, we completed the acquisition of U.S. based pharmaceutical company Biotest US, for a purchase price of $286 million;

- In December 2016, we entered into an asset purchase agreement with Hologic, to acquire Hologic's NAT (nucleic acid testing) Donor Screening Unit. The transaction closed in January 2017 for a purchase price of $1.9 billion;

- In January 2014, we acquired the diagnostic business of Novartis, for a purchase price of $1.7 billion;

- In June 2011, we acquired U.S. based biotherapeutics company Talecris Biotherapeutics for a purchase price of $3.7 billion; and

- In July 2003, we acquired the assets of Alpha Therapeutics Corporation, including its plasma fractionation plant in Los Angeles, California, for a purchase price of $104 million.

For further details of our principal capital expenditures and divestitures, see "Operational and Financial Review—Working Capital—Capital Expenditures."

Our Company

We are one of the leading global specialty plasma therapeutics companies developing, manufacturing and distributing a broad range of biological medicines based on plasma derived proteins. Plasma derivatives are proteins found in human plasma, which once isolated and purified, have therapeutic value. These protein-based therapies extend and enhance the lives of individuals who suffer from chronic and acute, often life-threatening, conditions, including primary and secondary immunological deficiencies, Chronic Inflammatory Demyelinating Polyneuropathy, or CIDP, A1PI deficiency and related emphysema, immune-mediated ITP, Guillain Barré syndrome, Kawasaki disease, allogeneic bone marrow transplants, hemophilia A and B, von Willebrand disease, traumatic or hemorrhagic shock and severe burns. In addition, we have built a diagnostic business that focuses on researching, developing, manufacturing and marketing in vitro diagnostics products for use in clinical and blood bank laboratories. We also specialize in providing infusion solutions, nutrition products and medical devices for use in hospitals and clinics.

Our products and services are used by healthcare providers in over 100 countries to diagnose and treat patients with hemophilia, immune deficiencies, infectious diseases and a range of other medical conditions, and we have a direct presence, through the operation of commercial subsidiaries, in over 30 countries.

We are a leading producer in the industry in terms of total sales globally. We believe we have a top three market position in various segments of the plasma derivatives industry, including A1PI, IG and albumin as well as in terms of plasma collection centers and fractionation capacity. Our long-term aim is to further strengthen our leadership through the development of new and differentiated plasma-derived therapeutics, and the expansion of our global plasma collection footprint via M&A and greenfield projects.

For the year ended December 31, 2020, our consolidated net revenue, profit after income tax from continuing operations and Published EBITDA were €5,340.0 million, €709.0 million and €1,324.0 million, respectively, representing a Published EBITDA margin of 24.8%. For the six-month period ended June 30, 2021, our consolidated net revenue, profit after income tax from continuing operations and Published EBITDA were €2,536.6 million, €302.6 million and 634.5 million respectively, representing a Published EBITDA margin of 25.0%.

Geographic Markets

We believe we are a leading plasma derivatives producer globally, ranking in the top three largest producers in the industry in terms of total sales, along with Takeda and CSL Group. We are the world's largest producer of A1PI, which is used for the treatment of A1PI deficiency-related emphysema.

We currently operate in over 100 countries through distributors and subsidiaries in over 30 countries. The United States is the largest sales region in the world for the plasma derivative sector. For the six-month period ended June 30, 2021 and the year ended December 31, 2020, the United States and Canada accounted for 62.2% and 67.4% of our total net revenue, respectively, Europe accounted for 17.8% and 15.6% of our total net revenue, respectively (of which 7.1% and 6.4% was generated in Spain, respectively) and the rest of the world accounted for 20.0% and 17.0% of our total net revenue, respectively, for the same two periods.

Certain sales regions, particularly in emerging markets, have experienced continuous growth, driven by enhanced socioeconomic conditions and more informed patients who are demanding better quality medical care, as well as increasing

government healthcare spending on plasma derivative products. These emerging markets are expected to experience significant growth. Our presence and experience in Latin America, in countries such as Mexico, Colombia, Argentina, Chile and Brazil, where we have been marketing and selling products for over 20 years, has positioned us to benefit from this additional growth in both our Bioscience and Diagnostic divisions. In the Asia-Pacific region, we have established a presence through our subsidiaries and representative offices in Malaysia, China, Thailand, Singapore, Australia, Japan, India, Hong Kong, Taiwan and Indonesia. We have also opened a Middle Eastern representative office in Dubai and Saudi Arabia.

We maintain a continuing focus on international expansion and acquisitions and will continue to selectively consider acquisitions that would generate operation synergies. For specific examples of acquisitions we have made to further enhance our operations, see "—History and Development of Grifols—Important Milestones" above.

Operating Divisions

We organize our business into five divisions: Bioscience, Diagnostic, Hospital, Bio Supplies and Others. These divisions also represent our operating segments:

Bioscience. The Bioscience division includes activities relating to the manufacture of plasma derivatives for therapeutic use, including the reception, analysis, quarantine, classification, fractionation and purification of plasma and the sale and distribution of end products. The main plasma products we manufacture are IG, Factor VIII, A1PI and albumin. We also manufacture intramuscular (hyperimmune) immunoglobulins, ATIII, Factor IX and plasma thromboplastin component, or PTC. The Bioscience division accounted for €4,242.5 million, or 79.5%, of our total net revenue in 2020, and €1,986.0 million, or 78.3%, of our total net revenue in the six-month period ended June 30, 2021.

Diagnostic. The Diagnostic division focuses on researching, developing, manufacturing and marketing *in vitro* diagnostics products, including analytical instruments, reagents, software and associated products for use in clinical and blood bank laboratories, covering the entire value chain from donation to transfusion. We concentrate our Diagnostic business in transfusion medicine (immunology, immunohematology) and specialty diagnostics such as hemostasis. The Diagnostic division's main customers are blood donation centers, clinical analysis laboratories and hospital immunohematology services. The Nucleic Acid Testing, or NAT, Donor Screening Unit is engaged in research, development, manufacturing and commercialization of assays and instruments based on NAT technology for transfusion and transplantation screening. NAT technology makes it possible to detect the presence of infectious agents in blood and plasma donations, contributing to greater transfusion safety. The Diagnostic division accounted for €775.9 million, or 14.5%, of our total net revenue in 2020 and €395.5 million, or 15.6%, of our total net revenue in the six-month period ended June 30, 2021.

Hospital. The Hospital division offers technology and services for hospitals, clinics and specialized centers for the manufacture of medicines, as well as physiological saline solution, enteral nutritional fluids and medical devices for interventional therapy. It also includes products that we do not manufacture but that we market as supplementary to the products that we do manufacture. The Hospital division accounted for €118.7 million, or 2.2%, of our total net revenue in 2020 and €67.7 million, or 2.7%, of our total revenue in the six-month period ended June 30, 2021.

Bio Supplies. Net revenue from Bio Supplies primarily consists of revenue related to biological products for non-therapeutic use as well as all income derived from manufacturing agreements with Kedrion and third party sales of Haema and Biotest US. The Bio Supplies division accounted for €224.1 million, or 4.2%, of our total net revenue in 2020 and €107.3 million, or 4.2%, of our total net revenue in the six-month period ended June 30, 2021.

Others. Net revenue from Others primarily consists of revenue from the rendering of manufacturing services to third party companies.

Competitive Strengths

We believe we have a number of competitive strengths, including the following:

Global Company with a Diversified Revenue Base Worldwide

We are a leading plasma derivatives company with operations in over 100 countries through distributors and subsidiaries in over 30 countries. We have an established presence in Europe and the United States, which are the two largest plasma derivatives sales regions, and we have a significant position in transfusion medicine with our NAT blood screening segment. For the year ended December 31, 2020, the United States and Canada accounted for 67.4% of our total

net revenue while Europe accounted for 15.6% of our total net revenue (of which 6.4% was generated in Spain). For the six-month period ended June 30, 2021, the United States and Canada accounted for 62.2% of our total net revenue while Europe accounted for 17.8% of our total net revenue (of which 7.1% was generated in Spain).

Certain sales regions, particularly in emerging markets, have experienced continuous growth, driven by enhanced socioeconomic conditions and more informed patients who are demanding better quality medical care, as well as increasing government healthcare spending on plasma derivative products. These emerging markets are expected to experience significant growth. Our presence and experience in Latin America, in countries such as Mexico, Colombia, Argentina, Chile and Brazil, where we have been marketing and selling products for over 20 years, has positioned us to benefit from this additional growth in both our Bioscience and Diagnostic divisions. In the Asia-Pacific region, we have established a presence through our subsidiaries and representative offices in Malaysia, China, Thailand, Singapore, Australia, Japan, India, Hong Kong, Taiwan and Indonesia. As part of our global expansion strategy and commitment to China, we strengthened our presence through the strategic alliance with Shanghai RAAS in 2020, which has considerably boosted growth of our plasma derived products and diagnostic solutions in the fast growing Chinese plasma market. Shanghai RAAS is the largest blood products company in China specializing in plasma-derived products for therapeutic use in immunology, haematology and interim care. Following the acquisition, Shanghai RAAS has become the exclusive distributor of our bioscience and diagnostic products in China. We have also opened a Middle Eastern representative office in Dubai.

We are a leading plasma derivatives producer globally, ranking in the top three largest producers in the industry in terms of total sales, along with Takeda and CSL Behring. We are the world's largest producer of A1PI, which is used for the treatment of A1PI deficiency related emphysema. Prolastin®/ Prolastin®-C is the leading A1PI product in the North America and Europe, where it is licensed in 19 countries. Based on our internal estimates, we had a top three market position in other segments of the plasma derivatives industry in 2020, including the largest market share in IVIG (24% of the global market (and 33% of the U.S. market in 2019)) and the second largest market share in albumin (18.5% of the global market by volume (and 33% of the U.S. market in 2019)). According to the latest available data, we also have a leading position in terms of plasma collection.

Market Leadership across Bioscience and Diagnostic Divisions

Our portfolio of IVIG products includes Gamunex® IVIG, a ready-to-use liquid IVIG product launched in the United States and Canada in 2003. Gamunex® IVIG was the first IVIG product approved for CIDP in the United States and Canada, and through mutual recognition procedures, in 23 European countries. Gamunex® IVIG can be administered subcutaneously or intravenously.

In addition, we believe we are the global market leader in the sales of AAT. Our AAT business has 32 licenses in 27 countries worldwide, with 19 countries in North America and Europe. Our liquid formulation of AAT (Prolastin®-C Liquid) is approved by the FDA as a chronic augmentation and maintenance therapy to treat emphysema related to severe hereditary A1PI deficiency. We believe that we had an estimated 68.5% global market share for AAT as of December 2020 (69% of the U.S. market as of December 2019).

Our albumin brands are sold globally, which our management believes comprise an 18.5% market share (in volume) of December 2020 (33% of the U.S. market as of December 2019). We offer albumin products with reduced aluminum content that meet European regulatory requirements, making them more attractive to biotechnology companies, genetic laboratories, hospitals and physicians. Our portfolio also includes products for the treatment of tetanus, hepatitis B, Rh factor complications during childbirth, the prevention and treatment of thrombotic diseases, the prevention and control of bleeding in patients with hemophilia B and the prevention of hepatitis B reinfection of the graft in liver transplant patients.

We believe that, between Koate®-DVI, Fanhdi™ and Alphanate®, we had an estimated 17% market share globally in the FVIII hemophilia A market in 2020 (excluding Von Willebrand disease use) (50% of the U.S. market as of December 2019).

HyperRAB® is the world's leading human anti-rabies immunoglobulin indicated for postexposure prophylaxis, along with rabies vaccine, for all persons suspected of exposure to rabies who have not been previously vaccinated with rabies vaccine. A 300 IU/ml formulation of HyperRAB® is now available in the U.S. (FDA approval February 2018). HyperRAB® is the only human rabies immunoglobulin (HRIG) provided as a higher-potency formulation, potentially requiring fewer injections in administration of each dose. We believe we had an estimated 88% market share of anti-rabies immunoglobulins in the United States as of December 2020.

Upon consummation of the Transactions, we will expand our pipeline, by including Trimodulin (BT-588), an IgM therapeutic for severe community acquired pneumonia (sCAP), currently in Phase III clinical development, and Fibrinogen (BT-524) for congenital and acquired fibrinogen deficiency, currently in Phase III clinical development. There are currently no approved plasma derived therapeutics in such indications in the US.

In addition, we possess a fully vertically integrated diagnostic business model. This fully integrated Transfusion Diagnostics value chain, gives us a dominant market position and a full product portfolio in the blood screening market. Our diagnostic portfolio encompasses innovative, market leading collecting, testing for infectious diseases, typing diagnosis and transfusion medicine technology, instrumentation and equipment for Nucleic Acid Testing (NAT) and Serology blood screening.

We believe that we have a significant market share of sales in NAT blood screening solutions. In addition, we have increased our sales of automated immunohematology systems and reagents to hospital transfusion and blood centers in several markets. We also continue to grow our portfolio of clinical and diagnostic products in select areas, including autoimmunity and hemostasis, and have agreements to extend the number of antigens we manufacture for use in clinical and blood bank diagnostic tests.

Large and Growing Market Outlook Supported by Strong Fundamentals

According to the MRB, the global market for human plasma-derived products was worth an estimated €24.1 billion in 2018, representing a 3.9% increase from 2017 and a compound annual growth rate of 8.8% from 2000 to 2018. In 2018, IG was the leading product in the market, accounting for 49.5% of sales in the global plasma derivatives market (excluding recombinant proteins). In recent years, most market participants have been operating at close to full capacity and, according to the MRB and our internal estimates, demand growth for plasma derivatives products is expected to continue.

The plasma derivatives sector has experienced sustained growth over the past 25 years. Several factors, including historic consolidation and vertical integration, have contributed, and are expected to continue to contribute, to the growth of this sector, including limited supply of raw materials, a growing demand coming from developed countries as well as emerging markets improving access to healthcare, new indications and an increasing awareness and improved diagnoses among physicians of the conditions that plasma derivative products help treat.

We remain committed to seeking market leadership in high growth novel therapeutic areas.

Fully Integrated Business Model Across the Entire Transfusion Value Chain

We are a vertically integrated global producer of plasma derivatives. Our activities include sourcing raw material, manufacturing various plasma derivatives products and selling and distributing the final products to healthcare providers.

Through acquisitions and openings of new plasma collection centers, we have expanded our plasma collection network to 351 centers in the United States and Europe (Germany, Austria and Hungary) as of June 30, 2021, giving us reliable access to U.S.-sourced plasma. Our acquisitions, including, among others, the 2011 acquisition of 67 plasma collection centers from Talecris Biotherapeutics and the 2018 acquisitions of Haema and Biotest US, have given us reliable access to U.S.-sourced plasma. Between 2016 and 2019, we purchased equity interests in the IBBI Group, one of the main private and independent plasma suppliers in the United States, including all equity interests in the IBBI Group's subsidiaries, PBS and Bio Blood. As a result of these transactions, we added 36 FDA-licensed centers (26 plasma collection centers and 10 whole blood donation centers). In 2018, we also obtained the rights to all plasma collected at an additional 24 plasma collection centers in the United States from Biotest US and 35 plasma collection centers in Germany from Haema.

In July 2020, we acquired 11 U.S. plasma collection centers from the South Korea-based GC Pharma and, in February 2021, we acquired 25 U.S.-based plasma collection centers from BPL. Upon completion of the Transactions, we expect to add another 26 plasma collection centers in Europe. We plan to reach approximately 520 approved plasma collection centers globally by 2026.

State-of-the-Art, FDA-Approved Manufacturing Facilities

We have state of the art plasma derivatives manufacturing facilities that are highly safe and efficient and that have EMA certifications and FDA licenses. Our key plasma fractionation plants are:

- **Parets del Vallès, near Barcelona, Spain**: fractionation capacity of 5.0 million liters per year and features a unique design that separates the maintenance area from the clean areas required for the fractionation and purification procedures. This design, which was developed by us internally, minimizes the risk of contamination and reduces maintenance costs. Our currently licensed production processes for IVIG and albumin have been approved by the FDA as have the use of several intermediate pastes created as raw material.

- **Clayton (North Carolina)**: fractionation capacity of 13.9 million liters per year and one of the world's largest fully integrated facilities for plasma-derived therapies, including plasma receiving, fractionation, purification, filling/freeze drying and packaging capabilities, as well as freezer storage, testing laboratories and a cGMP pilot plant for clinical supply manufacture.

- **Los Angeles (California):** fractionation capacity of approximately 2.4 million liters per year.

In addition, pursuant to our July 2020 transaction with GC Pharma, we purchased a plasma fractionation facility and two purification facilities located in the city of Montreal, Canada. The Canadian facilities are currently in the process of obtaining needed licenses and regulatory approvals by competent health authorities for the manufacturing of plasma-derived products. When licensed and approved, we will become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 million liters annually. We plan to be ready to manufacture IVIG and albumin in the Canadian facilities to supply the Canadian market starting in 2023.

In addition, we are currently building an albumin purification and filling plant in Dublin that we expect will be in operation in 2022. The substantial investment required into facilities protects us from new competitors entering the market as the industry requires substantial yearly capex investment in order to cope with growing demand and therefore cash flow generation is dependent on the cycle of investment.

Following consummation of the Transactions, through Biotest we will have an additional fractionation capacity of 1.5 million liters annually, and an additional 1.4 million liters annually to become available by 2022. We plan to reach a fractionation capacity of approximately 28 million liters by 2026.

We believe that we are the only company providing integrated transfusion medicine solutions from donation to transfusion. Our portfolio provides us with market leading positions and full product offerings in blood screening markets. Through the acquisition from Hologic in 2017, we have enhanced our vertical integration and further promoted the development of new tests and screening routines for emerging viruses. The Hologic transaction is part of the consolidation and growth strategy envisaged for the Diagnostic division and has enabled us to continue strengthening our leadership position in transfusion medicine.

Clear Growth Strategy with Long-Term Growth supported by Global Expansion

We have a strong track record as an innovator in the industry. For example, we developed a unique fractionation design that reduces the risk of contamination and reduces maintenance costs while increasing the extraction of products per liter of plasma. We have also developed the first centrifugation unit for the automated cleaning of blood cells, In addition, we were one of the first fractionators to conduct double viral inactivation processes for Factor VIII and have designed and implemented a new process for the sterile filling of vials that reduces exposure to potential contaminants as compared to other existing processes. Further, we have developed a nanofiltration method of viral inactivation for our IVIG, AlPI, and ATIII products. As a result of our continuing investment in research and development, we believe that we are well positioned to continue as a leader in the plasma-derived therapies industry.

The Transfusion Medicine Business continues to enjoy a successful history of product innovation and commercialization, and our employees possess specific expertise and core competencies in the development and manufacturing of NAT assays and blood screening systems and in the supply of antigens to immunoassay companies. The infrastructure, processes and expertise of our employees has enabled the development of a growing range of marketed products and also helped in the development of potential new products. For example, in 2012, the Transfusion Medicine Business launched the Procleix Panther System, a fully integrated and automated NAT system for blood and plasma screening, allowing small to medium sized laboratories to improve workflow and operating efficiency. The instruments are based on proprietary TMA technology, which is typically more sensitive and therefore less cumbersome than PCR technology used by our competitors. The higher sensitivity shown by this TMA technology plays a crucial role in the portion of the blood screening market collected for fractionation.

The NAT Donor Screening Unit is engaged in research, development, manufacturing and commercialization of assays and instruments based on NAT technology for transfusion and transplantation screening. NAT technology makes it possible to detect the presence of infectious agents in blood and plasma donations, contributing to greater transfusion safety. Since the Hologic transaction, this business has continued to develop new tests and screening routines for emerging viruses, strengthening our leadership position in the transfusion medicine field.

Our continued focus on international expansion and acquisitions that generate operational synergies has been demonstrated by our numerous acquisitions, including:

- **Talecris Biotherapeutics (June 2011):** a U.S. based producer of plasma-derived protein therapies with an established presence in the United States and Canada.

- **Progenika (March 2013):** international expansion through a 60% equity interest in Progenika (as of July 2019 our participation reached 100%), a Spanish biotechnology firm headquartered in Bilbao, with operations in the United States, Europe and the Middle East.

- **Novartis Diagnostic Business (January 2014):** further reinforced our international operations, as it expanded our global portfolio of brands, patents and licenses and gained us the Emeryville facility and commercial offices in the United States, as well as additional commercial offices in Switzerland and Hong Kong.

- **Hologic's Share of its NAT Donor Screening Unit (January 2017):** acquired our former joint-business partner's NAT Donor Screening business, including a manufacturing facility in San Diego and development rights, product licenses and access to product manufacturers.

- **26.2% equity interest in Shanghai RAAS (March 2020):** became the largest shareholder in, and entered into a strategic alliance with, Shanghai RAAS, a leading Chinese company in the plasma derivatives sector. Pursuant to the strategic alliance, Shanghai RAAS will become our exclusive distributor of plasma-derived products and transfusional diagnostic solutions in China. This acquisition reinforces our global expansion strategy and commercial presence in China.

We have also demonstrated our capabilities to integrate products and technologies within our portfolio, including the following:

- **Kiro Grifols**: In 2014, we acquired 50% of the voting and economic interest in Kiro Grifols, a Spanish technology company that develops, manufactures and sells machinery and equipment designed to automate or control critical hospital processes. In 2017, we acquired an additional 40% of Kiro Grifols share capital.

- **Alkahest**: In 2015, we acquired a 47.58% stake in Alkahest, a California biopharmaceutical company targeting neurodegenerative and age-related diseases with transformative therapies derived from a deep understanding of the plasma proteome in aging and disease. In October 2020, we acquired its remaining share capital.

- **GigaGen**: In 2017, we acquired a 43.96% equity stake in GigaGen, a U.S. biotechnology company specialized in the early discovery and development of recombinant biotherapeutic medicines. GigaGen's research focuses on discovering new biological treatments based on antibodies derived from millions of immune system cells obtained from donors. In March 2021, we acquired its remaining share capital.

- **Access Biologicals**: In January 2017, we acquired a 49% interest in Access Biologicals, a company based in Vista, California, that collects and manufactures an extensive biological and product portfolio.

- **Goetech**: in January 2018, we acquired a 51% interest in Goetech, a U.S. technology firm based in Denver, Colorado, that develops and distributes web and mobile-based platforms for hospital pharmacies through the brand MedKeeper. In November 2020, we acquired its remaining share capital.

Strong Business Model with Attractive Cash Flow Generation

Our leading scale, diversification, favorable market positioning and focus on operational efficiency have enabled us to achieve attractive historical financial performances. In the year ended December 31, 2020, we generated net revenue of €5,340.0 million from a global and balanced geographical footprint with €3,599.7 million, or 67.4%, coming from the

United States and Canada, €834.5 million, or 15.6%, from the European Union and €905.8 million, or 17.0%, from the rest of the world. In the six-month period ended June 30, 2021, we generated net revenue of €2,536.6 million from a global and balanced geographical footprint with €1,576.9 million, or 62.2%, coming from the United States and Canada, €452.5 million, or 17.8%, from the European Union and €507.2 million, or 20.0%, from the rest of the world. Our Published EBITDA margins have grown from 21% in 2011 to 26.5% for the twelve months ended June 30, 2021. In comparison to our peers, we believe that we are the most efficient player in terms of capex efficiency, which helps our ability to generate strong and consistent cash flow and has also enabled us to invest in our operations and pursue attractive growth opportunities.

Experienced and Committed Management Team

We have an experienced and committed management team with over 30 years of industry experience on average. In accordance with our succession plan, Víctor Grifols Roura, a grandson of our founder, resigned as Chief Executive Officer on January 1, 2017, staying on the board as non-executive Chairman. Effective the same date, Raimon Grifols Roura and Victor Grifols Deu became the co-Chief Executive Officers of the Company. The Vice President of Finance and CFO, Alfredo Arroyo, has been associated with Grifols for 14 years.

Our experienced and long-serving management team has a demonstrated ability to anticipate trends and successfully grow the business both organically and via acquisitions, with a focus on sustainable long term profit generation.

Strong Reputation for Safety and Reliable Services

Our philosophy is that the health of the plasma donor and the patient are the paramount considerations. We strongly believe that our safety philosophy is consistent with the business objective of generating profit. We also believe that we have a strong reputation for safety in our markets, thus making our products particularly attractive to customers. Our vertically integrated business model allows us to assure the safety and quality of our plasma derivative products through the implementation of our safety standards throughout the value chain. We have never experienced a recall of any batch of our finished biological products due to a safety risk, although in 2018 we voluntarily withdrew three lots of product. The first case was due to an error in which the adverse consequences for patients were not included in the packaging components. The other two cases were due to a reported rate of adverse drug reactions higher than usual.

We maintain rigorous safety standards that exceed those required by health authorities in Europe and the United States and actively invest in the continued improvement of our manufacturing facilities and plasma fractionation process. Measures include introducing innovative methods such as the Plasma Bottle Sampling™ system, which automatically prepares codes and labels test samples at the time of plasma donation. Additionally, we have developed a nanofiltration method of viral inactivation for our IVIG, A1PI and antithrombin III products which has further improved our health and safety standards.

We maintain standards consistent with other industry participants with regard to plasma safety, and are periodically certified by the Plasma Protein Therapeutics Association (PPTA) under the International Quality Plasma Program (IQPP) for plasma donation centers, and under the Quality Standards of Excellence, Assurance and Leadership Program (QSEAL) for fractionation plants. For example, source plasma inventory is held for not less than 60 days. Known as “inventory hold,” this waiting period allows donors to return for a second donation. The results of the “hold sample” are verified against the new donation to reconfirm the absence of viruses and pathogens. We have also introduced innovative methods such as the PediGri™ On Line system, which provides full traceability of human plasma raw material throughout the plasma supply chain. This system allows the physician to track the origin of the fractionated product used on patients back to the source donor providing full traceability of plasmatic raw material throughout the plasma supply chain process. We believe we are the only player in the industry providing a tracking system for its products.

The manufacturing plants have been designed fulfilling the current GMP standards and applicable regulations for clean areas, and are designed to minimize clean areas as well as human intervention, with the objective of lowering the risk of contamination. The facilities are subject to a cleaning and sanitizing plan and to a corrective and preventive maintenance program. Periodically, we voluntarily shut down all of our manufacturing facilities to perform maintenance work, expansion projects and other capital investments. Our manufacturing facilities have never been shut down because of regulatory noncompliance while under our operation. We believe that our voluntary shutdown procedure lowers the risk of any mandatory shutdown.

As part of our commitment to quality, we provide ongoing training for our plasma professionals through the creation of the Academy, which offers cutting edge training on the processes of plasma collection, handling, storage and

testing. The Academy also provides a deeper understanding of human health, ethics and science as they relate to plasma collection and plasma products.

Furthermore, we require our management to adhere to a formal code of ethical conduct. By signing the formal code of ethical conduct, a manager commits to making our products the safest and most effective in the market. The code imposes an obligation on each manager to report any ethical concerns directly to the Board. Our high safety standards and reliability have helped us establish and maintain successful long term relationships with key customers and physicians worldwide. We believe that the strength of our reputation positions us favorably as we continue to expand our business.

Our Business Strategy

We believe that the breadth and quality of our products makes us one of the world's leading providers of plasma derivative products. Our objective is to consolidate and expand this leadership position by employing the following strategies:

Increase Collection of Source Plasma and Fractionation Capacity

United States plasma is the principal raw material for our plasma derivatives products and it can be used in plasma derivative products sold in most markets. Our plasma is obtained mainly from the United States through our network of 296 FDA licensed plasma collection centers in the United States as of June 30, 2021. We believe that a large network of plasma collection centers is the best approach to secure access to raw materials.

Historically, to achieve this goal, we have strategically targeted and acquired collection centers, including 67 centers from our acquisition of Talecris Biotherapeutics in 2011. Since the acquisition of Talecris Biotherapeutics, our strategy has been to expand and relocate our existing centers in order to collect more plasma more efficiently. In June 2018, we completed the acquisition of Haema, a German based pharmaceutical company that owns 35 collection centers throughout Germany. In August 2018, we completed the acquisition of Biotest US, a U.S. based pharmaceutical company that owns 24 plasma collection centers. Although we sold our 100% stake in Haema and Biotest US in December 2018 to Scranton Enterprises to reinforce our financial structure, we continue to operate the companies' plasma collection centers and have access the collected plasma through a 30-year plasma supply agreement with each of Haema and Biotest US. In July 2020, we acquired 11 U.S. plasma collection centers from GC Pharma and in February 2021, we acquired 25 U.S.-based plasma collection centers from BPL. These strategic acquisitions allowed us to increase our number of plasma collection centers from 150 in 2014 to 351 as of June 30, 2021. Upon consummation of the Transactions, we expect to add another 26 plasma collection centers in Europe.

We intend to continue to focus on expanding our collection platform and relocating our existing centers and plan to reach 520 approved plasma collection centers by 2026 globally.

We are undertaking an investment plan that involves among other investments, cumulative industrial capital investments to expand the manufacturing capacities of the Bioscience division as part of our €1.4 billion 2018-2022 capital expenditure plan. We completed in 2021 construction of a new fractionation plant in Clayton with an incremental 6 million liters capacity per year. Under our capacity expansion program, we increased our fractionation capacity from 15 million liters per year to approximately 21 million liters per year in 2021.

In addition, in July 2020 we purchased from GC Pharma a plasma fractionation facility and two purification facilities located in the city of Montreal, Canada. The Canadian facilities are currently in the process of obtaining needed licenses and regulatory approvals by competent health authorities for the manufacturing of plasma-derived products. When licensed and approved, we will become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 million liters annually. We plan to be ready to manufacture IVIG and albumin in the Canadian facilities to supply the Canadian market starting in 2023.

Further Enhance Our Global Presence

Geographical diversification is a cornerstone to our strategy. We currently operate in over 100 countries through distributors and subsidiaries in over 30 countries. The United States is the largest sales region in the world for plasma derivative products. For the six-month period ended June 30, 2021 and the year ended December 31, 2020, the United States and Canada accounted for 62.2% and 67.4% of our total net revenue, respectively.

Certain sales regions, particularly in emerging markets, continue to experience continuous growth, driven by enhanced socioeconomic conditions and more informed patients who are demanding better quality medical care, as well as

increasing government healthcare spending on plasma derivative products. These emerging markets are expected to experience significant growth. Our presence and experience in Latin America, in countries such as Mexico, Colombia, Argentina, Chile and Brazil, where we have been marketing and selling products for over 20 years, has positioned us to benefit from this additional growth in both our Bioscience and Diagnostic divisions. In the Asia-Pacific region, we have established a presence through our subsidiaries and representative offices in Malaysia, China, Thailand, Singapore, Australia, Japan, India, Hong Kong, Taiwan and Indonesia. We have also opened a Middle Eastern representative office in Dubai.

Our continued focus on international expansion and acquisitions that generate operational synergies has been demonstrated by our prior acquisitions, including Talecris Biotherapeutics, Progenika, the diagnostic business of the Novartis and Hologic's NAT donor screening business. In addition:

- In June 2018, we completed the acquisition of Haema, a German based pharmaceutical company that owns 35 collection centers throughout Germany, while in August 2018, we completed the acquisition of Biotest US, a U.S. based pharmaceutical company that owns 24 plasma collection centers.

- In March 2020, we acquired a 26.2% equity interest in Shanghai RAAS, a leading Chinese company in the plasma derivatives sector. Shanghai RAAS is our exclusive distributor of plasma-derived products and transfusional diagnostic solutions in China.

- In October 2020, we purchased a plasma fractionation facility and two purification facilities in Montreal, Canada. When these facilities are licensed and approved, we will become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 million liters annually. We plan to be ready to manufacture IVIG and albumin in the Canadian facilities to supply the Canadian market starting in 2023.

- In November 2020, we executed the NSPO JV Agreement with Egypt-based organization NSPO, whereby Grifols Egypt, the joint venture company, was incorporated and will develop and construct 20 plasma collection centers throughout Egypt and will be capable of initially collecting approximately 600,000 liters of plasma annually, a fractionation facility with an annual fractionation capacity of up to one million liters of plasma, a purification and fill & finish facility, a warehouse and an analysis laboratory.

- In September 2021, we entered into an Acquisition Agreement to acquire all of the existing equity interest in Holdings and to accept an assignment from TIIL of certain shareholder loans granted by TIIL to Holdings. Holdings in turn owns 89.88% of the ordinary shares and 1.08% of the preferred equity shares of Biotest, a global company that supplies plasma protein products and biotherapeutic drugs, which we expect will give us access to 26 additional plasma collection centers. See "Summary—Recent Developments—The Acquisition," and "The Transactions."

These acquisitions reinforce our global expansion strategy. We will continue to selectively consider acquisitions that would further enhance our operations and complement our portfolio of products.

Continue Investment in Research and Development and Innovation

Research and development is a significant aspect of our business. Our efforts are focused on three key areas:

- discovering and developing new products;

- researching new applications for existing products; and

- improving our manufacturing processes to increase yields, safety and efficiency.

In recent years, we have increased our investment in research and development, both directly and through collaborations with our associated companies, such as Alkahest and GigaGen, among others. Our research and development teams are working to develop the possible use of albumin in treating Alzheimer's disease. We completed the AMBAR trial and published top-line results in 2018. The trial was approved by both Spanish Agency for Medicine and Health Products (*Agencia Española del Medicamento y Productos Sanitarios*) and the FDA. The AMBAR trial demonstrated a significant reduction in the progression of the disease in moderate Alzheimer's patients. A Phase II clinical trial was completed to evaluate the safety and pharmacokinetics of the liquid formulation of alpha 1 antitrypsin for patients with pulmonary emphysema caused by alpha 1 deficiency, and the license request was filed with the FDA in late 2016. In

September 2017, the FDA approved our liquid formulation of A1PI (Prolastin®-C Liquid) as a chronic augmentation and maintenance therapy to treat emphysema related to severe hereditary A1PI deficiency. During 2016, the Grifols IVIG (Gamunex C) obtained FDA orphan drug status for Myasthenia Gravis. Currently, there are two ongoing trials in Phase II and III with IVIG for acute and maintenance treatment of Myasthenia Gravis. We received FDA approval for our 20% subcutaneous immunoglobin product, Xembify®, in July 2019 and are planning to launch it in the United States in the last quarter of 2019. In 2021, our treatment for alpha-1 antitrypsin deficiency (Alpha-1), a genetic condition that may result in chronic lung disease in adults, has been approved for the Japanese market by Japan's Ministry of Health, Labour and Welfare. The therapy will be commercialized under the name Lynspad™ (Prolastin-C® in other markets).

We spent €969.4 million from January 1, 2018 through June 30, 2021 on research and development. As of June 30, 2021, we had 1,092 scientists and support staff dedicated to research and development.

We believe there is significant growth potential from the extraction of additional proteins from blood plasma, with only approximately 20 of the more than 100 proteins in blood plasma currently capable of being successfully extracted. Our continued investment in R&D aims to unlock this upside for the benefit of our customers.

Expand Our Product Offerings and become a Leader in the Diagnostic Field

Our research and development team, whose activities are primarily concentrated on the Bioscience division, will continue to seek to develop new plasma derivative products as well as new applications for our existing plasma derivative products. We seek to leverage our plasma derivative product portfolio by offering diagnostic and hospital products developed by our research and development team or by premier healthcare companies with which we maintain distribution agreements. We believe that by increasing the number of products we offer, we can generate higher revenue, diversify our product base and facilitate our entry into new markets. In addition, we also believe that a one stop shopping approach that offers a broader range of complementary, high quality products is particularly attractive to our existing and potential customers.

The Hologic transaction is part of the consolidation and growth strategy envisaged for the Diagnostic division and has enabled us to continue strengthening our leadership position in transfusion medicine. The Hologic transaction further promoted the development of new tests and screening routines for emerging viruses.

In the last decade, we have successfully expanded our Diagnostics product portfolio globally and today we have a comprehensive line of reagents, instruments and technologies for immunohematology typing and blood transfusion. The Novartis Acquisition, whereby we purchased the diagnostics business of Novartis contributed to the expansion of our immunohematology line into the United States.

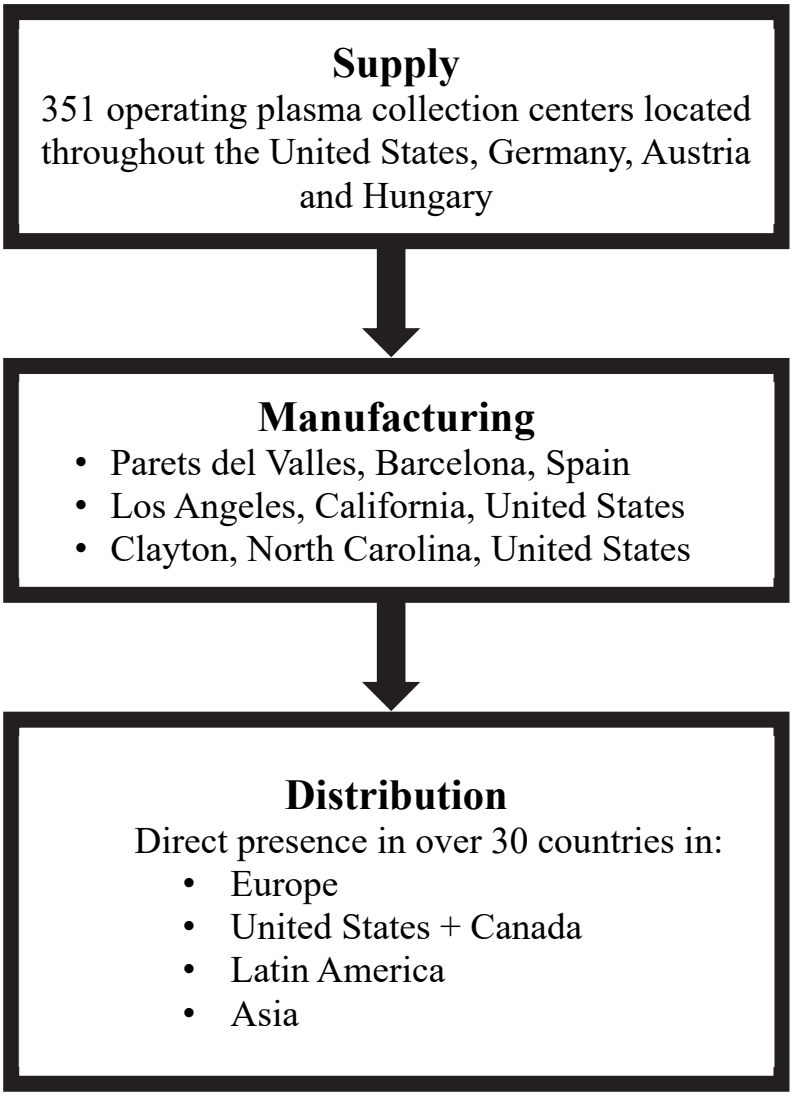
The Novartis Acquisition also enabled us to offer a full range of products to the blood screening market, expanding our portfolio of diagnostic products for transfusion medicine and immunology, with the addition of the Novartis diagnostic business' market leading NAT technology, instrumentation and equipment for blood screening, specific software and reagents, as well as with manufacturing capabilities to supply antigens to immunoassay companies. The assets acquired included patents, brands, licenses and royalties, together with the production plant at Emeryville (California, United States) and commercial offices in United States, Switzerland and Hong Kong (for the Asia Pacific region) among others. The Novartis Acquisition strengthened our Diagnostic division, particularly in the United States, with a market leading and specialized commercial organization and further diversified our business.

The Bioscience Division

The Bioscience division is responsible for the research and development, production and marketing of plasma derivative products. For the six-month period ended June 30, 2021 and the year ended December 31, 2020, the Bioscience division accounted for 78.3% and 79.5% of total net revenue, respectively.

Operational Structure

The following chart illustrates its operational structure:



From plasma donation to therapeutic application, there are four major steps in the industry value chain process: (i) plasma collection, (ii) transport and logistics, (iii) manufacturing (fractionation and purification) and (iv) marketing and distribution. We are present at all levels of the value chain, from collection centers to distribution of the final products. This vertical integration enables us to leverage our position at each stage to control the overall process, to benefit from lower prices and to introduce complementary products, such as those offered through the Hospital division and the Diagnostic division, to our customers.

Plasma Collection

Plasma is the key raw material used in the production of plasma-derived products. We have expanded our plasma collection network through a combination of organic growth by opening new plasma collection centers and acquisitions. We obtain our plasma primarily from the United States and Europe (Germany, Austria and Hungary) through 351 operating plasma collection centers as of June 30, 2021, and, to a much lesser extent, through agreements with third parties. Over the last few years, pursuant to the implementation of our business strategy, we have acquired plasma collection centers in the United States, Canada and Europe. See “Summary—Our Business Strategy,” “Summary—Recent Developments” and “Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Acquisitions.” In 2021, we are advancing on our efforts to increase our plasma supply through our expansion plan, comprising organic and inorganic growth. As we previously announced, we plan to reach 520 approved plasma collection centers by 2026 globally.

We believe that our plasma requirements through 2021 will be met through plasma collected at our plasma collection centers and purchased from third-party suppliers pursuant to various plasma purchase agreements. As we source the majority of our plasma internally, we have been able to ensure the availability of plasma for our manufacturing needs and assure the quality of the plasma throughout our manufacturing process.

We have implemented mechanisms to ensure that plasma donors meet the guidelines set forth by applicable regulations regarding, among other things, health, age and frequency of donations. Once the plasma donation is completed, as required by applicable United States and European regulations, we test every donation for pathogens such as HIV, hepatitis A, B and C, parvovirus B19 and syphilis. If we discover a unit of plasma that cannot be used in the fractionation process, we notify the donor and remove all plasma previously donated by such donor from our inventory.

Transport and Logistics

Once plasma has been collected, it is frozen at the collection center and sent to fractionation centers. One essential aspect of this process is the implementation of safety procedures to guarantee the quality and safety of the donated plasma. To ensure preservation of the proteins found in plasma, plasma must be kept at or below a temperature of -20 degrees Celsius (-4 degrees Fahrenheit). In accordance with European and United States requirements, we store our plasma at a temperature of -30 degrees Celsius (-22 degrees Fahrenheit). During transportation, plasma is kept at a temperature at or below -20 degrees Celsius. Our frozen plasma is transported by one of two transport companies, which are the same used throughout the industry.

Fractionation and Purification

Once plasma has been obtained, it may be used for plasma transfusions. It may also be frozen (as fresh frozen plasma) and manufactured into plasma derivatives through the fractionation process. The fractionation process consists of the separation of specific proteins through temperature and pH changes, as well as the use of filtration and centrifugation techniques. This process also includes a phase of introducing various viral inactivation procedures. Fractionation occurs in tanks at near freezing temperatures to maintain the integrity of the proteins. All known plasma derivative products can be fractionated from the same batch of plasma. As a result, the development of a new or higher yield plasma derivative product would likely generate incremental sales without increasing the requirement for additional plasma.

We currently operate three Bioscience manufacturing facilities in the United States and Spain. Our plasma derivative products are manufactured at our Clayton, Los Angeles and Parets facilities, which have a combined fractionation capacity of approximately 21 million liters per year. Our Clayton facility is one of the world's largest integrated protein manufacturing sites, including fractionation, purification and aseptic filling and finishing of plasma-derived proteins.

Currently, the Clayton, Los Angeles and Parets facilities are equipped and licensed to produce certain plasma derivative products for the United States, European and other markets. For example, we produce our Flebogamma® DIF and Gamunex® IVIG products for all of our markets at the Clayton, Los Angeles and Parets facilities.

In addition, on October 1, 2020, we purchased from GC Pharma and other investors a plasma fractionation facility and two purification facilities located in Montreal, Canada (as well as 11 plasma collection centers located in the U.S). The Canadian facilities are currently in the process of obtaining needed licenses and regulatory approvals by competent health authorities for the manufacturing of plasma-derived products. When licensed and approved, we will become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 million liters annually. We plan to be ready to manufacture IVIG and albumin in the Canadian facilities to supply the Canadian market starting in 2023.

We optimize utilization of our fractionation capacity by obtaining FDA and EMA licenses, and completing further requirements, that allow us to purify at any of our other facilities intermediate products that are produced at one of our facilities. We have obtained the following FDA licenses, among others:

- to purify at our Clayton facility the Fraction II+III (an intermediate product) made at both our Los Angeles and Parets facilities to make Gamunex®;
- to purify at our Los Angeles facility the Fraction II+III obtained at that facility to make Gamunex® 10%;
- to use Fraction V obtained at our Clayton facility to produce albumin at our Los Angeles facility;

- to use Fraction V obtained at our Clayton facility to produce Albutein® in our Los Angeles facility;
- to use Fraction IV-1 obtained at our Los Angeles facility to produce Prolastina®, an A1PI we market in Spain, at our Clayton facility;
- to use Fraction IV-1 obtained at our Clayton facility to produce Prolastin® at our Parets facility;
- to use Fraction IV-1 obtained at our Parets facility to produce Prolastin® at our Parets facility;
- to use the same method currently in place in our Parets facility to produce Alphanate® in our Los Angeles facility;
- to use paste from the new fractionation facility at Clayton to produce Gamunex® and Prolastin®;
- to produce nano-filtered Gamunex® and the 40 gram vial presentation; and
- to use Cryoprecipitate obtained at our Clayton Facility to produce Alphanate® at our Los Angeles facility.

We are continuing our efforts to obtain additional FDA licenses of this nature. The flexibility provided through such licenses allows us to increase production efficiency and to better address changes in demand between the United States, the European Union and other world markets.

For more information on our manufacturing facilities, see "—Property, Plant and Equipment" below.

Safety

We have never experienced a recall of any batch of our finished biological products due to a safety risk. In alignment with our commitment to safety and quality, we have voluntarily withdrawn some product lots. All withdrawals were due to a reported rate of adverse drug reactions slightly higher than usual. Our philosophy is that the health of the plasma donor and the patient are the paramount considerations. None of the withdrawn products had a significant impact on patients. We strongly believe that our safety philosophy is consistent with the business objective of generating profit. We also believe that we have a strong reputation for safety in our markets, thus making our products particularly attractive to customers. Our vertically integrated business model allows us to assure the safety and quality of our plasma derivative products through the implementation of our safety standards.

The plasma collection, fractionation and purification process is long, complex and highly regulated. We have adopted and maintain rigorous safety standards that we believe exceed those required by health authorities in Europe and the United States. Grifols is periodically inspected and certified for Good Manufacturing Practices, or GMP, by competent health authorities, such as European authorities, the FDA, and other relevant government authorities of other countries where our products are marketed.

Grifols maintains standards consistent with other industry participants with regard to plasma safety, and is periodically certified by the Plasma Protein Therapeutics Association, or PPTA, under the International Quality Plasma Program, or IQPP, for plasma donation centers, and under the Quality Standards of Excellence, Assurance and Leadership Program, or QSEAL, for fractionation plants. For example, source plasma inventory is held for not less than 60 days after donation, to allow for retrieval and destruction of plasma units if the donor is disqualified during this period (after seroconversion or due to high-risk behavior or international travel). We have also introduced innovative methods such as the Plasma Bottle Sampling™ system, which automatically prepares, codes and labels test samples at the time of plasma donation, and the PediGri™ On Line system, which provides full traceability of human plasma raw material throughout the plasma supply chain. See "—Distribution Process" below.

The manufacturing plants have been designed fulfilling the current GMP standards and applicable regulations for clean areas, and are designed to minimize clean areas as well as human intervention, with the objective of lowering the risk of contamination. The facilities are subject to a cleaning and sanitizing plan and to a corrective and preventive maintenance program. Periodically, we voluntarily shut down all of our manufacturing facilities to perform maintenance work, expansion projects and other capital investments. Our manufacturing facilities have never been shut down because of regulatory noncompliance while under our operation. We believe that our voluntary shutdown procedure lowers the risk of any mandatory shutdown.

All of our plasma derived products are manufactured strictly following validated and approved procedures, and in accordance with the corresponding marketing authorization. Also, each manufacturing process includes at least one validated specific virus inactivation or removal step as a precautionary measure to avoid improbable virus contamination.

Since our products are proteins that cannot be terminally sterilized, they therefore are sterilized by filtration before being aseptically filled in their final container. Grifols has patented the Grifols Sterile Filling (GSF) system which minimizes the risk of microbial or particulate contamination during the aseptic filling process. During this process, sterilized containers are filled with the product under Grade A laminar air flow. The partially closed containers (vial with stopper and protector) are sterilized prior to filling. The container closure unit remains partially closed until the moment of filling, after which it is immediately sealed thus reducing the risk of contamination by reducing the product and container exposure to the controlled environment. The filling process is recorded which enables us to identify the cause of, and rectify more easily, any related problem. These records are maintained according to our data retention policy.

Once aseptically filled, each unit of product is laser-marked with the objective of individually identifying each container and preventing and detecting counterfeits. This allows us to protect the integrity of our manufacturing process.

After plasma derivatives are manufactured, every unit of each lot is visually inspected in order to detect the presence of foreign particles or other imperfections in the container closure system. Each lot is also tested during production and at the end of the manufacturing process according to the licensed specifications, marketing authorization and corresponding Pharmacopoeia monographs. All processes are overseen by the quality systems in place at Grifols with the objective of ensuring that products are marketed with the appropriate quality, purity, potency and safety.

Finally, once the product is marketed, our Pharmacovigilance system allows us to control all potential adverse reactions resulting from the administration of our products, thus ensuring the safety of our products globally around the world.

We continually invest in the improvement of our manufacturing facilities and plasma fractionation process, as well as in other related systems, in order to ensure the quality and safety of our products.

Distribution Process

With each batch of plasma derivatives, we deliver electronic information regarding the origin, characteristics and controls of each of the units of plasma that we use in the preparation of the batch to our customers. This feature, called the PediGri™ On Line system, allows for healthcare users of our products and regulatory authorities to have immediate and easy access to this information, tangible proof of the full traceability of our products. We have had this system in place since 1996, and we believe we are the only fractionator that provides this feature to customers.

We have our own sales and distribution networks covering substantially all of our markets, staffed with highly trained personnel. A majority of our sales in 2020 and the first half of 2021 were made through our own distribution network, which is experienced in the proper handling of our products. This network provides for greater safety because it allows us to track our products and react quickly in the case of a potential product recall. In countries where we do not have our own distribution network, we use carefully selected distributors who follow all of our safety standards.

For further information, see "—Marketing and Distribution" below.

Bioscience Products and Services

Collected plasma, whether source or recovered, is fractionated into different component proteins. We fractionate and purify a broad range of plasma derivative products that improve patient care. In 2020, we were granted the exclusive license to sell a non-plasma derivative medicinal product, Fostamatinib, for distribution in the European Union under the "Tavlesse®" brand name.

The chart below presents our principal products by brand name and their respective therapeutic indications:

Product Description	Main Therapeutic Indications
Gamunex®/Gamunex®-C. Immune Globulin Injection (Human), 10% Caprylate/Chomatography Purified. *Flebogamma® 5% and 10% DIF*. Immune Globulin Intravenous (Human).	IVIG is used for the treatment of: primary and secondary immunological deficiencies; and autoimmune conditions including immune-mediated ITP; Guillain Barré syndrome; Kawasaki disease; allogenic bone marrow transplants; chronic inflammatory demyelinating polyneuropathy (CIDP); and

	multifocal motor neuropathy (MMN). Severe acute myasthenia exacerbations is an approved indication for Gamunex-C.
Xembify®. Immune Globulin Subcutaneous (Human) - klhw 20% solution.	Used to treat Primary Humoral Immunodeficiency (PI) but not limited to congenital agammaglobulinemia, common variable immunodeficiency, X-linked agammaglobulinemia, Wiskkott-Aldrich syndrome and severe immunodeficiencies.
HyperRAB® Rabies Immune Globulin (Human).	Anti-rabies immunoglobulin indicated for postexposure prophylaxis, along with rabies vaccine, for all persons suspected of exposure to rabies who have not been previously vaccinated with a rabies vaccine.
Prolastin®/Prolastin®-C/ Prolastin®-C Liquid/Prolasplan®/ Prolastina®/Pulmolast®/Lynspand®. Alpha 1-Proteinase Inhibitor (Human).	Used to treat adults with clinical evidence of emphysema due to severe hereditary alpha-1 antitrypsin deficiency (A1PI deficiency).
Fanhdi™ and Alphanate®. Antihemophilic Factor/von Willebrand Factor Complex (Human).	Used for the prevention, management and control of bleeding in Factor VIII deficiency (hemophilia A) and indication for von Willebrand disease (in the United States, for Alphanate® only).
Koate®-DVI. Antihemophilic Factor (Human).	Used for the prevention and control of bleeding in Factor VIII deficiency (hemophilia A).
Albutein®/ Human Albumin Grifols®/Plasbumin®. Albumin (Human) 5%, 20% and 25%.	Used to re-establish and maintain circulation volume in the treatment of hypovolemia (i.e., traumatic or hemorrhagic shock and severe burns) and to treat complications related to cirrhosis.
Vistaseal™/VeraSeal®. Human fibrinogen/human thrombin.	Used as a supplemental treatment in adults where standard surgical techniques are insufficient for improvement of haemostasis, and as suture support in vascular surgery.
Tavlesse®. Fostamatinib Disodium Hexahydrate Film Coated Tablets.	Used for the treatment of chronic immune thrombocytopenia (ITP) in adult patients who are refractory to other treatments.

Gamunex-C® IVIG, a ready-to-use liquid IVIG product, is one of the leading products in the IVIG segment. We believe Gamunex-C® IVIG is one of the premium products in its category since its launch due to a comprehensive set of differentiated product characteristics. We are one of the market leaders in the production and marketing of immunoglobulin, with about 21% market share as of December 2020.

In July 2019, the FDA approved Xembify®, our subcutaneous immunoglobulin product for use to treat primary immunodeficiencies. The Company launched Xembify® in the United States in the fourth quarter of 2019. In December 2019, Xembify® was also approved in Canada for use to treat primary and secondary immunodeficiencies. We are working with healthcare authorities to obtain approval in Europe and additional markets.

HyperRAB® is the world's leading human anti-rabies immunoglobulin indicated for postexposure prophylaxis, along with rabies vaccine, for all persons suspected of exposure to rabies who have not been previously vaccinated with rabies vaccine. A 300 IU/ml formulation of HyperRAB® is now available in the U.S. (FDA approval February 2018). HyperRAB® is the only human rabies immunoglobulin (HRIG) provided as a higher-potency formulation, potentially requiring fewer injections in administration of each dose. We had an estimated 83% market share of anti-rabies immunoglobulins in the United States as of December 2020.

In addition, we are the global market leader in the sales of AAT. Our AAT has 32 licenses in 27 countries worldwide with 19 countries in North America and Europe. Our liquid formulation of AAT (Prolastin®-C Liquid) is FDA approved as a chronic augmentation and maintenance therapy to treat emphysema related to severe hereditary A1PI deficiency. We had an estimated 68.5% global market share for AAT as of December 2020. A worldwide clinical trial is ongoing to meet post-approval regulatory commitments and obtain Prolastin®-C regulatory approval in Europe.

Between Koate®-DVI, Fanhdi and Alphanate, we believe that we had an estimated 17% market share globally in the FVIII hemophilia A market in 2020 (excluding Von Willebrand disease use).

Grifols albumin brands are sold globally, with an 18% market share according to calculations made by our management. In addition, our albumin products meet U.S., European and Chinese requirements, making them attractive to biotechnology companies and genetic labs, as well as hospitals and physicians.

In 2017, we obtained FDA and EMA approvals for a biological sealant composed of human fibrinogen and human thrombin used in surgical operations as an adjunct to hemostasis. The product brand name is VistaSeal™ in the US and VeraSeal® in Europe.

Tavlesse® is a novel SYK-inhibitor in-licensed from Rigel Pharmaceuticals for commercialization in Europe, Turkey, and additional markets in the Middle East and North Africa. Tavlesse® is indicated to treat chronic immune thrombocytopenia in adult patients who are refractory to other treatments. EMA regulatory authorization was obtained in January 2020, and commercial sales have commenced in Germany and the United Kingdom. For 2021, launches are planned in additional EU countries including Spain, Italy, France, Czech Republic, and the Nordics. Tavlesse® is the first oral therapy commercialized by Grifols Bioscience.

In addition to the products described above, we also produce intramuscular (hyperimmune) immunoglobulins, which are used for the prevention and treatment of tetanus, prevention and treatment of hepatitis B, and Rh factor complications during birth. Also, we produce ATIII (Anbinex® and Thrombate® III), which is used in the prevention and treatment of thromboembolic complications in patients with antithrombin deficiency; AlphaNine® and Factor IX Grifols®, which are used in the prevention and control of bleeding in patients with hemophilia B; and Niuliva® and Igantibe®, which are used after liver transplants to prevent hepatitis B reinfection of the graft.

We also manufacture Vistaseal™/Veraseal®, Fibrin Sealant (Human) which was approved in 2017 by FDA and EMA. Vistaseal™/Veraseal® is a biological sealant composed of fibrinogen and human thrombin used in surgical operations to expedite the healing process. It is commercialized in the U.S. by Ethicon US, LLC (a Johnson & Johnson company).

To sell plasma derivative products, we must first register the products with the relevant authorities of the jurisdictions where the products are to be marketed and sold. To comply with the regulatory requirements in a given jurisdiction, we have a core team in Spain and the United States that prepares, files and coordinates the registration process with the technical personnel at the subsidiary assigned to that jurisdiction. We have 973 hemoderivative product licenses registered in 84 countries throughout Europe, the United States, Latin America, Asia and the rest of the world. Our most significant government-issued licenses for plasma derivative products are:

- *Gamunex®/Gamunex®-C/Flebogamma® DIF*. We have 196 licenses for the marketing and sale of one or more IVIG products;

- *Xembify®*. We have two licenses (U.S. and Canada) for the marketing and sale of this product;

- *Prolastin®/Prolastin®-C/ Prolastin®-C Liquid/Prolasplan®/Prolastina®/Pulmolast®/Lynspand®*. Alpha 1-Proteinase Inhibitor (Human). We have 32 licenses for the marketing and sale of one or more of these A1PI products;

- *Fanhdi™/Alphanate®/Koate®- DVI Factor VIII.* We have 230 licenses for the marketing and sale of one or more of these Factor VIII products;

- *Albutein®/Human Albumin Grifols ®/Plasbumin®*. We have 220 licenses for the marketing and sale of one or more of these albumin products in their various concentrations;

- *VistaSeal™/VeraSeal®*. We have five licenses (EU and U.S.) for the marketing and sale of this product; and

- *Tavlesse®*. We have EMA authorization for Tavlesse® in the European Union and the United Kingdom. Tavlesse® is currently sold in Germany and the United Kingdom.

Pursuant to a consent order issued by the Federal Trade Commission (the "FTC") we have granted Kedrion the exclusive license to sell Koate®-DVI in the United States. See "—Legal Proceedings—Antitrust Approval of Talecris-Grifols Merger."

In addition to the sale of the products described above, we have entered into a series of arrangements with many Spanish transfusion organizations to fractionate recovered plasma (plasma separated from blood obtained from a blood donation) from such organizations and manufacture plasma derivatives under our own brand name for use by hospitals. We charge the transfusion centers for the fractionation and manufacturing service. We also have contract manufacturing agreements with Italian, Czech and Slovak organizations. We also provide virus photo-inactivation of transfusion plasma to hospitals and clinics in Spain. The plasma is inactivated at our manufacturing facilities and then sent back to the clinic or hospital at which it was collected, where it is used for transfusions.

The Diagnostic Division

The Diagnostic division focuses on researching, developing, manufacturing and marketing in vitro diagnostics products, including analytical instruments, reagents, software and associated products for use in diagnostic clinical and blood bank laboratories. We believe that we have a significant market share of sales in NAT blood screening solutions. In addition, we have increased our sales of automated immunohematology systems and reagents to hospital transfusion and blood centers in several markets. We also continue to grow our portfolio of clinical and diagnostic products in select areas, including autoimmunity and hemostasis, and have agreements to extend the number of antigens we manufacture for use in clinical and blood bank diagnostic tests. The Diagnostic division accounted for €775.9 million, or 14.5% of total net revenue, in 2020. Our principal diagnostic products are:

Product Description	Main Applications
Transfusion Medicine:	
Procleix® Tigris®/Procleix® Panther® systems/Procleix® Panther® with Automation Ready Technology (ART). Automated NAT blood screening systems, assays and software.	Used to detect infectious viruses and parasites in donated blood and plasma including: HIV (Types 1 & 2); Hepatitis A, Hepatitis B, Hepatitis C and Hepatitis E; parvovirus B19; Hepatitis A; West Nile Virus; Dengue Virus; Zika Virus, Babesia, and SARS-COV-2 Virus.
WADiana®/Erytra® /Erytra Eflexys® analyzers. Automated immunohematology analyzers that use gel agglutination technology to enable automatic processing of DG Gel® blood determination cards.	Used to perform routine pre-transfusion blood typing, antibody screening, antibody identification and cross-match tests.
Antigens. Critical component of certain infectious disease tests.	Used in the manufacture of clinical diagnostic and blood donor screening immunoassays.
Leucored and standard blood bags. Blood bags configured according to all blood bank separation protocols. Leucored blood bags incorporate an in-line filtration system.	Used for collection and transfusion of blood.
Clinical and Specialty Diagnostics:	
Triturus® analyzers. Open and fully automated analyzer for ELISA (enzyme-linked immunoabsorbent assay), tests with multi-test/multi-batch capability.	Automates the enzyme immunoassay testing in microtiter plate format and the processing of several batches of samples simultaneously.
Q-Smart™, Q-Next™, and Q-Expert™ analyzers. Fully automated hemostasis analyzers that use reagents to measure blood coagulation levels.	Used to diagnose and measure blood coagulation status of patients with blood coagulation-related and hemorrhagic disorders.
Coagulation reagents, instrumentation and software.	Used to establish the coagulation status of patients and to handle the corresponding results.
Promonitor. Highly specific ELISA kits for quantification of serum drug levels and anti-drug antibodies of various biological drugs	Used to measure quantity of drug and antibodies for a number of biological drugs, commonly used in the treatment of various inflammatory diseases.
AlphaID™. Genetic test for patients for alpha-1 deficiency	This is a free cheek swab to screen for alpha-1, the most common genetic form of Chronic Obstructive Pulmonary Disease (COPD).

We assemble the majority of our instrument analyzers at our Parets facility. We manufacture antigens at our Emeryville facility, oligos and other critical components of the transcription-mediated amplified NAT kits for blood and

plasma infectious diseases screening at our San Diego facility. We manufacture our blood bags at our facilities located in Las Torres de Cotillas, Murcia, Spain, which has an estimated capacity of eleven million blood bags per year, and at our new production facility and blood-collection systems plant in Campo Largo, Brazil, with an annual capacity in excess of eight million blood bags.

The production, marketing and sale of many of our Diagnostic division products are subject to the prior registration of such products with the relevant authorities of the applicable jurisdictions. We have over 3,026 diagnostic product licenses registered in 76 countries in Europe, the United States, Canada, Latin America, Africa and Asia.

In addition to the products noted above, we offer our customers products developed in collaboration with, or manufactured by, third-parties that we believe complement our product lines.

The Diagnostic division distributes products in over 100 countries in Europe, North America, Asia-Pacific, the Middle East, Latin America and Africa.

Transfusion Medicine

We have a leadership position in transfusion medicine, with a broad portfolio of products that range from blood collection, blood and plasma testing to blood typing and transfusion. We focus primarily on meeting changing market needs with new and enhanced products for our Procleix NAT blood screening portfolio and on expanding sales of our immunohematology products in key markets (WADiana®, Erytra® and Erytra Eflexis® analyzers and related DG Gel® blood determination cards).

We continue to focus on obtaining FDA and other regulatory approvals to expand our portfolio of NAT products. Clinical trials to support U.S. registration of the Procleix Ultrio Elite Assay (HIV and hepatitis B and C) and Procleix WNV Assay (West Nile Virus) on the Procleix Panther system were completed in 2016 and the corresponding BLA approval from the FDA for both assays and the Procleix Panther system was received during the second quarter of 2018. A new version of the Procleix® Xpress (v.3.0) pipette was submitted for FDA approval during 2017 and approved during the first quarter of 2018.

In 2016, we began working on an Investigational Use Only (IUO) assay to accommodate requests to test blood in areas potentially affected by the Zika virus and in July 2018, the assay obtained FDA approval. Shortly after that, the FDA issued guidance mandating testing of all blood in the U.S. for Zika virus and allowing for pool testing. Grifols is currently providing reagents, instruments and services to all of our U.S. customers to allow the screening of more than 85% of the U.S. blood supply.

In January 2019, a new assay to detect four species of the babesia parasite (*b. microti, b. venatorum, b. divergens and b. duncani*), known to cause babesiosis, a tick borne disease, obtained FDA approval. The assay is designed to be used for routine screening by U.S. blood banks on the Procleix® Panther® system, where we are currently the market leader and continues its efforts to offer innovative solutions to blood banks.

In October 2019, the Procleix® Panther® System featuring Automated Ready Technology, or ART, obtained Europe's CE mark, making it available in European markets accepting the certification, and reinforcing the Company's leadership in the blood banking industry. With significant hardware and software improvements on the current platform, the Procleix Panther System featuring ART will help accelerate laboratory efforts to reach higher levels of workflow automation for blood and plasma screening.

In May 2020, Procleix Panther System, featuring ART, received FDA approval for use with the following U.S. licensed products: Procleix Ultrio Elite Assay, Procleix WNV Assay, Procleix Zika Virus Assay and the Procleix Babesia Assay.

Also in May 2020, we obtained CE Mark for the Procleix SARS-CoV-2 Assay to screen blood or plasma for COVID-19 and plasma from convalescent donors who have recovered from COVID-19 or from infection with COVID-19, for further manufacture. We also received CE Mark for a respiratory claim as an aid in the diagnosis of COVID-19 in specific respiratory specimens that are transported in Specimen Extraction Buffers, which obtained a separate CE Mark. The SARS-CoV-2 respiratory claim is limited to Spain and Northern Ireland, and other select EU countries on a contractual basis with Hologic. In August 2020, we obtained the approval of the Zika assay in Canada.

In August 2020, we successfully commercialized the Procleix® UltrioPlex E assay, a new multiplex assay for use on the Procleix Panther® system, in Japan. The assay, which is a TMA qualitative in vitro nucleic acid test (NAT), was designed to detect five viruses in human blood specimens: HIV-1, HIV-2, HCV, HBV, and HEV.

As part of our strategy of geographic expansion and as a leader in this market segment, we continue to consider requests to include NAT screening for blood and plasma donations in countries as they develop their health systems. In 2020, we entered several new countries, such as Guatemala and Czech Republic.

We recorded notable demand for the specialty diagnostic test to detect the COVID-19 virus, mainly in Spain, leading to higher sales of Grifols' NAT technology systems (Procleix® NAT Solutions), which incorporates Transcription Mediated Amplification (TMA).

We continue to experience strong sales of our DG Gel® blood typing products. In December 2018, Erytra Eflexis®, a fully automated, mid-size analyzer that performs pretransfusion compatibility testing using DG Gel® technology already in use in the EU, was approved by the FDA. It has a smart and compact design, offering intuitive operation that has expanded our product portfolio, which already includes the WADiana® and Erytra® analyzers and DG Gel® cards. The DG Gel® family of products continued to expand in 2019, with the commercialization in CE mark countries of DG Reader NET, a single card processing platform operating with the same consumables and reagents as our fully automated systems. The DG Reader NET received FDA approval at the end of 2019. Also, in November 2019 we received FDA approval for two new red blood cell panels, Data-CytePlus 2 and Data-CyteExtend. Additionally, a Weak D assay, to be used in combination with the DG Gel system in automation, received FDA approval at the end of 2019. This is a valuable test for donor centers and our Immunohematology Reference Laboratory, or IRL, and it will support our expansion in the region. In the U.S., our blood typing solutions have experienced solid growth. We have expanded commercialization efforts and will continue to promote this area in light of its high growth potential.

We continue to operate our "Grifols Immunohematology Center" in our laboratories in San Marcos, Texas. The Grifols Immunohematology Center provides reference lab testing, consulting and education services to transfusion medicine professionals as well as offering simple and complex serological tests.

In several countries, we distribute BLOODchip® blood group genotyping tests manufactured by Progenika, a Grifols company. Progenika's ID RHD XT Diagnostic Kit, a molecular diagnostic kit that detects the most relevant RhD variations, received FDA approval in October 2018.

In select markets, we are working to expand the availability of Grifols' blood collection bags and systems, as well as our Gricode™ transfusion component tracing systems. Strengthening our position in Brazil, we commenced the operation of a blood bag manufacturing plant in Campo Largo (Paraná) in 2018. The plant started operations in November 2019, with a production line that is already fulfilling local customer orders. The plant has an initial production capacity of two million units, which we are planning to expand.

We operate a product line of high quality antigens, which are critical components of clinical diagnostic and blood screening immunoassay tests sold worldwide, which are produced through a joint business with Ortho Clinical Diagnostic. As part of this joint business, we have a contract with Abbott Laboratories for the supply of high quality antigens used in the manufacture of immunoassay diagnostics. This contract, with a total value of approximately $700 million, extended the supply of antigens until 2026, ensuring higher levels of recurring income in this area. We also extended our agreement with OraSure Technologies through 2022, reinforcing our position as a flexible provider of antigens.

Working together with Ortho Clinical Diagnostics, we maintain the VITROS® HIV Combo test for the early detection of HIV infection. This is an important milestone in the joint business between the two companies, in which Grifols is responsible for manufacturing the antigens for the test. The test received approval from the FDA in October 2018 to be used on Ortho's VITROS® ECi/EciQ. The test was previously approved for use on Ortho's VITROS® 5600 Integrated System and Ortho's VITROS® 3600 Immunodiagnostic System.

Clinical and Specialty Diagnostics

Our Q-Smart™, Q-Next™, *Q*-Expert™ and Triturus® analyzers remain key product lines in the clinical and specialty diagnostics product line. During 2019 we received approval from the FDA for the commercialization of Q-Next™ and the DG-PT reagent. In January 2020 the FDA approved the second device in the Q family, the Q-Smart™ which uses the same reagent.

We also continue to offer a broad portfolio of hemostasis reagents in this line, including DG™-Chrom PC, a proprietary chromogenic kit for Protein C, and DG™-TT L human reagent, a liquid human thrombin for determining thrombin time.

Operating within our Clinical and Specialty Diagnostics, Progenika manufactures a genetic diagnosis test for Familial Hypercholesterolemia (FH) using next generation sequencing technology (NGS). The division continues its efforts to broaden the Promonitor® line, used to monitor biologic drugs as sales continue in Chile, select European Union countries and Australia. The Promonitor® product line includes an ELISA (enzyme-linked immunoabsorbent assay) device line also developed by Progenika to monitor patients being treated with biological medicines for rheumatoid arthritis and other chronic inflammatory diseases. We maintain CE marking of two additional tests in the Promonitor® family that enable treatment with the biological product golimumab, and several tests to permit the use of a single dilution to measure quantity of drug and antibodies for a number of biological drugs, commonly used in the treatment of various inflammatory diseases, such as rheumatoid arthritis and ulcerative colitis. We also own PromonitorQuick®, a point-of-care diagnostic kit that detects anti-infliximab antibodies, antibodies that appear in patients with chronic inflammatory diseases who are treated with biological drugs.

We also continue to distribute our Triturus® analyzer, an open and fully automated analyzer for ELISA tests with multi-test/multi-batch capability. As an open system, it can be used for the automatization of our autoimmunity and biological drug monitoring product lines and other products in our portfolio for which we are distributors.

Pursuant to an exclusive agreement with AESKU Diagnostics GmbH & Co., or AEKSU, we distribute autoimmunity diagnostic products in the United States and Mexico. We also have various distribution agreements with AESKU in Chile, Italy, Portugal, Spain and the U.K. One of these diagnostic products is Helios, the only fully automated platform capable of performing all immunofluorescence pipetting and reading steps in the United States, which strengthened our U.S. portfolio of products. During 2018, AESKU obtained FDA approval of two additional assays for Helios, Antineutropil cytoplasmatic antibodies and nuclear Deoxyribonucleic acid. These products further strengthen the portfolio of IFA products offered in the U.S.

We retain the first FDA approved biological molecular test that uses the DNA of the patient for the diagnostic. This genetic test to detect alpha-1 antitrypsin deficiency (the "A1AT Genotyping Test") can be conducted on DNA extracted from blood as well as a drop of blood collected on paper (a "Dry Blood Spot"). This test was developed by Progenika Biopharma, a Grifols subsidiary. Although highly complex, the test has been designed so any molecular biology laboratory can process it with minimal human intervention. At the end of 2019, we also introduced AlphaID™, a new simple cheek swab that greatly simplifies the sample collection process. AlphaID™ allow physicians and healthcare providers to obtain a sufficient oral sample for alpha-1 screening, and it is completely free from ordering to results. The test is now available for distribution in the U.S.

We continue to sell the Intercept Blood System®, developed by Cerus, to inactivate pathogens in blood platelets and plasma in Spain and Mexico.

The Hospital Division

The Hospital division provides services and manufactures products used by hospitals, blood banks, plasma collection centers and other healthcare systems. These products include parenteral solutions, robotics and software. It also includes products that we do not manufacture but that we market as supplementary to the products that we do manufacture. The Hospital division accounted for €67.7 million and €118.7 million, or 2.7% and 2.2%, of our total net revenue for the six-month period ended June 30, 2021 and the year ended December 31, 2020, respectively.

The Medication Management (formerly named Hospital Logistics) and IV compounding segments are also strategic areas for the Hospital division. With the *inclusive® IV Compounding Portfolio*, we provide IV workflow management, GMP quality cleanrooms, expert consulting, and a range of automation solutions for hospital pharmacies, increasing the safety of their sterile compounding needs. With the hardware and software solutions offered by the Medication Management area, we are the market leader in Spain and Chile, and have a strong presence in other countries in Latin America in terms of offering solutions to manage hospitals' medication flow. At the beginning of 2018, Grifols reinforced the division by acquiring the U.S. technology firm MedKeeper, which develops and markets mobile and web-based technology solutions for the management of hospital pharmacies. See "Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Acquisitions—MedKeeper Acquisition." The acquisition complements our Pharmatech line and enhances our presence in the U.S. market.

IV Therapy is also a key segment of the division where we manufacture and distribute directly or through third parties products such as parenteral solutions, which are mainly sold in Spain, Portugal and the United States. We continue to be the market leader in the Spanish intravenous therapy segment in intravenous solutions, and in 2018 Grifols' 0.9% Sodium Chloride was marketed in the U.S. for the first time following the FDA approval of all volume Flebolex bags in 2017 and 2018. Fleboflex Luer containers were approved by the FDA in 2020. The following table describes the principal hospital products that we manufacture, distribute or install and their respective applications:

Product Description	Main Applications
Intravenous therapy:	
Intravenous fluid and electrolyte solutions. Main product groups include hypotonic solutions, isotonic solutions, hypertonic solutions and plasma volume expander solutions.	Fluid and electrolyte replacement and conduit for the administration of medicines.
Irrigation solutions.	Fluids for urological irrigation.
Intravenous mixtures. Ready-to-use intravenous mixtures of potassium and paracetamol.	Increases safety and efficiency by eliminating the need for the compounding of solutions in hospital pharmacies.
Pharmatech:	
Inclusive® IV Compounding Portfolio. Gri-fill® System uses sterile filtration to prepare intravenous mixtures at in-hospital pharmacies. Misterium® are modular clean room facilities we sell in the United States and IBAM. The Kiro Oncology automation system is designed specifically for the preparation of cytotoxic drugs, while Kiro® Fill is used with non-hazardous preparations. PharmacyKeeper is a web and mobile-based application to improve key pharmacy operational processes.	Improves safety of hospital pharmacy preparation procedures by assuring sterility, traceability, user safety and quality to ensure compliance with regulations.
Medication Management. Includes a range of software and hardware products to manage and automate inventory, storage, packaging and other processes in operational pharmacies, including our own BlisPack®; and logistic dispensing systems, including Pyxis®, StocKey® and StocKey® RFID Smart Cabinet, and Kardex®.	Used in the logistical organization of hospital pharmacies and warehouses, in the preparation of unit dosing and in hospital management, admissions and accounting.
Nutrition:	
Dietgrif® enteral liquid diets. Oral diets with all the requirements for balanced nutrition. Different diets include standard, standard fiber, polypeptidic, hyperproteic and energetic.	For patients who are unable to eat enough to maintain a nutritious diet, administered through feeding tubes as well as orally.
Enteral feeding devices.	Provides solutions for patients unable to eat by means of a regular oral diet.
Probiotics. Special complementary diets composed of live microorganisms.	Improves gastroenterology conditions that are the result of a lack of intestinal microflora.
Medical Devices:	
Disposable sterile therapeutic medical products.	The products have therapeutics uses in urology, neuroradiology, cardiology and anesthesia.
Others:	
Anticoagulant sodium citrate.	Used in the plasma donor centers as an anticoagulant solution.

The production, marketing or sale of our various Hospital division products are subject to prior registration with authorities of the relevant jurisdictions. We have approximately 170 licenses for our Hospital division products registered in 42 countries throughout Europe, Latin America, Africa, Canada and the United States. Our sales representatives sell primarily to pharmacy, nutrition and gastroenterology units in hospitals and other units in hospitals that use our medical devices, using our own distribution network and external distribution organizations in some Latin American markets.

While our Hospital division generates most of its revenue in Spain (58% of net revenue in 2020), we continue to promote international expansion. In 2017, the FDA approved Grifols' 500 ml normal saline solution in polypropylene bags

(0.9% sodium chloride), in 2018 the FDA approved the 50 ml, 100 ml, 250 ml and 1,000 ml presentations and, in 2020, the FDA approved similar polypropylene bags with luer lock ports. These important milestones reinforced the global expansion of the division and mark an important step forward.

The Hospital division employs a commercial strategy to promote Pharmatech's presence in Latin America through the use of specialist distributors in this sector, while also maintaining a direct sales effort.

Intravenous Therapy

We manufacture and distribute intravenous solutions, primarily in Spain. The FDA has approved our normal saline solution in 50 ml, 100 ml, 250, ml and 1,000 ml Flexoblex polypropylene bags (0.9% sodium chloride), manufactured in our Murcia (Spain) plant, allowing the division to market this product in the U.S. market. In 2020, the FDA approved the same formats in a new container (Fleboflex Luer) which will be manufactured in Barcelona (Spain). The FDA approvals of anticoagulant and normal saline have also increased the group's self-sufficiency, and our saline is being used in our U.S. plasma collection centers to restore the circulatory volume in donors. The FDA approval reinforced the division's global expansion and marked an important step forward that opened up the possibility of new future authorizations for other products manufactured in the Murcia and Barcelona facilities. Moreover, it bolstered our global expansion efforts and confirmed our strategy of fostering the integration of products and services among our divisions. In addition, we have increased our focus on manufacturing ready-to-use intravenous mixtures for third parties. We believe this approach will contribute to the Hospital division's geographic diversification and allow us to maximize productive use of the Parets facility.

We have also signed agreements with ICU Medical, Henry Schein, Hemasource and other third parties for 0.9% Sodium Chloride distribution in the United States.

We continue to consolidate third-party manufacturing contracts. In 2018, the Hospital division completed new developments such as the Intercept® Red Blood Cells System, a combination product that includes three blood bags, one filter set plus two inactivation drugs to perform the process of inactivating red blood cells, and milrinone IV ready-to-use flexible bags, both of which have been submitted to regulatory authorities for approval. FDA approval has been obtained for Tirofiban IV (prediluted platelets) and Ibuprofen IV, both ready-to-use in flexible bag products.

Pharmatech: Medication Management and inclusiv® IV Compounding Portfolio

We provide logistic solutions to hospital pharmacies by selling products related to the logistical organization of pharmacies and warehouses of hospitals, including packaging instruments and software programs for hospital management, admissions and accounting departments. Most of these Medication Management products are manufactured by third parties. However, our portfolio includes some products manufactured by Grifols such as StocKey®, an automated Kanban system designed to optimize hospitals' healthcare material restocking processes, StocKey RFID®, a radiofrequency identification cabinet for the storage of high value medical devices, such as prosthetics and coronary stents, and BlisPack®, a system designed and manufactured by us to automate the cutting of prescription pill blister packs and the electronic identification of specific drugs for individual patients to be used by hospitals.

We also manufacture and distribute a complete portfolio of devices, softwares and services used in connection with the preparation of specific intravenous medication, which we refer to as inclusiv® IV Compounding Portfolio. We commercialize Misterium®, a cleanroom we designed to order and install on site to customer specifications. We have expanded our Misterium® cleanroom solutions with the incorporation of Airinspace® products, including medically effective air and surface decontamination systems. As the exclusive distributor of these products in the United States and Spain, Grifols is able to offer a broad portfolio of products for hospital pharmacies and other pharmacies specialized in sterile IV compounding in these countries.

We are managing the global introduction of the Kiro Oncology robot, which automates the preparation of intravenous medication for chemotherapy to reduce the risk that health professionals will come into contact with these hazardous products. We expect that the Kiro Oncology robot will be one of the principal drivers of inclusiv® IV Compounding Portfolio product line growth in the near future. This system enables us to offer to hospital pharmacies worldwide what we believe to be the most complete portfolio of solutions for controlling intravenous medication preparation processes. The Kiro Oncology system is available in both the United States and Europe, and in 2019 there were new consumers based in Spain, France, Sweden, Netherlands, Poland, Latvia and other Baltic countries. In 2020, operations in North America have faced some difficulties during the COVID-19 pandemic. See "Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Consequences of COVID-19."

With the acquisition of MedKeeper in January 2018, the inclusiv® IV Compounding Portfolio has continued to develop. MedKeeper, with a SaaS business model, adds the missing piece of a compounding portfolio that enables the division to offer a holistic and integrated technology, software and service solution to our customers. PharmacyKeeper® is the leading IV workflow solution and was awarded in 2021, for the fifth consecutive year, as *Best In KLAS* by KLAS Research. See "Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Acquisitions—MedKeeper Acquisition."

Nutrition

We develop and distribute enteral nutrition products, including accessories such as feeding tubes and nutritional bags, for sale in the Spanish market. The main driver of the segment is the distribution of gastric probes manufactured by Halyard Health, continuing our leadership in Spain with this product line.

Medical Devices

We also sell other medical devices, such as disposable sterile therapeutic medical products for urology, neuroradiology, cardiology and anesthesia. All of these products are manufactured by third parties and complement our portfolio of Hospital division products. We are increasing our strategic efforts to sell medical devices that complement our portfolio of Bioscience division products. The main driver of growth in this segment in 2020 has been Neuroradiology disposables.

Research and Development

Research and development is a significant aspect of our business. Our principal research and development objectives are (i) to discover and develop new products, (ii) to research new applications for existing products and (iii) the improvement of our manufacturing processes to improve yields, safety and efficiency. Research and development spending was €240.6 million in 2018, €276.0 million in 2019, €294.2 million in 2020 and €158.5 in the six-month period ended June 30, 2021. In addition, as of June 30, 2021, we had 1,092 scientists and support staff dedicated to research and development.

We have several decades of successful innovation history. For example, we developed a unique fractionation design that reduces the risk of contamination, reduces maintenance costs and increases the amount of product extracted per liter of plasma. We also developed the first centrifugation unit for the automated cleaning of blood cells. In addition, we were one of the first fractionators to conduct double viral inactivation processes for Factor VIII and have designed and implemented a new process for the sterile filling of vials that reduces exposure to potential contaminants as compared to other existing processes. Further, we have developed a nanofiltration method of viral inactivation for our IG, alpha-1 PI, and ATIII products. As a result of our continuing investment in research and development, we believe that we are well positioned to continue as a leader in the plasma-derived therapies industry.

Bioscience Division Initiatives

We have a number of patents and research and development projects in our Bioscience division underway, 21 of which are in the clinical development phase. The following table reflects the total number of research and development projects in our Bioscience division by development phase as of the end of the last three years.

	As of December 31,		
Development Phase	**2020**	**2019**	**2018**
Discovery	12	15	12
Preclinical	25	19	12
Clinical	21	21	28
Post Commercialization Studies	11	10	9
Rest of projects	19	19	16
Total Bioscience Research and Development Projects	**88**	**84**	**77**

The table below presents the most important of our research and development projects:

Product Candidate	Therapeutic Area	Product Type	Potential Use	Development Phase
Albumin	Alzheimer's	Plasma-derived	Alzheimer's disease	Expanded Phase III (clinical trial program currently in development with FDA input)
IgM	Antibiotic-resistant infections	Plasma-derived	Bacteremia	Preclinical development
Fibrin Sealant	Surgical bleeding	Plasma-derived	Vascular, organ and soft-tissue surgery	Launched in the U.S. during 2019 and in the EU in 2020

AMBAR Study

The Alzheimer Management by Albumin Replacement ("AMBAR"), study was a multicenter trial that complemented two previous trials and involved combining therapeutic plasmapheresis with albumin and IVIG in different intervals and in varying doses. Since the AMBAR project was mainly based on albumin, the study also included a treatment arm with albumin alone in order for both approaches, the combination of albumin plus IVIG, and albumin alone, to be covered. Therefore, we conducted a Phase IIb/III clinical trial to demonstrate the efficacy of plasmapheresis with Albutein® and Flebogamma® DIF, for improving the cognitive status of treated patients with Alzheimer's disease compared with non-treated patients. The study was conducted in collaboration with 41 hospitals in Spain and in the United States. 496 patients were enrolled, and the top line results presented in 2018 showed a reduction of 61% in disease progression in both primary efficacy endpoints measuring cognition and activities of daily living during a 14-month period. During 2019 clinical secondary endpoints, biomarkers and neuroimaging results were presented and signals of a positive effect were observed. Additionally, the AMBAR treatment showed an excellent safety profile with 72% of the treated patients completing the entire study and with approximately 90% of the 4,709 procedures performed showing no adverse effects. In July 2020, clinical trial results were published in the scientific journal Alzheimer's & Dementia: The Journal of the Alzheimer's Association. Also, during 2020, some different post-hoc data analysis were presented in different scientific congresses.

We incurred costs in the amount of €0.9 million, €2.4 million, €3.2 million and €5.1 million in connection with this project in the six-month period ended June 30, 2021 and the years ended December 31, 2020, 2019 and 2018, respectively. We hold significant granted patents and patent applications on the production of albumin and IVIG as well as on the combination of plasma exchange with albumin replacement for the treatment of Alzheimer's disease.

IgM

Grifols has extensive expertise in the area of infectious disease and in the development of immunoglobulin therapies. We have made significant progress in developing IgM, a new protein entity, for the treatment of bacteremia. IgM is purified from a discarded fraction from the Gamunex® process using a number of recent chromatography technologies. There is a significant medical need for new antimicrobial therapies due to the rise of antibiotic resistance, particularly for gram negative species, and IgM has shown activity against a broad range of gram negative species. Preclinical studies have shown that IgM can bind to a wide variety of bacteria and bacterial antigens and eventually mediates bacterial uptake into phagocytic cells, which kill the bacteria. Use in rodent models has shown that IgM can act synergistically with antibiotics to protect against drug resistant gram negative bacteria. Our IgM would most likely be utilized as empiric adjuvant to antimicrobial therapy in high-risk, immunocompromised patients with systemic infections (solid organ transplantation, or SOT, hematopoietic stem cell transplantation, or HSCT, burn, ICU, etc.) and potentially be continued after the switch to a defined therapy. Toxicology studies began in February 2020 and an investigational new drug application submission (an "IND Submission") is forecast for the remainder of 2021. Phase I, II and III clinical studies are also planned.

We incurred costs in the amount of €2.5 million, €5.6 million, €5.2 million and €5.4 million in connection with this project in the six-month period ended June 30, 2021 and the years ended December 31, 2020, 2019 and 2018, respectively. We hold a significant number of granted patents related to IgM.

Fibrin Sealant

We began clinical trials into the safety and efficacy of the use of fibrin sealant as a supportive treatment for the improvement of hemostasis in vascular, organ and soft-tissue surgery in 2008. In 2014, we completed a clinical trial in the European Union for the use of fibrin sealant in vascular surgery. Three additional clinical trials were performed: (i) a Phase III clinical trial in the United States for the use of fibrin sealant in solid organ surgery; (ii) a Phase III clinical trial in the United States for the use of fibrin sealant in soft-tissue surgery; and (iii) a Phase III clinical trial for the use of fibrin sealant in vascular surgery in the United States. All of the U.S. clinical trials for fibrin sealant were completed in 2015. Marketing

authorization approvals were received from the FDA and EMA in November 2017. A distribution agreement was made with a third party, requiring an additional regulatory supplement. Vistaseal® was launched in the U.S. during 2019 and Veraseal® was launched in the EU in 2020.

We incurred costs in the amount of €68,000, €0.1 million, €2.7 million and €1.1 million in connection with this project in the six-month period ended June 30, 2021 and the years ended December 31 2020, 2019 and 2018, respectively. We hold significant granted patents on the fibrinogen and thrombin production processes.

Other Bioscience research and development projects undertaken during 2020 included:

- licensure in the U.S. and market authorization application in the EU for a high concentration immunoglobulin for subcutaneous administration;
- new container closure systems for Albutein®, Plasmanate®, Gamunex®-C, Prolastin 4g, 5g® and Xembify Prefilled syringes;
- clinical programs to evaluate new indications of Flebogamma® DIF 5% and Gamunex®-C;
- A1PI. New vial sizes and concentrations of the liquid formulation of Prolastin®- C were licensed in 2020, providing important advancements in manufacturing efficiency as well as improved patient convenience. A new liquid formulation, intended for subcutaneous administration, is also in development; and
- clinical studies to evaluate the effects of the prolonged administration of human albumin on cardiovascular, hepatic and renal function in patients with advanced cirrhosis and ascites.

All clinical trials involve risks and uncertainties. Preclinical and clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more of our clinical trials can occur at any stage of testing. We may experience numerous unforeseen events during or as a result of preclinical testing and the clinical trial process that could delay or prevent our ability to receive regulatory approval or commercialize our product candidates. For a discussion of these unforeseen events, see "Risk Factors—Risks Relating to the Company and Our Business—We may not be able to commercialize products in development." Upon the completion of each of the development stages we evaluate the results achieved as compared to the objectives pursued. Each of the key projects listed above has met our expectations with respect to results at the various development stages and we expect to move forward with the development process for each.

We believe that our current liquidity is sufficient to fund the ongoing costs of our key projects listed above through their completion as well as our other research and development initiatives.

Diagnostic Division Initiatives

Research and development in the Diagnostic division supports various business areas, including transfusion medicine, clinical diagnostics, and the recombinant protein business. The Diagnostics division focuses on the development of *in vitro* diagnostic reagents/assays, instrumentation, and software for donor screening, which includes infectious disease detection and blood typing tests to determine donor/recipient blood compatibility. Here, research and development focuses on opportunities to develop increased multiplex test capabilities, as well as improved automation solutions in order to increase throughput and reduce costs for customers. The division also develops products for clinical diagnostics, including hemostasis assays and analyzers, as well as a board menu of drug and anti-drug ELISA kits and lateral flow point-of-care devices for biological drug monitoring. The research and development team employs a diverse technology portfolio including transcription mediated amplification, or TMA, polymerase chain reaction, or PCR, and NGS for molecular assays, and immunologic based methods using red blood cell, or RBC, agglutination, latex particles agglutination, solid phase capture, lateral flow, as well as enzymatic reactions using chromogenic substrates. The Company has also continued research and development of new recombinant proteins and antibodies as critical raw materials to support internal and external customers in various fields such as hemostasis, infections disease and immunohematology.

In 2020, the Diagnostic division obtained CE mark for SARS-CoV-2 on Panther®, as well as CE mark for the submission of the Ultrioplex E multiplex assay. CE marks were also obtained in Europe for (i) one new lateral flow device for IFX monitoring (Promonitor Quick IFX) in an automated reader (PQ Reader), (ii) two controls for drug monitoring and (iii) an ELISA assay for anti-SARS-CoV-2 IgG detection. The Division also obtained FDA approval for the QSmart

hemostasis analyzer with PT reagent kit. Additionally, significant progress was made on clinical trials in China for registration of DG Gel Neutral, CT, Coombs and DG Reader Net.

Additionally, the Diagnostic division is developing medical devices for the extraction and storage of blood components. In 2020, we received the marketing authorization approval from Spain's CE Mark Notified Body for Leucored WB CPD-SAGM with design improvements and a new filter, with the goal of being more competitive in the market. The principal products under development were phthalate (DEHP)-free blood bags, and improvements in standard blood bags and Leucored bags that make them more competitive in the Brazilian market.

Hospital Division Initiatives

Research and development in the Hospital division focuses on delivering products, integrated technology solutions, and services that improve safety, quality and efficiency in the operational pharmacy. The Hospital division is comprised of multiple subdivisions including IV Solutions, Contract Manufacturing and Pharmatech. Significant research and development activities are ongoing in each of these subdivisions.

The principal projects currently under development in the IV Solutions subdivision are a flexible plastic container closure system for biological products, a new presentation for anticoagulant solutions with apheresis connectors, to ensure compliance with ISO 18250-8, Dextrose 5% in Fleboflex containers for the U.S. market and three-liter DHPR-free irrigation bags. During 2020, we received FDA marketing authorization approval for 0.9% Sodium Chloride in Fleboflex Luer, USP (needle-free) container and enlarged the DMF for Sterile Water for injections with two new presentations (2.5/5 and 15/20 ml). In the fluid therapy market, work continues on the study of the stability of various ready-to-use mixtures in polypropylene packaging, in order to increase the range of mixtures available for hospital use.

Within the Contract Manufacturing product group, which focuses on offering development and manufacturing services for third parties (mainly in the U.S.) the Hospital division develops ready-to-use mixtures. During 2020, the development of an alpha-1 agonists solution in flexible bags was initiated, and two products were approved by the FDA – the Aggrastat Injection 5mg/100 mL and the Milrinone Lactate Injection in 5% Dextrose.

This subdivision also works on several cross-divisional initiatives. As part of the AMBAR study, the Hospital division is collaborating on the development of special devices and containers specifically designed for the procedures and protocols of the study. There is collaboration with the Diagnostic division on the manufacturing of the cuvette of Q-Coagulometer, among others. The partnership with the Bioscience division includes the development of a plastic holder for syringes of Fibrin Sealant.

Finally, the Pharmatech subdivision is devoted to the development of a comprehensive IV compounding portfolio of integrated technology solutions with devices, software, and services. The portfolio includes Grifols traditional products, like the Gri-fill® system, along with more recent technologies, such as the PharmacyKeeper suite of software solutions and the KIRO robotic systems, including the KIRO Oncology automated IV compounding system for oncology preparations and the KIRO Fill® system for automated filling of non-hazardous IV medication. The R&D program in this area is focused on connecting all the technology ecosystems of the IV Compounding portfolio under a single software platform and user experience.

This subdivision has an active research and development program which includes the development of new software and state-of-the-art technology, such as cloud-based systems, mobile apps and Radio-Frequency Identification, or RFID, to improve interoperability, efficiency and overall workflow and productivity in the operational pharmacy. Other fields of development include the traceability and inventory management of high cost implants and other medical devices.

Other Initiatives

In addition, we are increasing our research and development activities in new fields. We conduct these activities through the creation of joint ventures participated in by Grifols Innovation and New Technologies Ltd, or GIANT, through agreements to use patents owned by third parties and through selective acquisitions.

Our investments in Araclon and VCN Biosciences in 2012 expanded our research and development capabilities in fields outside of our traditional business segments. Araclon is dedicated to finding solutions that promote new diagnostic and therapeutic approaches to Alzheimer's disease, to be applied in the early stages of the disease. Araclon is working on the validation of an early diagnostic test and the development of a vaccine to combat Alzheimer's disease in the asymptomatic preclinical stage. The vaccine has passed the animal experimentation stage and a Phase I clinical trial in humans has been completed. In 2017 Araclon obtained approval by the AEMPS for a Phase II placebo-controlled trial of

the AB40 vaccine in Alzheimer disease patients and completed recruitment in 2019. In 2020, a change in the design of the trial was introduced that allows cross-over of the treatment arms, so all the participants could receive the vaccine. VCN Biosciences is investigating and developing new therapeutic approaches based on oncolytic adenoviruses to treat tumors for which there is currently no effective treatment. Its most advanced project focuses on the treatment of pancreatic cancer. AEMPS approved two Phase I clinical trials for this project and VCN Biosciences began recruiting patients for the Phase I trials in the first quarter of 2014. In 2017 VCN obtained approval by the Spanish Drug Regulatory Agency of another Phase I/II trial of VCN-01 in pediatric patients with Retinoblastoma. Additionally, VCN Biosciences is engaged in a Phase I/II trial involving patients diagnosed with refractory head and neck cancer combining VCN-01 with AstraZeneca's Durvalumab. The recruitment speed of this trial was adversely affected by the COVID-19 pandemic.

Through our ownership of Alkahest, we develop plasma-based products for the treatment of cognitive decline in aging and other central nervous system (CNS) disorders, including Alzheimer's disease. In 2017 Alkahest obtained approval by the FDA of a Phase I/II clinical trial of a plasma fraction (GRF-6019) in Alzheimer's disease patients and the trial began in 2018. The trial was completed in 2019 and preliminary results were presented by the end of the year. Also, a second trial of GRF-6019 in a population of severe Alzheimer's disease patients ended in April 2020. Another Phase II placebo-controlled trial of GRF-6021 in Parkinson disease patients with Dementia was finalized by the end of 2020. At the pre-clinical level, new potential clinical indications are being tested with plasma fractions. Finally, Grifols completed the acquisition of Alkahest in 2020. See "Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Acquisitions—The Alkahest Acquisition."

In 2016, we acquired 30% of the equity of AlbaJuna Therapeutics, a spin-off company from the IrsiCaixa AIDS Research Institute, promoted jointly by "la Caixa" Foundation and the Department of Health of the Government of Catalonia, and established to promote the pre-clinical and clinical development of monoclonal antibodies that neutralize the effect of HIV in the body while increasing the activity of the natural killer cells that have the task of destroying infected cells. In 2020, a candidate was selected and proof of concept studies in non-human primates (NHP) started, as well as process development and manufacturing activities, which began by the end of the year.

In 2017, we acquired a 43.96% equity stake in GigaGen, a pre-clinical biotherapeutics company based in San Francisco (California) specialized in the research activities to develop recombinant plyclonal immunoglobulin therapies derived from human B cells for the treatment of human diseases. In 2018, Gigagen started to work in the development of Hyperimmune immunoglobulin, which continued during 2019 and 2020, with a focus on collecting the human samples needed to build DNA libraries. Beginning in 2020, GigaGen started to work on a polyclonal product to treat COVID-19 and received FDA approval of the IND in February 2021. The initiation of a clinical trial is planned for 2021.

In 2018, GIANT signed a collaboration agreement with IrsiCaixa AIDS Research Institute for five years to join forces to promote biomedical research on HIV and associated diseases.

Finally, Grifols signed an agreement in the first quarter of 2020 to support a consortium with the IrsiCaixa AIDS Research Institute, the Barcelona Supercomputing Center (BSC) and the IRTA (Institute of Agrifood Research and Technology) aimed to discover new antibodies and vaccines against COVID-19.

Seasonality

Our businesses are not significantly affected by seasonal trends.

Raw Materials

The cost of plasma, the key raw material used in the production of plasma-derived products, increased as compared to 2019, mainly due to the impact of the COVID-19 pandemic.

Grifols recognized an impact of €205 million in 2020 to its inventory value, mainly due to COVID-19. This impact stems primarily from lower-than-expected plasma collection, which in turn caused lower capacity utilization of our facilities, and has been recognized in the gross margin line. The COVID-19 pandemic also caused an increase in the cost of plasma due to the trend towards greater incentives to reward donors. See "Operational and Financial Review—Factors and Trends Affecting Our Financial Condition and Results of Operations—Consequences of COVID-19."

We continue to monitor the efficiency of our plasma collection platform and have concentrated all of our plasma testing into our six laboratories in Austin and San Marcos, Texas, Memphis, Tennessee, Boca Raton, Florida, Leipzig, Germany and Parets, Spain.

In September 2021, we entered into an Acquisition Agreement to acquire all of the existing equity interest in Holdings and to accept an assignment from TIIL of certain shareholder loans granted by TIIL to Holdings. Holdings in turn owns 89.88% of the ordinary shares and 1.08% of the preferred equity shares of Biotest, a global company that supplies plasma protein products and biotherapeutic drugs, which we expect will give us access to 26 additional plasma collection centers. See "Summary—Recent Developments—The Acquisition," and "The Transactions."

In October 2020, we completed the purchase of 11 collection centers in the U.S., as well as a plasma fractionation facility and two purification facilities in Montreal, Canada, from GC Pharma for a total consideration of $457 million on a debt free basis. See "Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Acquisitions—The GC Pharma Acquisition."

In June 2018, we completed the acquisition of Haema, a German based pharmaceutical company that owns 35 collection centers throughout Germany, for a purchase price of €220 million on a debt free basis. In August 2018, we completed the acquisition of Biotest US, a U.S. based pharmaceutical company that owns 24 plasma collection centers, for a purchase price of $286 million. In December 2018, we sold our 100% stake in Haema and Biotest US to Scranton Enterprises B.V., one of our major shareholders and a related party, for a total of $538 million. We have the ability to repurchase the shares sold to Scranton Enterprises B.V. at any time. Our plasma supply agreement among Grifols, GWWO, Biotest Pharmaceuticals Corporation and Haema, or the Plasma Supply Agreement, was effectively extended on January 1, 2019 for a 30-year period, and we continue to operate the companies' plasma collection centers. See "Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Acquisitions—Acquisition and Sale of Haema and Biotest US." We believe our Plasma Supply Agreement will play a key role in fulfilling our plasma requirements through 2021 and beyond, along with plasma collected through our plasma collection centers and plasma purchased from third-party suppliers pursuant to various plasma purchase agreements.

The principal raw materials for our intravenous therapy products are plastic and glass bottles, which we purchase from various European suppliers.

Marketing and Distribution

We currently sell Bioscience, Diagnostic and Hospital products to hospitals and clinics, GPOs, governments and other distributors in over 100 countries.

In the United States, the sales model is complex, with many intermediaries, requiring Grifols to execute multi-faceted arrangements for the distribution of our products. Sales of finished goods are distributed through various channels such as distributors, wholesalers, specialty pharmacies, home health care companies, clinics, hospitals, government entities and directly to physician offices. Payers and purchasers also control access to products, requiring separate negotiations with payers and GPOs. GPOs are entities that act as purchasing intermediaries for their members, which are primarily hospitals. GPOs negotiate the price and volume of supplies, equipment and pharmaceutical products, including plasma derivatives, used by their members.

We market our products to healthcare providers and other decision-makers, such as those in hospitals, through focused sales presentations. Although price and volume are negotiated through contractual agreements with intermediaries, demand for our products is generated through promotional efforts by Grifols' sales representatives. In the case of GPOs, the actual sales are made to the authorized distributor(s) of each GPO at the contract price, and the distributor then sells the products to the members of that GPO. We promote our products directly to the GPO's members. For safety and post-sale service reasons, the distributor is required to provide us with the specifics of the ultimate delivery to the client.

The sales, marketing and distribution process is different in Europe, where the bulk of sales are generally made directly to hospitals. We have developed long-standing relationships with major hospitals in most of our European markets, and we believe that hospitals are loyal customers that recognize the high quality and safety of our products, our reliability as a supplier and the strong product expertise and service provided by our sales representatives. Due to the nature of our customer base and the prevalence of repeat sales in the industry, we market our products through focused sales presentations rather than by advertising campaigns.

Sales to Eastern Europe, the Middle East and some Asian countries are made mostly by third parties outside of our sales network. Our sales in Latin America are made mainly by our sales network.

Sales Representatives

We require our sales representatives to be able to highlight the technical differences between our products and those of our competitors. This skill requires a high degree of training, as the salesperson must be able to interact and discuss product differences with doctors, pharmacists and other medical staff. Sales representatives call on office-based healthcare providers and hospital-based healthcare providers, departmental heads, purchasing agents, senior hospital directors, lab directors and pharmacy managers. We compensate our sales representatives by means of a fixed salary and a bonus component based on sales. We divide our sales efforts along the lines of our main product categories. Our sales personnel are primarily located in Europe and the United States, but we also have sales personnel in Latin America and Asia-Pacific.

In our Bioscience division, we utilize mixed sales units comprised of both marketing and sales personnel. In some countries, we have product line-specific sales units for immunology & neurology, pulmonary, intensive care and coagulation factors.

Advertising

We participate in medical conferences and fairs and occasionally publish advertisements in medical journals and trade magazines. This promotional activity is also supported by online activities.

Distribution

We believe that having our own distribution network staffed with highly trained personnel is a critical element of a successful sales and marketing effort. Through this network, we are able to provide high-quality pre- and post-sales service, which we believe enhances brand recognition and customer loyalty. Our distribution network is experienced in the proper handling of our products and allows us to know where our products are located, enabling us to act quickly in the event of a suspected problem or product recall.

Our distribution network personnel are located in Europe, Latin America, the United States and Asia-Pacific and handle the distribution of our biological medicine, diagnostic and other medical products as well as goods manufactured by other premier healthcare companies that complement our own products.

During 2020, we distributed the majority of our products through our own distribution network. In some cases, particularly in the field of Diagnostics, we distribute products through marketing partners and third-party distributors. We have a direct presence in over 30 countries and we carefully select distributors in the countries were we do not have a direct presence. We have a responsive, effective logistics organization that is able to punctually meet the needs of hospital centers and other customers throughout the world.

Our sales, marketing and distribution network included 1,496 employees as of June 30, 2021, which included 295 sales and distribution personnel and 201 marketing employees.

Each of our commercial subsidiaries is responsible for the requirements of the local market. It is our goal for each commercial subsidiary to be recognizable as one of our companies by its quality of service, ethical standards and knowledge of customer needs. Strong local knowledge enables us to build and maintain long-term relationships with customers to earn their trust and confidence.

Patents, Trademarks and Licenses

Patents and Trademarks

Through our patent ownership, co-ownership and licensing, we seek to obtain and maintain intellectual property protection for our primary products.

As of June 30, 2021, we owned 3,414 patents and patent applications in various countries throughout the world, of which 938 are in the final application process. In some countries, these patents grant a 20-year protection period. 1,204 of these patents are set to expire in the next ten years, including the patent for the product Grifill, which will expire in February 2022, and the patent for the process of removing viruses in Fibrinogen solutions, which will expire in March 2024.

As of June 30, 2021, we also owned 3,581 trademarks in various countries throughout the world, of which 305 are in the final application process. In addition, we co-own certain patents and patent applications with third parties, including patent rights co-owned with Novartis following the Novartis Acquisition.

We maintain a department with personnel in Spain and Ireland to handle the patent and trademark approval and maintenance process and to monitor possible infringements.

Plasma Derivative Products

As of December 31, 2020, we owned 2,024 patents and patent applications related to plasma derivatives, including 1,019 in Europe, 168 in the United States and Canada and 837 in the rest of the world. The most important of these patents relate to:

- a concentrated subcutaneous alpha-1 antitrypsin;
- the use of low volume plasma exchange for the treatment of Alzheimer's disease;
- Transferrin for the treatment of Hipoxia inducible factor related conditions;
- the process for removing viruses in Fibrinogen solutions;
- a concentrated subcutaneous Immunoglobulin G injection; and
- concentrated Immunoglobulin M preparations for the treatment of bacterial infections.

Hospital and Diagnostic Products

As of December 31, 2020, we owned 1,002 patents and patent applications related to our Hospital and Diagnostic products, including 564 in Europe, 120 in the United States and Canada and 318 in the rest of the world. The most important of these patents relate to the:

- Gri-fill® System, a process for the sterile filling of flexible material bags;
- BlisPack®, a blister handling machine;
- Erytra Eflexys®, a mid-sized instrument to perform pre-transfusion compatibility tests using DG Gel® technology;
- innovative containers for human plasma proteins;
- novel HIV antigens for blood screening;
- novel GpIbα for homeostasis;
- soluble recombinant form of CD38 receptor; and
- screening assays for bloodborne parasites.

As of December 31, 2020, we owned one patent related to other areas of the business, in Europe.

Licenses from Third Parties

We license certain intellectual property rights from third parties, including Singulex and Hologic. Singulex granted us an exclusive worldwide license under certain intellectual property rights for the use and sale of certain products and services for blood donor and plasma screening. Pursuant to an intellectual property license with Hologic, we obtained a fully paid-up license to certain of Hologic’s intellectual property for use in the NAT Donor Screening Unit.

Licenses from Government Authorities

Government authorities in the United States, at the federal, state and local level, and in other countries throughout the European Union, Latin America, Asia and elsewhere, through licenses, approvals, reviews, inspections and other requirements, extensively regulate the research, development, testing, approval, manufacturing, labeling, post-approval monitoring and reporting, packaging, promotion, storage, advertising, distribution, marketing and export and import of healthcare products such as those that we collect, manufacture, sell or are currently developing.

For example, in order to sell our plasma derivative products we must hold appropriate product licenses from applicable governmental authorities. We have 973 hemoderivative product licenses registered in 84 countries, which include the licenses we hold from the FDA for the sale in the United States of IG, A1PI, albumin, Factor VIII, Factor IX, ATIII and PTC. The production, marketing and sale of many of our Diagnostic division products are subject to the prior registration of such products with the relevant authorities of the applicable jurisdictions. We have over 3,026 diagnostic product licenses registered in a total of 76 countries in Europe, the United States, Canada, Latin America, Africa and Asia. With respect to our various Hospital division products, we have 165 licenses for our Hospital division products registered in 42 countries throughout the European Union, Latin America and the United States.

Governmental oversight extends to the various facilities involved in our operations. For example, our Parets and Murcia facilities are subject to applicable regulations and standards of the European health authorities. With respect to oversight by the FDA, our Instituto Grifols Bioscience plant at our Parets facility has been registered with the FDA since 1995, and our other manufacturing facilities maintain FDA registration, and all are subject to FDA standards. We lease most of our plasma collection centers as well as our main laboratory facility located in Austin, Texas, and maintain licenses with the appropriate regulatory authorities, including the FDA, for all of these locations.

For more information on government licenses and regulation, see "—Our Company—Operating Divisions" above and "Regulatory Matters."

Property, Plant and Equipment

Our headquarters is located in Barcelona, Spain. As of the date of this offering memorandum, we owned or leased facilities in seven countries. We currently own or lease manufacturing facilities in 10 sites in nine different locations, four of which have plasma fractionation capabilities. The table below shows the geographic location and business purpose of our principal properties.

Location	Facility	Own/Lease [(2)]	Business Purpose
Parets del Vallès, Spain	Industrial Facility One Parets	66% owned; 34% of the property is leased from a third party	Plasma fractionation Manufacture of plasma derivatives & division support activities
	Industrial Facility Two Parets	80% owned; 20% of the property is leased from a third party	Manufacture of Diagnostic and Hospital products
	Industrial Facility Three Parets	68% owned; 32% of the property is leased from a third party	Plasma storage & other operating activities
Los Angeles, California, U.S.	Industrial Facility, U.S.	92% owned; 8% of the property is leased from a third party	Plasma fractionation Plasma purification Manufacture of plasma derivatives
Clayton, North Carolina, U.S.	Clayton Facility	100% owned	Plasma fractionation Plasma purification Manufacture of plasma derivatives
Durham, North Carolina, U.S.	Research Triangle Park	23% owned, 77% of the property is leased from a third party	Research and Development Labs and Offices
Emeryville, California, U.S.	Emeryville Facility	100% owned	Manufacture of Diagnostic products

Location	Facility	Own/Lease [2]	Business Purpose
City of Industry, California, U.S.	City of Industry U.S.	100% leased	Plasma storage
San Carlos, California, U.S.	Alkahest site	100% leased	Research and Development Labs and Offices
South San Francisco, California, U.S.	GigaGen site	100% leased	Research and Development Labs and Offices
Murcia, Spain	Industrial Facility Murcia	100% owned	Manufacture of Hospital products
Fribourg, Switzerland	Industrial Facility Switzerland	100% leased	Manufacture of Diagnostic products
Melbourne, Australia	Industrial Facility Australia	100% owned	Manufacture of Diagnostic products
Austin, Texas, U.S.	Plasma Testing Lab	100% leased	Plasma testing
San Marcos, Texas, U.S.	Plasma Testing Lab	100% owned	Plasma testing
San Diego, California, U.S.	San Diego Facility	76% owned; 24% of the property is leased from a third party	Manufacture of components of the TMA amplified NAT kits
Dublin, Ireland	Global Operations Center	[1]	Operating activities related to the Bioscience division
Sant Cugat del Vallès, Spain	Headquarters	100% leased	Headquarters
Campo Largo, Curitiba, Brazil	Industrial Facility Brazil	100% owned	Manufacture of Diagnostic products
Montreal, Canada	Industrial Facility Montreal	100% owned	Plasma fractionation Plasma purification

(1) We hold a 999 year leasehold interest in the property.
(2) Lease percentage based on property size.

Plasma Fractionation Plants

Our plasma derivative products are manufactured at our Parets, Los Angeles, Clayton, and Dublin facilities. All of our fractionation facilities have FDA and EMA certification. Our facilities currently have an aggregate fractionation capacity of approximately 21 million liters of plasma per year, and this capacity is sufficient to cover our current production needs.

The Parets facility has a fractionation capacity of 5.0 million liters per year and a unique design that separates the maintenance area from the clean areas required for the fractionation and purification procedures. This design, which we developed in house, minimizes the risk of contamination and reduces maintenance costs. In addition to licenses from the European Union and other required specific authorities for the production of various plasma derivative products, the Parets facility is also licensed by the FDA. The Parets facility is one of the few European plasma derivatives plants to be licensed by the FDA. In addition to the plasma fractionation facilities, the Parets site also has protein purification, fill and finish, packaging, storage, research and development and energy co-generation facilities for the Bioscience division and manufacturing for the Hospital and Diagnostic divisions. The Parets facility holds GMP's, ISO 13485 and ISO 14001 for the Bioscience, Diagnostic and Hospital plants and ISO 9001 certifications for its diagnostic manufacturing facilities.

The Los Angeles facility has a fractionation capacity of 2.4 million liters per year. The facility contains purification and aseptic filling areas for coagulation factors, IG and albumin. The facility is licensed by the FDA and Grifols is working to certify the Los Angeles facility with ISO 14001 certification, similar to the rest of Grifols' manufacturing plants.

The Clayton facility in North Carolina has a fractionation capacity of 13.9 million liters per year. This facility is one of the world's largest fully integrated facilities for plasma-derived therapies, including plasma receiving, fractionation, purification, filling/freeze drying and packaging capabilities, as well as freezer storage, testing laboratories and a cGMP pilot plant for clinical supply manufacture. This facility holds the ISO 14001 certification, which recognizes excellence and continuous improvement in environmental performance. The scope of the certification includes research, development, production and quality control of pharmaceutical specialties derived from human plasma.

In October 2020, we acquired the Montreal facility as a result of the GC Pharma acquisition. The facility, which is pending licensing and approvals by the appropriate authorities, is designed for a fractionation capacity of one million liters per year, and is currently being revamped to increase the capacity to 1.5 million liters per year. Grifols expects to launch operations in these facilities in 2023, manufacturing IVIG and albumin to supply the Canadian market.

We are currently building an albumin purification and filling plant in Dublin that we expect will be in operation in 2022.

Global Operations Center

In the last quarter of 2015, we opened a global operations center for our Bioscience division. The facility, located in Dublin, Ireland, occupies 22,000 square meters and centralizes decision-making with regard to commercial policy, research and development policy and supply chain global management. It houses Bioscience's global logistics and distribution activities; warehousing of plasma, intermediate paste and finished product, labelling, packaging and final conditioning of the product; as well as regulatory and quality activities relating to the supply of plasma and plasma derivatives. It also centralizes our treasury function and acts as our point of access to the capital markets.

Insurance Coverage

General and Product Liability

We have a program of insurance policies designed to protect us and our subsidiaries (including our United States subsidiaries) from product liability claims. Effective May 1, 2021, we have product liability insurance coverage for up to $220 million per claim and in annual aggregate for Diagnostic, Hospital and Bio Supplies divisions for products manufactured in all of our facilities and for third-party products we sell. That limit is of $500 million per claim and in annual aggregate for Bioscience division. This policy will expire on April 30, 2022. We have elected to self-insure $188.5 million per claim and in annual aggregate of our global liability program through the purchase by one of our subsidiaries of such portion of the insurance policy. See "—Self-insurance" below.

Our master liability program also protects us and our subsidiaries from certain environmental liabilities arising in those countries in which our subsidiary companies have operations. This risk is covered up to a maximum of $220 million per claim and in annual aggregate, except that amount is $500 million for the Bioscience division.

Biomat USA, Talecris and Interstate Blood Bank Inc., GCAM Inc., BPC Plasma Inc., Plasmavita Healthcare GmbH, Plasmavita Healthcare II GmbH, Haema and Haema Plasma Kft maintain a separate liability insurance policy. The policy covers their professional liability for plasmapheresis business activities and expires on April 30, 2021. The maximum amount of coverage for liability claims under the policy is $15 million per claim and in the annual aggregate. In addition, we have general liability coverage for up to $500 million per claim and in the annual aggregate for Biomat USA, Talecris and Interstate Blood Bank Inc., GCAM Inc., BPC Plasma Inc., Plasmavita Healthcare GmbH, Plasmavita Healthcare II GmbH, Haema and Haema Plasma Kft.

Property Damage and Business Interruption

Our property damage and business interruption insurance program covers us and our subsidiaries (including our United States subsidiaries). This insurance program, which will expire on April 30, 2022, covers damages suffered by plants and buildings, equipment and machinery. Under the current terms, the insurer will cover damages to our facilities produced by fire, smoke, lightning and explosions, among others, for up to $1.5 billion per occurrence. It also covers property damage produced by flooding, for up to $110 million per claim and in the annual aggregate.

In addition, this policy covers loss of profit for a period of 36 months with a deductible equivalent to up to five business days of lost profits. Pursuant to the loss of profit, in the event that any or all of our plants stop production due to an event not excluded under the policy, the insurer covers fixed expenses, in addition to net profits we did not earn during the term of coverage.

We also have a transit and inventory insurance program, which covers damages to raw materials, supplies, semi-finished products and finished products for up to $25 million per claim for transit and $500 million for inventory in annual aggregate.

Self-insurance

We are self-insuring part of the risks described above through the purchase of a portion of the relevant insurance policies by Squadron Reinsurance DAC, one of our wholly owned subsidiaries. We self-insure $38.5 million per claim per year of our global liability program (except that amount is $188.5 million per claim and in the aggregate for the Bioscience division), the first $230,000 per loss for property damage and the first ten days of lost profits, the first $27,000 per claim for transit losses, the first $200,000 per claim for inventory losses and any transit or inventory losses exceeding $2 million have an additional retention of 10% of loss value with a maximum of $500,000 per loss and an annual aggregate of $3 million. These amounts are in excess of the deductibles for each of the policies that make up our insurance programs.

Employees

The table below indicates the number of employees by department as of June 30, 2021 and December 31, 2020, 2019 and 2018:

	As of June 30,	As of December 31,		
Department	**2021**	**2020**	**2019**	**2018**
Manufacturing	18,846	19,049	19,683	17,147
Research & development — technical area	1,093	1,115	1,029	984
Administration and others	1,661	1,661	1,474	1,396
General management	335	301	314	254
Marketing	201	219	195	184
Sales and distribution	1,295	1,310	1,308	1,265
Total	**23,431**	**23,655**	**24,003**	**21,230**

The table below indicates the number of employees by geographic region as of June 30, 2021 and December 31, 2020, 2019 and 2018:

	As of June 30,	As of December 31,		
Geographic Region	**2021**	**2020**	**2019**	**2018**
Spain	4,280	4,292	4,134	3,858
North America	16,490	16,756	17,479	15,330
Rest of the World	2,661	2,607	2,390	2,042
Total	**23,431**	**23,655**	**24,003**	**21,230**

We actively train our employees. The Grifols Academy opened in Spain during the second quarter of 2011. It is a meeting point for advanced training on all processes related to the preparation and production of plasma-derived medicines. In addition, the Grifols Academy serves to actively spread and strengthen the "Grifols' spirit" that guides employee actions and their understanding of the business. It also acts as a center of technical, scientific and management training for the Group's personnel, fostering a continued exchange among experts and external bodies, such as professional healthcare associations, hospitals, schools and universities.

The Grifols Academy works closely with the Grifols Academy of Plasmapheresis, which opened in Phoenix, Arizona in 2009. The Grifols Academy of Plasmapheresis has two U.S. campuses, Glendale, Arizona and Indianapolis, Indiana.

Our Spanish employees are represented by two labor unions, the Workers' Commissions (*Comisiones Obreras*) and the Workers General Union (*Unión General de Trabajadores*). The employees of some of our subsidiaries in Spain, Germany, Italy, France, Argentina and Brazil are covered by collective bargaining agreements. The remainder of our employees are not represented by labor unions. We have not experienced any significant work stoppages in the last 15 years. We generally consider our employee relations to be good.

We subscribe to an insurance policy that covers death or permanent disability of employees caused by work accidents. All of our employees are covered under this policy. We implemented a defined contribution pension plan for all our Spanish entities beginning on January 1, 2002, which excludes top management and which requires us to make matching payments to these employees. Our contribution to this pension plan was €466 thousand in the six-month period ended June 30, 2021 and €896 thousand in the year ended December 31, 2020, compared to €440 thousand in the six-

month period ended June 30, 2020, and €833 thousand and €777 thousand in the years ended December 31, 2019 and 2018, respectively. We also sponsor a savings plan for the benefit of U.S. employees, which qualifies as a defined contribution plan under Section 401(a) of the Internal Revenue Code of 1986, as amended. We make fully vested matching contributions to the savings plan, which totaled $16.8 million for the six-month period ended June 30, 2021 and $32.2 million for the year ended December 31, 2020, compared to $17.4 million for the six-month period ended June 30, 2020, and $29.4 million and $20.7 million for the years ended December 31, 2019 and 2018, respectively. For certain employees in Germany, we have a defined benefit pension plan, as required by statutory law. The pension cost relating to this plan is not material.

Legal Proceedings

We are involved in various legal proceedings in the ordinary course of our business. In the event of adverse outcomes of these proceedings, we believe that resulting liabilities will either be covered by insurance or not have a material adverse effect on our financial condition or results of operations.

GDS, GWWO, Abbott Laboratories, or Abbott, and Novartis Vaccines and Diagnostics, Inc. are in dispute over unpaid royalties payable by Abbot to GDS and Ortho-Clinical Diagnostics, or Ortho, under an HIV License and Option agreement dated August 16, 2019 (the "HIV License"). On September 12, 2019, GDS and Ortho filed a Notice of Arbitration in the U.S. District Court for the Northern District of Illinois. On October 3, 2019, Abbott terminated the HIV License and filed for declaratory relief seeking to invalidate the licensed patent. GDS filed motions to dismiss and to compel arbitration, but the Court continued all pending motions and referred the parties to a Magistrate for a mandatory settlement conference. On the February 5, 2020, the parties attended a mandatory settlement conference ordered by the District Judge, with the magistrate judge presiding. No satisfactory settlement was reached. On March 16, 2020, GDS and Ortho filed an answer and counterclaim to the litigation, while simultaneously pursuing arbitration for the pre-termination amount owed by Abbot. The arbitration hearing was on June 15-16, 2020, and the arbitrator awarded $4 million to GDS/Ortho. The court litigation is continuing. Abbot's motion to dismiss was denied December 1, 2020. Discovery is now underway.

See Note 29(e) to our annual consolidated financial statements included in this offering memorandum for additional information regarding the legal proceedings in which we are involved.

Antitrust Approval of Talecris-Grifols Merger

On July 20, 2011, the FTC issued a final order, or Consent Order, to settle its May 31, 2011 charges that our acquisition of Talecris Biotherapeutics was anticompetitive and would have resulted in higher prices for consumers. Pursuant to the Consent Order, we divested to Kedrion, on June 2, 2011, certain assets, including (i) Talecris Biotherapeutics' Melville, New York manufacturing facility, which we refer to as the Melville facility, (ii) United States marketing rights to Koate® antihemophilic factor, (iii) an agreed quantity of plasma and (iv) two plasma collection centers located in Mobile, Alabama and Winston Salem, North Carolina. Further, pursuant to the Consent Order, we and Kedrion entered into a contract manufacturing agreement under which we are supplying to Kedrion, for a period of seven years ending in 2018, Koate® and private label IVIG and albumin, for sale by Kedrion in the United States, and Kedrion exercised an option in 2014 to purchase a non-exclusive license to Koate®-related intellectual property for use in the United States. In accordance with the Consent Order, we leased the Melville facility from Kedrion until July 1, 2013, when we turned over operations at the facility to Kedrion.

Effective July 1, 2013 Grifols and Kedrion agreed to an early termination of the lease agreement and completed the transfer of operations at the Melville facility to Kedrion. The parties further entered into a three year fractionation agreement whereby Kedrion would continue to fractionate limited amounts of plasma for further manufacture by Grifols.

The Consent Order provides for a monitor to oversee our compliance with the Consent Order and requires us to submit to the FTC annual compliance reports for ten years. We filed our first compliance report, pursuant to paragraph IX.B of the Consent Order, on July 20, 2012. Grifols filed its ninth compliance report in July 2020. There has been no further action by the FTC. We filed the final compliance report in July 2021.

Antitrust Approval of Biotest Pharmaceuticals Corporation Acquisition

In August 2018, the FTC issued a consent order which allowed the acquisition of 24 donor centers and required the divestiture of three centers to Kedrion. The consent order requires annual reports to be made to the FTC for a period of 10 years. Grifols filed its first annual compliance report in March 2020 and second compliance report in March 2021. There has been no further action by the FTC.

CFIUS Approval on certain transactions

In September 2019, as a consequence of the share exchange agreement we entered with Shanghai RAAS, Grifols and CFIUS (the Committee on Foreign Investments in the United States) entered into a National Security Agreement to ensure the protection of certain data obtained as required from donors of human source plasma collected in the United States and maintained in donor management systems (DMS), and pursuant to this agreement, we are obligated to make bi-annual compliance reports to CFIUS. Our first report was filed and accepted in February 2021 and our most recent report was filed in August 2021.

INDUSTRY OVERVIEW

The Plasma Industry

We operate within the plasma industry. We refer to our operations pertaining to the plasma industry as our "Bioscience Division."

Introduction

Plasma derivatives are proteins that are found in human plasma. Once isolated and purified, they have therapeutic value in a number of rare, chronic and life-threatening diseases such as immunological deficiencies, chronic cirrhosis and alpha 1-anti-trypsin deficiency. Plasma, a liquid that accounts for approximately 55% of blood, is obtained after separation via centrifugation of red blood cells, white blood cells and platelets. Proteins are the key component of plasma, accounting for 7% of plasma's composition (water accounts for 90% of plasma's composition). The main proteins found in plasma are albumin, which accounts for 60% of plasma volume, alpha (used to produce alpha-1) and beta globulins, which account for 21%, immunoglobulins (used to produce IVIG), which account for 15%, coagulation factors, which account for 1%, and other proteins, which account for the remaining 3%. There are hundreds of proteins present in plasma, however, only a handful of these proteins have so far been developed for therapeutic applications.

The plasma industry is characterized by essential raw materials (representing greater than 50% of costs on average), with access to raw materials important to growth. Plasma can be obtained from three main sources: long-term blood supply agreements with blood donation organizations, plasma collection centers and third-party suppliers. There are two main methods for obtaining plasma, the "plasmapheresis" method, which is the main source of plasma for the United States and internationally, and the traditional method.

Plasmapheresis was developed by Dr. Grifols in 1949. Plasma obtained through plasmapheresis is referred to as "source plasma." Through this method, plasma is mechanically separated from the cellular elements of blood (such as red and white cells and platelets) through centrifugation or membrane filtration at the time the donation is made. These cellular elements are then returned to the donor as part of the same procedure. Because blood cells are returned, it is possible for individuals to donate plasma up to twice per week, making this method more viable than the traditional method for obtaining plasma. The traditional method is through the separation of plasma from blood obtained from a blood donation, referred to as "recovered plasma." Although recovered plasma may be used in the production of plasma derivatives, because donors are limited to making one donation every three months, the amount of plasma obtained through this method is insufficient to cover the existing demand for plasma.

In order to prevent the deterioration of coagulation factors, plasma is typically frozen as soon as possible after collection. Source plasma is generally frozen within six hours following donation, whereas recovered plasma must first be separated from the blood cells and frozen within 24 to 72 hours if intended for the fractionation and purification of proteins.

According to the MRB, the human plasma-derived products industry has demonstrated revenue growth at a compound annual rate of approximately 8.8% from 2000 to 2018, with estimated worldwide sales of $24.1 billion in 2018. Sales in North America have grown at a compound annual rate of approximately 10.6% from 2008 through 2018, with sales of $11.9 billion in 2018, representing a 11.2% increase over 2017, according to the MRB. The industry has experienced consistent worldwide growth in demand, driven by increased volume and moderate price increases. Demand for plasma derivatives has grown substantially through active management of disease, the discovery of new therapeutic applications, better diagnoses of the conditions treated with plasma-derived proteins, the development of new products and the increase in prophylactic use. According to the MRB, the two main regions for sale of plasma derivatives in 2018 were the United States and Canada and Asia Pacific, which together represented 71.1% of global sales of plasma-derived therapies. Based on our internal estimates and other external data, these areas continue to concentrate the largest share of global plasma-derived protein sales.

According to the MRB, the largest sales region is North America, with $11.8 billion in 2018, followed by Asia & Pacific, estimated to be $5.3 billion. Although prices are not regulated in the United States, the presence of large group purchasing organizations ("GPOs"), which are entities that act as purchasing intermediaries for hospitals and physicians, may create pricing pressure as they command substantial purchasing volumes. Prices in Europe are subject to regulations that fix maximum prices in certain countries.

According to the MRB, sales by the plasma derivatives market increased from $7.0 billion in 2005 to $24.1 billion in 2018.

The policy of the World Health Organization and many European jurisdictions is based on a recommendation that blood and its derivatives be obtained from voluntary, altruistic donors. Payment to donors is prohibited in most European countries; however, the United States permits payment to donors. Because of this limitation, most European countries are unable to meet their supply requirements and rely on the U.S. paid donations to fill the supply gap. In 2018, the United States supplied approximately 49% of the world's plasma.

Plasma collection in the U.S. has been growing at a steady pace, increasing from 427 million liters from approximately 200 collection centers in 2013 to 787 million liters from 737 collection centers in 2018. Effectively, the United States only permits the sale of plasma derivative products that have been manufactured with plasma collected in the United States. In addition, plasma collected in the United States can be used in plasma derivative products sold in most world markets, whereas plasma collected in Europe is generally used only in the country where it is obtained.

The plasma collection industry is heavily regulated in the United States. Federal, state and local regulations are designed to protect the health of the donors as well as the integrity and safety of the plasma. In the United States, the opening of a plasma collection center is subject to a licensing and certification process by the FDA and periodic inspections of facilities and processes. Normally it takes approximately 12 months from the time a collection center begins to operate until a plasma collection center receives FDA approval. The FDA regulates the characteristics, operation and qualification of personnel of plasma collection centers. According to FDA rules, a donor of plasma can donate plasma up to twice a week. Failure to comply with FDA regulations, or state or local regulations, may ultimately result in the forced closure of a collection center or monetary fines or both, depending on the issues involved.

U.S. and European regulatory authorities impose stringent requirements to avoid the transmission of blood-borne diseases. Each donation is typically tested for the following infections: hepatitis A, hepatitis B, hepatitis C, parvovirus B19 and HIV. Then it is sent to a fractionator, where it undergoes additional viral marker testing as well as nucleic acid testing in the production environment. Thereafter, it is broken down into its constituent parts, or "fractions." "Bulk" fractions are further refined into final products through various purification processes, formulation and aseptic filling.

Entry into the plasma derivatives manufacturing business requires an understanding of the operationally complex nature of the business, which requires a highly skilled workforce with specialized know-how; significant intellectual property, including trade secrets relating to purification of products and pathogen safety; the need to develop recognized and trusted brands as well as sales, marketing and distribution infrastructures and relationships; and the ability to comply with extensive regulation by the FDA and comparable authorities worldwide. Additionally, the construction and maintenance, including regular improvements necessitated by evolving standards of cGMP, of production facilities requires extensive capital expenditures and may involve long lead times to obtain necessary governmental approval. Further, unlike small molecule pharmaceutical products, which are often subject to patent expirations on a defined date, plasma-derived protein therapies are usually protected through intellectual property relating to process, including trade secrets, which may not have a scheduled expiration. New entrants may, however, develop and market competing products by subcontracting portions of the manufacturing process, such as fractionation or purification, from existing plasma derivative manufacturers. Also, existing fractionators with operations in one region are increasingly entering other regional areas. In addition, new competitors in the United States would need to secure an adequate supply of U.S. plasma.

Principal Plasma Derivative Products

Collected plasma, whether source or recovered, is fractionated to isolate component proteins, which are then purified. The fractionation occurs in tanks at near freezing temperatures to maintain the integrity of the proteins. The two largest selling plasma proteins, which together constituted approximately 65% of plasma-derived product sales in the world in 2018 were:

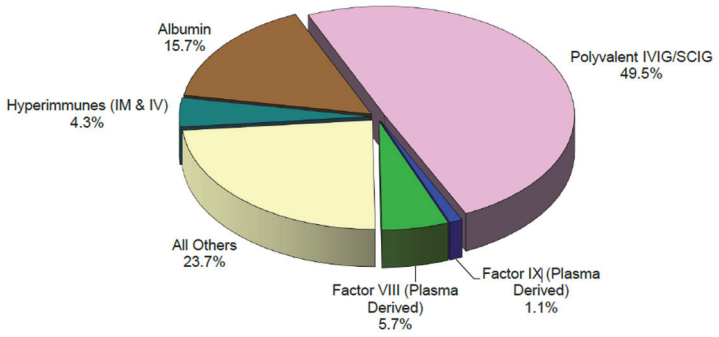
- *IG* is the part of the plasma that contains antibodies. IG assists in the treatment of primary and secondary immunological deficiencies, ITP, Guillain-Barré syndrome, Kawasaki disease, Allogeneic bone marrow transplant, and CIDP. In addition, physicians prescribe IG for a variety of other autoimmune diseases, even though these uses are not described in the product's labeling and differ from those tested in clinical studies and approved by the FDA or similar regulatory authorities in other countries. These unapproved, or "off-label," uses are common across medical specialties, and physicians may believe such off-label uses constitute the preferred standard of care or treatment of last resort for many patients in varied circumstances. IG is also currently being investigated for use in the treatment of neurological conditions. Industry participants believe that, because IG is a complex mixture of antibody molecules, it is unlikely that a recombinant (or synthetic) alternative will be developed within the foreseeable future. IG had global sales of $11.9 billion in 2018, including IVIG and SCIG, which represented 49.5% of the total plasma derivatives sales in that year (excluding recombinant proteins). IG sales experienced significant growth in recent years driven by improving

usages, physician awareness and a strong reimbursement environment, and it now represents the largest plasma-derived product by sales value. It is one of the key growth drivers of the industry, largely due to the increasing number of medical conditions for which IG is used; and

- *Albumin* is the most commonly found protein in plasma and represents the biggest product by volume but has low unitary prices. One of albumin's main functions is to carry and store a wide variety of small molecules such as bilirubin, cortisol, sex hormones, free fatty acids and some medicines. Albumin is used in the treatment of burns, severe hemorrhage, sepsis, hemodialysis patients with hypotension, nephritic syndrome, necrotizing pancreatitis and Cirrhosis, among others. Biotechnology companies also use high-purity albumin as a stabilizer for their products. Clinical trials are currently underway for new applications for this product, including, among others, for the treatment of stroke and liver Cirrhosis. Albumin has global sales of $3.8 billion in 2018, comprising 15.7% of the total plasma derivatives industry. According to the MRB, the demand for albumin had a compound annual growth rate from 2008 to 2018 of 8.4% and is projected to continue to grow moderately over the next few years.

Plasma Derivative Worldwide Sales by Category

The following chart presents a breakdown of global sales by plasma derivative products in 2018*:

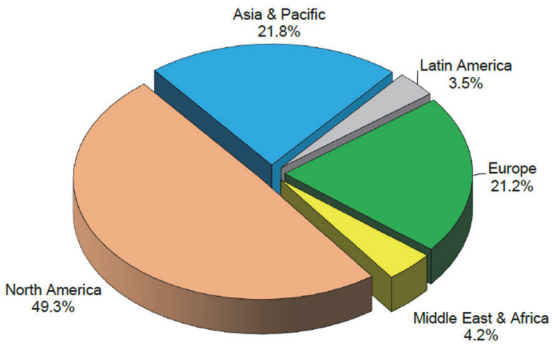


* Source: *MRB, Secondary Official Data*

Plasma-Derived Products Sales by Geographic Region

Due to the cost of plasma-derived therapies, the majority of plasma sales are derived from the more economically developed regions in the world. Compared to the United States and Canada, where the industry is open, though highly regulated, Europe is characterized by local fractionators, considerable government control and divergent health care systems.

The following chart presents a breakdown of 2018 global sales for plasma derivatives by region*:



* Source: *MRB, Secondary Official Data*

Historical Market Growth of Plasma-Derived Products

- According to the MRB, worldwide sales for IG, including IVIG and SCIG, have grown at a 8.9% compound annual rate between 2008 and 2018. This growth has been driven by increased evidence that IG is effective in treating a broader universe of ailments than previously considered, mainly neurological indications and increased incidence of acquired autoimmune and other ailments due to an increase in life expectancy. In particular, the following factors have contributed to the growth in IG demand:

    - Increased usage in Secondary Immunodeficiency ("SID") among patients taking new anti-cancer medicines, on immunosuppressive therapies or due to aging;

    - Growing use in CIDP and other neurological diseases;

    - Increased usage in Primary Immunodeficiency ("PID") as the disease and its affects are better understood and better diagnosed. Furthermore, access to IG therapy is becoming relatively easier, in part due to the efforts of patients' organizations and manufacturers to increase public awareness about PID. Better awareness also results from the systematic detection of inherited antibody deficiencies at birth in the US and elsewhere; and

    - Positive perception by patients and the medical community of the efficacy and safety of IG therapy.

- *Albumin.* According to the MRB, the worldwide sales demand for albumin has grown at a 8.4% compound annual rate between 2008 and 2018. Albumin demand in China has increased significantly from 2012, as health care services have continued to improve as a result of China's economic expansion fostering that growth. Demand for albumin has benefited from the FDA recommendation in 2013 against the use of hetastarch products on the basis of higher mortality risks. In the past, albumin growth had been impacted by the competition from less expensive, non-plasma-based colloids such as hetastarch.

- *Alpha-1 Proteinase Inhibitor.* According to the MRB, the worldwide sales demand for alpha-1 has grown at a 9.8% compound annual rate between 2008 and 2018. This significant increase in sales is driven by increased awareness among physicians of the alpha-1 Deficiency and improved diagnostic methods. According to the Alpha-One Foundation, one of the U.S. patients' organizations, less than 10% of those believed to have alpha-1 antitrypsin deficiency have been diagnosed, and it often takes an average of three doctors and seven years from the time of the first symptoms until an accurate diagnosis is made. Although the condition was described as early as in 1963, no specific treatment was available until the FDA approved Bayer's (now Grifols) "Prolastin" in December 1987.

Production of Plasma-Derived Products (Fractionation)

Three principal techniques are used to separate proteins into bulk fractions: the Cohn, Kistler-Nitschmann and Chromatography techniques.

- *Cohn.* Cohn, the most widely employed technique and the one utilized by us, subjects plasma to varying conditions of alcohol concentration, pH level and temperature to separate specific protein fractions from the plasma. The fractions are then collected using centrifugation or filtration. Following fractionation, the protein pastes are purified using steps such as solvent detergent treatment, caprylate incubation, column chromatography, and various methods of filtration.

- *Kistler-Nitschmann.* Kistler-Nitschmann is derived from the Cohn process and is often used in smaller fractionation facilities. This technique produces a limited product range, consisting of primarily immunoglobulins and albumin.

- *Chromatography.* Chromatography separates plasma proteins by specifically targeting the unique characteristics of each protein, which include: molecular size, using gel filtration; charge, using ion exchange chromatography; and known reactions with specific molecules, using affinity chromatography. Chromatography has higher product purity and superior product yields compared to the Cohn technique. However, regulatory hurdles, including the approval process for the procedure and the type of production facility required, have made the cost of switching to chromatography very expensive. As a result, few plasma fractionators have adopted this technique for fractionation, although many use it for purification. Once the

plasma has been broken down into bulk fractions using one of these separation techniques, each fraction undergoes a series of production steps including purification, filling, freeze-drying (for those products requiring lyophilisation), packaging and distribution. Purification involves the further isolation of the fraction, as well as viral removal/inactivation steps, using a variety of technologies. The specific procedures used differentiate the end product and are generally proprietary to each fractionator.

Once the plasma has been broken down into bulk fractions using one of these separation techniques, each fraction undergoes a series of production steps including purification, filling, freeze-drying (for those products requiring lyophilisation), packaging and distribution. Purification involves the further isolation of the fraction, as well as viral removal/inactivation steps, using a variety of technologies. The specific procedures used differentiate the end product and are generally proprietary to each fractionator.

Plasma Supply

Plasma-derived product manufacturers secure human plasma in the United States from either third-party supply contracts (e.g., with a blood bank or with an independent plasma collection company) or from vertically integrated plasma collection centers. Historically, several of the largest global fractionators relied on smaller, independently owned U.S. source plasma collection companies to supply a portion of their plasma supply. Over time, fractionators chose to vertically integrate and acquire many of these suppliers. Currently, the three largest global fractionators are either fully integrated or have a significant percent of their total plasma collection internalized as a result of vertical integration.

The United States has the largest and most robust commercial plasma collection network in the world. As a result, in 2019, it collected 73.5% of the total source plasma collected globally and 67.7% of all plasma used for fractionation, source or recovered. Part of this dominance has to do with the two different aspects which make United States unique in the world of source plasma collection: (i) the donation frequency is higher in the United States than in any other country, except Canada (which has the same rate as the United States); and (ii) unlike in Europe, the maximum donation compensation is not capped at any limit in the United States.

Market estimates continue to point to new growth in U.S. source plasma, as new centers are developed in the United States and individual plasma collection center productivity improves. Despite the growth in U.S. source plasma supply, a continued increase in demand for plasma products in recent years has stimulated the industry to add new plasma collection centers to meet the increased need for source plasma.

China has grown to become a major source of plasma collection over past several years and is one of the fastest growing regions in the blood plasma industry. Its plasma procurement volumes have grown at a compound annual growth rate of 11.6% from 2013 to 2018, to 8.6 million liters. In 2018, a total of 263 collection centers were operating, a 9.8% average annual growth over the past 5 years. China has strict rules governing blood donation and does not allow imports of most blood-derived products except for albumin. With the top players increasing their footprint in China, volumes are set to increase in the coming years, however this is unlikely to keep up with internal demand which is likely to result in increased imports of albumin.

In Germany, self-sufficiency in plasma procurement has made significant gains recently, with the country implementing its policy of self-sufficiency in blood product procurement (the “German Transfusion Act”). The volume of plasma for fractionation increased from 1.8 million of liters in 2005 to 3.3 million of liters in 2019.

Together, the top three countries, United States, China and Germany, collected 85.2% of the global plasma supply for fractionation, despite having just 24% of the world population. From 2010 to 2019, the average annual growth of these three countries combined was 10.1%. It is notable that all three countries have large and robust commercial plasma collection operations.

We believe that worldwide plasma collection is increasing and will continue to increase in future years, primarily driven by increased plasma collection in the top three countries.

Fractionation and Purification Capacity

Currently, production capacity may be limited by fractionation capacity or purification capacity. We, along with certain of our competitors, have announced plans to invest in the development of additional fractionation and purification capacity.

Manufacturing and Sale of Plasma Derivative Products

The manufacture and sale of plasma derivative products is heavily regulated. Manufacturing facilities and processes must be licensed by the FDA to manufacture medicinal products to be sold in the United States. Likewise, manufacturing facilities and products are also subject to strict European regulations to manufacture medicines intended for distribution in the European Union.

The plasma derivative product, like medicinal products, is also subject to prior licensing by the competent authorities of the jurisdiction where the product is to be marketed and sold. The licensing process generally requires the applicant to conduct clinical trials and submit information certifying the safety, efficacy and quality of the product. The requirements, formalities and timetables for the registration process generally vary from jurisdiction to jurisdiction.

In the European Union, the licensing requirements of the different member countries have been largely unified for pharmaceutical products. However, in the area of biological products this trend has been slower. Today, mutual recognition for cGMP inspections and licensing procedures through mutual recognition or centralized procedure at the EMA are in place.

Historically, manufacturers of plasma-derived products sought to distribute their finished product through the same distribution channels as pharmaceuticals, typically through wholesalers, which purchased products at fixed prices from the manufacturers, and re-sold them at contract prices. The plasma therapeutics market, however, has evolved from wholesalers to highly specialized plasma distributors, including:

- GPOs, which are umbrella buying groups representing inpatient and outpatient hospitals and non-acute members who benefit through consolidated supply contracts. GPOs do not purchase products directly, rather, they select authorized distributors which purchase inventory and handle all product logistics for their members;

- Wholesalers/Distributors either provide product directly to, or enter into distribution agreements with, hospitals, GPOs, and physician offices. The distributor is generally paid service fees for “encumbered” products on a GPO contract, or they purchase “unencumbered” products directly from manufacturers which are not part of a GPO contract;

- Homecare and specialty pharmacy providers are a growing segment which provides patient treatment in the home, either through self-medication or with the assistance of a nurse. These providers either purchase products directly from manufacturers or through GPOs; and

- Manufacturer Direct programs distribute products directly to a physician’s office or a patient’s home.

The distribution by product line and type are summarized as follows:

- According to the MRB, it is estimated that 40% of the IgG (includes both intravenous and subcutaneous – subcutaneous almost exclusively used in home care setting) sold in the United States in 2018 was purchased by hospitals for both inpatient and outpatient use through GPOs; infusion sites, including physician offices represented about 10% of IVIG volume; and homecare companies including those with specialty pharmacies represented 40% of the IVIG volume;

- A1PI is generally distributed by homecare companies and specialty pharmacies and administered by a nurse at home or at a hospital infusion suite;

- Albumin is generally used in surgical and trauma settings and is generally sold to hospital groups; and

- Clotting factors, such as Factor VIII, generally are self-administered by patients and are mainly channeled from manufacturers to patients through home care companies and similar agencies.

Competition Overview of the Plasma Derivatives Industry

Following a sector consolidation over the last 10-15 years, we estimated the three largest plasma product fractionators are Grifols, CSL and Takeda (formerly known as Shire), together representing 68% of the worldwide blood plasma derivatives market by sales as reported by the MRB in 2018 and based on our own estimates. We estimate that CSL

Behring and Takeda have the largest shares of the global market, at 29% and 20% respectively, followed closely by Grifols at 19%. The remaining major competitors are estimated to account for less than 10% of market share each. Among other competitors, the largest market share belongs to Octapharma with 8%, according to the MRB.

The In Vitro Diagnostic Market

We also operate a "Diagnostic division," which includes the Novartis Diagnostic Business. The In Vitro Diagnostics ("IVD"), was a $69.2 billion market in 2019 according to "The Worldwide Market for In Vitro Diagnostic Test, 12th Edition" report prepared by Kalorama Information (the "Kalorama Report"). This IVD market is expected to grow 4% annually to reach $85.2 billion by 2024.

The world's major markets, North America, Western Europe, and Japan, with 45%, 25% and 7%, respectively, comprised 77% of the total IVD market in 2019. According to the Kalorama Report, until 2024, these major markets will see a decrease in their combined portion of the market, which is expected to decrease to 71%. This decrease in market share is less a function of market factors in these developed countries than concerted efforts in emerging markets to boost their healthcare services.

Top-tier IVD companies accounted for approximately $55 billion of IVD product sales last year. Part of this development is related to organic company growth but also to strategic acquisitions that add revenue streams and product innovations. Within IVD, our diagnostic products are the following:

- immunology, which is the study of the detection of pathogenic agents and other antigens, where we are present with Nucleic Acid Testing ("NAT") and Serology products, with a world market of $2.0 billion; and

- immunohematology, which is the diagnosis of blood type and the screening of antibodies of the Transfusion Medicine market. The global market for blood typing is $950 million. With a 1% compound annual growth rate, this market will grow to $1 billion, likely driven by aging of the population, emerging markets and new typing systems including molecular.

Within the IVD market, we are also present in hemostasis, which is the analysis of processes related to blood coagulation, autoimmunity, which is the testing of autoimmune diseases and the monitoring of drug levels and immunogenicity, and infectious diseases testing products. The 2019 global market for traditional coagulation tests (lab-based and all point-of-care) is valued at $2.6 billion and is expected to see 4% annual growth to reach sales of $3.1 billion in 2024.

The NAT market has been rapidly growing as it allows for earlier detection following an infection, as antibodies can take a significant amount of time to develop (up to 3 months for HIV). This method differs from other methods of blood testing, in that it detects genetic material (DNA/RNA) rather than antigens (proteins from a virus) or antibodies (proteins from immune response to virus/bacteria). NAT is playing an important role as the most advanced technology for directly detecting blood infections. At the present date, NAT has been adopted in countries around the world, including in the U.S., Canada, France, Australia, New Zealand, South Africa, and many countries in Europe and Asia. As of 2016, all of China's provincial level blood centers used blood banking and NAT systems were being marketed throughout such numerous blood centers. Commonly used NAT assays detect HIV-1 RNA, HCV RNA, HBV DNA, and West Nile Virus (WNV) RNA.

It is estimated that approximately 80 million units of blood are screened with NAT. Today, 100% of the U.S. and Canadian blood supply is screened with NAT for HIV-1, HCV, WNV, and HBV. In Europe, Germany, France, Italy, U.K. and Spain (who, jointly form the "EU 5") test for HIV-1, HCV, and HBV with NAT. Many of the Eastern European countries continue to use molecular homebrew methods.

The diagnostic products market encompasses mainly products related to the analytical testing of biological samples to determine the presence and characteristics of pathogens, and monitor therapies and blood transfusion safety. The testing is generally performed in laboratories, and it may also be carried out in other professional health settings or by consumers of diagnostic products at home.

The IVD market faces a number of market pressures. For the past 5-10 years, traditional market segments such as clinical chemistries, hematology, coagulation, urinalysis and non-infectious disease immunoassays have shown little growth, even after testing increases in emerging markets.

The Hospital Pharmacy Sector

Our "Hospital division" operates in the hospital pharmacy sector. In order to be marketed and sold, the intravenous therapy and the entire products' portfolio sold by the Hospital division must comply with local regulations that generally require that these products be shown to be safe and effective. Competition in the intravenous therapy market is primarily based on price and quality of service. Since freight costs can affect profitability significantly, sales of intravenous therapy products, such as parenteral solutions (fluid therapy), are generally made to markets that are relatively near manufacturing facilities.

REGULATORY MATTERS

Government Regulation

Government authorities in the United States, at the federal, state and local level, and in other countries extensively regulate, among other things, the research, development, testing, approval, manufacturing, labeling, post-approval monitoring and reporting, packaging, promotion, storage, advertising, distribution, marketing and export and import of healthcare products such as those we collect, manufacture, sell or are currently developing. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. The following is a summary of the overall regulatory landscape for our business

United States Government Regulation

In the United States, the FDA regulates drugs, biologics, plasma collection and medical devices under the FDCA and, as applicable, the PHS Act, and their implementing regulations. Failure to comply with the applicable FDA requirements at any time during the product-development process, approval process or after approval may result in administrative or judicial sanctions. These sanctions could include, as applicable, the FDA's imposition of a clinical hold on trials for drugs, devices or biologics, refusal to approve pending applications, withdrawal of an approval, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties or criminal prosecution or any combination of these sanctions. Any agency or judicial enforcement action could have a material adverse effect on us.

The BLA (Biologics License Application) Approval Process

Drugs that are also biological products, such as our plasma derivative products IG, A1PI, Factor VIII and albumin, and also certain in vitro diagnostic products associated with testing blood and blood components, must also satisfy the requirements of the PHS Act and its implementing regulations. In order for a biological drug product, or for these in vitro diagnostic tests, to be legally marketed in the United States, the product must have a BLA approved by the FDA. Obtaining BLA approval from the FDA is a robust process involving, among other things, completion of preclinical laboratory tests, controlled human clinical trials, submission of manufacturing and chemistry data, and multiple statistical and physical review processes by the FDA. During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data and clinical trial investigators, including reports regarding adverse events and safety issues.

Given the robust process, certain of our clinical trials may not be completed successfully within any specified period, if at all. Furthermore, we or the FDA may suspend or terminate clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk, have experienced a serious and unexpected adverse event, or that continued use in an investigational setting may be unethical. Similarly, an IRB can suspend or terminate approval of research if the research is not being conducted in accordance with the IRB's requirements or if the research has been associated with unexpected serious harm to patients.

Overall, the testing and approval processes require substantial time and effort and there can be no assurance that the FDA will accept the BLA for filing and, even if filed, that any approval will be granted on a timely basis, if at all. In most cases, the BLA must be accompanied by a substantial user fee.

The ACA introduced a new abbreviated regulatory approval pathway for biological products found to be "biosimilars" or "interchangeable" with a biological "reference product" previously licensed under a BLA. This abbreviated approval pathway is intended to permit a biosimilar to come to market more quickly and less expensively by relying to some extent on the data generated by the reference product's sponsor, and the FDA's previous review and approval of the reference product. The law provides that no biosimilar application may be accepted for FDA review until 4 years after the date the reference product was first licensed by the FDA, and that the FDA may not make approval of an application effective until 12 years after the reference product was first licensed. Once approved, biosimilars likely would compete with, and in some circumstances may be deemed under applicable laws to be "interchangeable with," the previously approved reference product. The extent to which a biosimilar, once approved, will be substituted for any of our products, in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing. The FDA is actively seeking to encourage the entry of biosimilars into the marketplace, including issuing, in July 2018, its Biosimilar Action Plan, intended to enhance the speed of the biosimilar development and approval processes.

The testing and approval processes to obtain a BLA require substantial time, effort and financial resources, and each process may take several years to complete. Data obtained from clinical activities is not always conclusive and may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. The FDA may not grant approval on a timely basis, or at all. We may encounter difficulties or unanticipated costs in our efforts to secure necessary governmental approvals, which could delay or preclude us from marketing our products. The FDA may limit the indications for use or place other conditions on any approvals that could restrict the commercial application of the products.

Post-approval Requirements

After regulatory approval of a product is obtained, we are required to comply with a number of post-approval requirements. For example, as a condition of approval of a BLA, the FDA may require post-marketing testing and surveillance to monitor the product's safety or efficacy. In addition, holders of an approved BLA are required to keep extensive records, to report certain adverse reactions and production problems to the FDA, to provide updated safety and efficacy information and to comply with requirements concerning advertising and promotional labeling for their products. Also, quality control and manufacturing procedures must continue to conform to cGMP regulations and practices, as well as the manufacturing conditions of approval set forth in the BLA. The FDA periodically inspects manufacturing facilities to assess compliance with cGMP, which imposes certain procedural, substantive and recordkeeping requirements. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance.

Future FDA inspections may identify compliance issues at our facilities or at the facilities of our third-party suppliers that may disrupt production or distribution, or require substantial resources to correct and prevent recurrence of any deficiencies, and could result in fines or penalties by regulatory authorities. In addition, discovery of problems with a product or the failure to comply with applicable requirements may result in restrictions on a product, manufacturer or holder of an approved BLA, including withdrawal or recall of the product from the market or other voluntary, FDA-initiated or judicial action that could delay or prohibit further marketing. Newly discovered or developed safety or efficacy data may require changes to a product's approved labeling, including the addition of new warnings and contraindications. The ACA established and provided significant funding for a Patient-Centered Outcomes Research Institute to coordinate and fund Comparative Effectiveness Research. Also, new government requirements, including those resulting from new legislation, may be established that could delay or prevent regulatory approval of our products under development.

Orphan Drug Designation

The FDA may grant orphan drug designation to drugs intended to treat a "rare disease or condition" that affects fewer than 200,000 individuals in the United States, or that affects more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making available in the United States a drug for such a disease or condition will be recovered from sales in the United States for that drug. Orphan drug designation must be requested before submitting an application for marketing approval. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. Orphan drug designation can provide opportunities for grant funding towards clinical trial costs, tax advantages and FDA user fee exemptions. In addition, if a product that has an orphan drug designation subsequently receives the first FDA approval for the indication for which it has such designation, the product is entitled to orphan drug exclusivity, which means the FDA may not approve any other application to market the same drug for the same indication for a period of seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan exclusivity or a meaningfully different mode of administration. Competitors may receive approval of different drugs or biologics for the indications for which the orphan product has exclusivity. However, if a company with orphan drug exclusivity is not able to supply the market, the FDA could allow another company with the same drug a license to market for said indication. The FDA granted Gamunex® IVIG orphan drug status, which provided marketing exclusivity for the CIDP indication in the United States through September 2015. Gamunex® IVIG was the first IVIG product approved for CIDP in the United States.

Fast Track Designation

The FDA's fast track programs, one of which is fast track designation, are designed to facilitate the development and review of new drugs that are intended to treat serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs for the conditions. Fast track designation applies to a combination of the product and the specific indication for which it is being studied. Thus, it is the development program for a specific drug for a specific indication that receives fast track designation.

The sponsor of a product designated as being in a fast track drug development program may engage in close early communication with the FDA, including through timely meetings and feedback on clinical trials. Products in fast track drug development programs also may receive FDA priority review or accelerated approval; in other words, the review cycle has a six-month review clock instead of a ten- or 12-month review clock. Sponsors may also be able to submit completed portions of an application before the entire application is completed; however, the review clock will not officially begin until the entire completed BLA is submitted to and filed by the FDA. The FDA may notify a sponsor that its program is no longer classified as a fast track development program if the fast track designation is no longer supported by emerging data, the designated drug development program is no longer being pursued, or another product that meets the unmet medical need for the same indication is approved first.

Plasma Collection

The FDA requires a licensing and certification process for each plasma collection center prior to opening and conducts periodic inspections of facilities and processes. Many states also regulate plasma collection, imposing similar obligations and additional inspections and audits. Collection centers are subject to periodic inspections by regulatory authorities, which if noncompliance is alleged, may result in fines, citations, the temporary closing of the centers, loss or suspension of licenses or recall of finished products.

Diagnostic Devices

Certain of our products are regulated as medical devices, which are typically subject to clearance for commercialization in the United States, based on a pre-market notification to the FDA demonstrating the device to be marketed is safe and effective by proving substantial equivalence to a legally marketed device (predicate device). The manufacturers of medical devices must register their establishments with the FDA, and the production of the devices must accord with applicable current good manufacturing practices and quality system regulations. With respect to the manufacture and sale of immunoassay antigens and antibodies to screen human donated blood and blood products, these products are manufactured and sold under a BLA issued by the FDA, and are subject to the heightened regulatory oversight associated with biological products.

Drug Supply Chain Security Act

The Federal Drug Quality and Security Act of 2013 brought about significant changes with respect to pharmaceutical supply chain requirements and pre-empts state law. Title II of this measure, known as the Drug Supply Chain Security Act (DSCSA), is being phased in over 10 years, and is intended to build a national electronic, interoperable system to identify and trace certain prescription drugs as they are distributed in the United States, including certain of our products. The law's track and trace requirements applicable to manufacturers, wholesalers, repackagers and dispensers (e.g., pharmacies) of prescription drugs began to take effect in January 2015 and will continue to be implemented. The DSCSA product tracing requirements replaced the former FDA drug pedigree requirements and pre-empt state requirements that are inconsistent with, more stringent than, or in addition to, the DSCSA requirements. The DSCSA also establishes certain requirements for the licensing and operation of prescription drug wholesalers and third party logistics providers ("3PLs"), and includes the creation of national wholesaler and 3PL licenses in cases where states do not license such entities. The DSCSA requires that wholesalers and 3PLs distribute drugs in accordance with certain standards regarding the recordkeeping, storage and handling of prescription drugs. According to FDA guidance, states are pre-empted from imposing any licensing requirements that are inconsistent with, less stringent than, directly related to, or covered by the standards established by federal law in this area. Current state licensing requirements will likely remain in effect until the FDA issues new regulations as directed by the DSCSA.

Anti-fraud and Abuse Regulation

Since we supply products and services that are reimbursed by U.S. federal healthcare programs such as Medicare and Medicaid, our activities are also subject to regulation by CMS and enforcement by the OIG. The Anti-Kickback Law prohibits providers and others from directly or indirectly soliciting, receiving, offering or paying any remuneration with the intent of generating referrals or orders for services or items covered by a government health care program. Many states have similar laws. Courts have interpreted this law very broadly, including by holding that a violation has occurred if even one purpose of the remuneration is to generate referrals, even if there are other lawful purposes. There are statutory and regulatory exceptions, or safe harbors, that outline arrangements that are deemed lawful. However, the fact that an arrangement does not fall within a safe harbor does not necessarily render the conduct illegal under the Anti-Kickback Law. In sum, even legitimate business arrangements between the companies and referral sources could lead to scrutiny by government enforcement agencies and require extensive company resources to respond to government investigations. Also, certain business practices, such as payment of consulting fees to healthcare providers, sponsorship of educational or

research grants, charitable donations, interactions with healthcare providers that prescribe products for uses not approved by the FDA and financial support for continuing medical education programs, must be conducted within narrowly prescribed and controlled limits to avoid any possibility of wrongfully influencing healthcare providers to prescribe or purchase particular products or as a reward for past prescribing.

The FCA is violated by any entity that "presents or causes to be presented" knowingly false claims for payment to the federal government. In addition, the ACA amended the FCA to create a cause of action against any person who knowingly makes a false statement material to an obligation to pay money to the government or knowingly conceals or improperly decreases an obligation to pay or transmit money or property to the government, including clarifying that a federal Anti-Kickback Law violation can be a basis for federal FCA liability. For the purposes of these recent amendments, an "obligation" includes an identified overpayment, which is defined broadly to include "any funds that a person receives or retains under Medicare and Medicaid to which the person, after applicable reconciliation, is not entitled…"

The fraud and abuse laws and regulations have been subject to heightened enforcement activity over the past few years, and significant enforcement activity has been the result of "relators" who serve as whistleblowers by filing complaints in the name of the United States (and if applicable, particular states) under applicable false claims laws, and who may receive up to 30% of total government recoveries. Penalties under fraud and abuse laws may be severe, and could result in significant civil and criminal penalties and costs, including the loss of licenses and the ability to participate in federal and state health care programs, and could have a material adverse effect on our business. Also, these measures may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require us to make changes in our operations or incur substantial defense and settlement expenses. Even unsuccessful challenges by regulatory authorities or private relators could result in reputational harm and the incurring of substantial costs. Most states have adopted similar state false claims laws, and these state laws have their own penalties which may be in addition to federal FCA penalties, as well as other fraud and abuse laws.

We also are subject to certain United States and foreign laws and regulations concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, German anti-corruption laws and other anti-bribery laws and laws pertaining to the accuracy of our internal books and records, which have been the focus of increasing enforcement activity globally in recent years.

The PPS Act has imposed new reporting and disclosure requirements for biologic, drug and device manufacturers with regard to payments or other transfers of value made to certain practitioners, such as physicians and teaching hospitals, and for such manufacturers and for group purchasing organizations, with regard to certain ownership interests held by physicians in the reporting entity. CMS publishes information from these reports on a publicly available website, including amounts transferred and physician and teaching hospital identities. Amendments expanded the law to also require reporting, effective January 1, 2022, of payments or other transfers of value to physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists, and certified nurse-midwives, and this new requirement will be effective for data collected beginning in calendar year 2021. The PPS Act preempts similar state reporting laws, although we or our subsidiaries may also be required to report under certain state transparency laws that address circumstances not covered by the PPS Act, and some of these state laws, as well as the federal law, can be ambiguous. We are also subject to foreign regulations requiring transparency of certain interactions between suppliers and their customers.

Other Health Care Regulation

In the United States, government actions to seek to increase health-related price transparency may also affect our business. For example, on November 12, 2020, CMS issued final rules imposing price transparency requirements on hospitals and group health plans. Specifically, beginning in 2022, group health plans must post, on a public internet website, in-network provider negotiated rates (which include rates with device suppliers and manufacturers), historical out-of-network allowed amounts and drug pricing information. This may result in the publication of our negotiated rates with various providers and group health plans, which could impact our ability to independently negotiate sales contracts and rate agreements.

Another notable Medicare health care reform initiative, the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), enacted on April 16, 2015, established a new payment framework, which modified certain Medicare payments to "eligible clinicians," including physicians, dentists and other practitioners. Under MACRA, certain eligible clinicians are required to participate in Medicare through the Merit-Based Incentive Payment System (MIPS) or Advanced Alternative Payment Models (APMs), through which Medicare reimbursement to eligible clinicians includes both positive and negative payment adjustments that take into account quality, promoting interoperability, cost, and improvement activities. Data collected in the first MIPS performance year (2017) determined payment adjustments that began January 1, 2019. MACRA standards continue to evolve, and represent a fundamental change in physician reimbursement that is

expected to provide substantial financial incentives for physicians to participate in risk contracts, and to increase physician information technology and reporting obligations. The implications of the implementation of MACRA are uncertain and will depend on future regulatory activity and physician activity in the marketplace. New payment and delivery system reform programs, including those modeled after such federal program, are also increasingly being rolled out at the state level through Medicaid administrators, as well as through the private sector, which may further alter the marketplace and impact our business.

Recently, in addition to other government efforts to control health care costs, there has been increased scrutiny on drug pricing and concurrent efforts to control or reduce drug costs by Congress, the President, executive branch agencies and various states. At the state level, several states have adopted laws that require drug manufacturers to provide advance notice of certain price increases and to report information relating to those price increases, while others have taken legislative or administrative action to establish prescription drug affordability boards or multi-payer purchasing pools to reduce the cost of prescription drugs. At the federal level, several related bills have been introduced and regulations proposed which, if enacted or finalized, respectively, would impact drug pricing and related costs.

Antitrust and Consumer Protection

The U.S. federal government, most U.S. states and many foreign countries have antitrust laws that prohibit certain types of conduct deemed to be anti-competitive, as well as consumer protection laws that seek to protect consumers from improper business practices. At the U.S. federal level, the FTC oversees enforcement of these types of laws, and states have similar government agencies. Violations of antitrust or consumer protection laws may result in various sanctions, including criminal and civil penalties. Private plaintiffs may also bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages.

European Community Government Regulation

In addition to regulations in the United States, we are subject to a variety of regulations in other jurisdictions governing clinical trials and commercial sales and distribution of our products. Whether or not we obtain FDA approval for a product, we must obtain approval of a product by the comparable regulatory authorities of countries outside the United States before we can commence marketing that product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country. Also, in addition to approval of final products, plasma collection centers for manufacture into products to be distributed in the European Union must also be approved by the competent European health authority.

Medicines can be authorized in the European Union by using either the centralized authorization procedure or national authorization procedures. The EMA is responsible for the centralized authorization procedure.

Centralized Authorization Procedure

The EMA is responsible for the centralized procedure, or Community authorization procedure, for human medicines. This procedure results in Community marketing authorization, the single marketing authorization that is valid across the European Union, as well as in the EEA/European Free Trade Association states Iceland, Liechtenstein and Norway.

The Community authorization procedure is compulsory for:

- medicines derived from biotechnology processes, such as genetic engineering;
- advanced-therapy medicines, such as gene-therapy, somatic cell-therapy or tissue-engineered medicines;
- medicinal products for human use containing a new active substance that did not receive Community marketing authorization when the Community authorization procedure was first implemented, for which the therapeutic indication is the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, autoimmune diseases and other immune dysfunctions or viral diseases; and
- officially designated orphan medicines (medicines for rare diseases).

The Community authorization procedure is optional for products:

- containing new active substances for indications other than the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, autoimmune diseases and other immune dysfunctions or viral diseases;

- representing significant therapeutic, scientific or technical innovations; or

- for which the granting of a Community marketing authorization would be in the interests of European Union public health.

Our blood derivative products are not subject to compulsory Community authorization, but it is an option for our new products. Flebogamma® DIF 50 mg/ml and 100 mg/ml, VeraSeal solutions for sealant and Tavlesse (fostamatinib) were approved through the Community authorization procedure.

Applications through the Community authorization procedure are submitted directly to the EMA. Evaluation by the EMA's relevant scientific committee takes up to 210 days, at the end of which the committee adopts an opinion on whether the medicine should be marketed. This opinion is then transmitted to the European Commission, which has the ultimate authority for granting marketing authorizations in the European Union.

Once a Community marketing authorization has been granted, the holder of that authorization can begin to make the medicine available to patients and healthcare professionals in all European Union countries.

National Authorization Procedures

Each European Union member state has its own procedures for the authorization, within its own territory, of medicines that fall outside the scope of the Community authorization procedure. There are two possible routes available to companies for the authorization of such medicines in several countries simultaneously.

- Decentralized procedure. Using the decentralized procedure, companies may apply for simultaneous authorization in more than one European Union country of medicines that have not yet been authorized in any European Union country and that do not fall within the mandatory scope of the centralized procedure.

- Mutual-recognition procedure. In the mutual-recognition procedure, a medicine is first authorized in one European Union member state, in accordance with the national procedures of that country. Following such authorization, further marketing authorizations can be sought from other European Union member states in a procedure whereby the countries concerned agree to recognize the validity of the original, national marketing authorization.

Our product Niuliva 250 I.U./ml was approved through the decentralized procedure. Our products Prolastina® 1000 mg/ml and Gamunex® 10% were approved through the mutual-recognition procedure. All our other products were approved pursuant to individual national procedures. We expect to use the mutual-recognition procedure if we want to extend our product licenses to other European countries in the future.

In some cases, disputes arising in these procedures can be referred to the EMA for arbitration as part of a "referral procedure."

Orphan Drug Designation

Applications for designation of orphan medicines are reviewed by the EMA through the Committee for Orphan Medicinal Products. The criteria for orphan designation are:

- the medicinal product is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting no more than five in 10,000 persons in the European Union at the time of submission of the designation application (prevalence criterion);

- the medicinal product is intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition, and without incentives it is unlikely that the revenue after marketing of the medicinal product would cover the investment in its development; and

- either no satisfactory method of diagnosis, prevention or treatment of the condition concerned is authorized, or, if such method exists, the medicinal product will be of significant benefit to those affected by the condition.

Companies with an orphan designation for a medicinal product benefit from incentives such as:

- protocol assistance (scientific advice for orphan medicines during the product-development phase);
- direct access to centralized marketing authorization and 10-year marketing exclusivity;
- financial incentives (fee reductions or exemptions); and
- national incentives detailed in an inventory made available by the European Commission.

Since December 2011, orphan medicinal products are eligible for the following level of fee reductions:

- full (100%) reduction for small- and medium-sized enterprises, or SMEs, for protocol assistance and follow-up, full reduction for non-SME sponsors for pediatric-related assistance and 75% reduction for non-SME sponsors for non-pediatric assistance;
- to determine which companies are eligible for SME incentives, the EMA applies the definition of micro, small and medium sized enterprises provided in the Commission of the European Communities' Commission Recommendation 2003/361/EC. To qualify for assistance, companies must be established in the EEA, employ less than 250 employees and have an annual turnover of not more than €50 million or an annual balance sheet total of not more than €43 million;
- full reduction for pre-authorization inspections and 90% reduction for post-authorization inspections for small- and medium-sized enterprises;
- full reduction for SMEs for new applications for Community marketing authorization and 10% reduction for non-SME sponsors; and
- full reduction for post-authorization activities including annual fees only to small and medium sized enterprises in the first year after granting a marketing authorization.

We have EMA Orphan Drug Designations for the following products:

- alpha-1 proteinase inhibitor (for inhalation use) for the treatment of cystic fibrosis; and
- alpha-1 proteinase inhibitor (for inhalation use) for the treatment of congenital alpha-1 antitrypsin deficiency.

Because each of these products is already authorized for a non-orphan indication in the EU, in order to obtain marketing authorization for any of the above-mentioned orphan indications, we would be required to apply for a separate marketing authorization through the Community authorization procedure for such indication, using a different proprietary name. It is not possible to extend the existing marketing authorization to cover the new orphan indication. Orphan and "non-orphan" indications cannot be covered by the same marketing authorization.

United Kingdom Regulatory Process

The United Kingdom (U.K.) withdrew from the EU on January 31, 2020, and is no longer an EU Member State. A transition period, during which EU pharmaceutical law continued to be applicable to the U.K., has ended on December 31, 2020.

As of January 1, 2021, the protocol in Ireland/Northern Ireland is applicable and has an impact on marketing authorizations for medicinal products in the U.K. with respect to Northern Ireland.

There are several routes to obtain a marketing authorization in the U.K., Great Britain (England, Scotland and Wales) or Northern Ireland. The options available are determined by the intended market and the type of application. To obtain a marketing authorization, you need to use one of the following procedures:

National Routes:

- Innovative Licensing and Access Procedure (ILAP). The ILAP aims to accelerate the time to market and facilitate patient access for innovative medicines, including new chemical entities, and biological medicines, new indications and repurposed medicines;

- National Procedure (a 150-day procedure). This national 150-day accelerated procedure is available for high-quality applications to market a medicine in the United Kingdom, Great Britain or Northern Ireland;

- Rolling review. Permits the submission of your application in module(s), to obtain a marketing authorization in the United Kingdom, Great Britain and Northern Ireland. This is a new route for marketing authorization applications, where an applicant for a new active substance in the U.K., Great Britain, or Northern Ireland submits increments of the eCTD dossier for pre-assessment by the MHRA, rather than as part of a consolidated full dossier submission;

  This rolling review is intended to streamline the development of novel medicines by offering periodic enhanced regulatory interaction and advice to reduce the risk of failure at the final phase and may be integrated with the Target Development Profile ("TDP") to provide a clearer pathway for development of innovative medicines. Marketing authorization applications for any new active substance based on a "full dossier," including biological products, are eligible for the rolling review;

- EC Decision Reliance Procedure (a 67-day procedure). For products under evaluation or approved in the EU centralized procedure, and for a period of two years from January 1, 2021, Great Britain may rely on decisions taken by the European Commission ("EC") when considering the approval of new marketing authorizations.

  A letter of intent should be submitted to MHRA at least four weeks before the Committee for Medicinal Products ("CHMP") opinion is expected. Marketing authorization applications should be submitted to MHRA on receipt of a positive opinion from the CHMP and should contain the entire dossier as reviewed by CHMP, all iterations of the assessment reports and the positive CHMP opinion.

  All U.K. national requirements will apply. Confirmation of the EC decision should be provided immediately on receipt to allow determination of a Great Britain marketing authorization as close to the EC approval as practicable;

- MR/DC Reliance Procedure (a 67-day procedure). The MHRA may rely on marketing authorizations approved through European decentralized ("DC") and mutual recognition ("MR") procedures, with a view to granting a marketing authorization in the United Kingdom or Great Britain. Applications should include the dossier approved for marketing in the EU member states, accompanied by all iterations of the Reference Member State ("RMS") assessment report and the RMS end of procedure notification. Applications will be reviewed for compliance with U.K.-specific requirements; and

- Unfettered Access from Northern Ireland (a 67-day procedure). Applicants may seek recognition in Great Britain of a marketing authorization approved in Northern Ireland under certain qualifying conditions. This route is available for marketing authorizations approved in Northern Ireland via European MR or DC or through the national procedure, if the marketing authorization holder is established in Northern Ireland and the product is distributed from Northern Ireland to Great Britain.

  For authorizations approved in EU procedures, applications should include the dossier as approved for marketing in Northern Ireland, accompanied by all iterations of the relevant RMS and CHMP assessment reports.

Note that national applications intended to cover marketing of a product in Northern Ireland must continue to comply with the requirements of Directive 2001/83/EC, the European Community's code relating to medicinal products for human use, and Regulation 726/2004 on European Community procedures and supervision of medicinal products.

International routes (collaborative procedures):

- Access consortium. The Access consortium is a medium-sized coalition of regulatory authorities that work together to promote greater regulatory collaboration and alignment of regulatory requirements for companies

intending to market a medicine in the U.K., Australia, Canada, Singapore and/or Switzerland. The MHRA joined the consortium in 2020 and commenced work-sharing applications in January 2021; and

- Project Orbis. Project Orbis is a program coordinated by the FDA involving the regulatory authorities of Australia (TGA), Canada (Health Canada), the United Kingdom (MHRA), Singapore (HSA) and Brazil (ANVISA) to review and approve promising cancer treatments.

In addition to the above, the following procedures can be used to obtain a marketing authorization in Northern Ireland:

- Northern Ireland may be included in DC or MR procedure as a Concerned Member State (CMS). The DC and MR procedures can be used by companies intending to market a medicine in Northern Ireland and other named EU countries. One member state will lead the assessment of the application as the RMS. The other member states (including Northern Ireland) receiving applications are called the 'concerned member states' (CMSs). The procedure takes up to 210 days (DC procedure) or 90 days (MR procedure), excluding time taken to provide further information or data required. If the application is approved, each CMS (including Northern Ireland as a CMS) will issue a national marketing authorization for the product within 30 days of approval.

- Marketing authorizations approved in the EU's DC procedure will automatically have effect in Northern Ireland. The EU centralized procedure, including its mandatory scope, continues to apply in Northern Ireland, and therefore, the centralized procedure results in a single marketing authorization to market a product in all EU member states, as well as Iceland, Liechtenstein, Norway and Northern Ireland.

Further information can be found in the U.K.'s website for license applications (www.gov.uk).

Canadian Regulatory Process

Authorization to Market

Therapeutic products can be marketed in Canada after they have been subject to a review to assess their safety, efficacy and quality. A New Drug Submission must be submitted to Health Canada for review, and a Notice of Compliance, or NOC, and/or a Drug Identification Number, or DIN, must be received by the sponsor prior to marketing a product in Canada. Responsibility for review of pharmaceutical drug products resides with Health Canada's Therapeutic Products Directorate, or TPD, while responsibility for review of biological products is under the Biologics, Radiopharmaceuticals and Genetic Therapies Directorate, or BGTD. An active DIN is required for any product being marketed in Canada. Our IG, A1PI, albumin and hyperimmune products are subject to these review and authorization processes.

Changes to Market Authorization

There are four classes of changes to existing market authorizations in Canada. Level 1 changes are considered "significantly different" and have the potential to impact safety, efficacy, quality or effectiveness of the product. These require the filing of a Supplemental New Drug Submission, and a NOC must be issued by Health Canada prior to implementation of the change. Level 2 changes are not considered "significant," but a "Notifiable Change" submission must be filed to Health Canada for review, and approval is provided via a "No Objection" letter to the sponsor. Level 3 changes have minimal potential to impact safety, quality or effectiveness and can be made without prior approval of Health Canada; a summary of these changes is reported to Health Canada with the sponsor's Annual Drug Notification. Level 4 changes are implemented without any notification to Health Canada, based on no expectation of risk.

Clinical Trials

A Clinical Trial Application, or CTA, must be submitted to Health Canada prior to conducting any study protocol that proposes the use of a new product, or the use of an existing product, where the indication, target population, route of administration or dosing differs from the current market authorization. The CTA should include summaries of preclinical and clinical studies conducted and (if applicable) chemistry, manufacturing and control data, and is submitted to either TPD (for drug products) or BGTD (for biological products) for review. The TPD or BGTD are responsible for assessing protection and safety of the participants as well as quality of the product; they will issue a "No Objection" letter to sponsors for studies deemed acceptable. Research ethics board approval for each trial is also required prior to conduct of the study.

Establishment Licensing

All establishments in Canada that are involved in the fabrication, packaging/labeling, testing, import, distribution or warehousing of drug products must have a current establishment license (once an establishment license is issued, an annual report must be submitted by April 1 of each year to maintain the effectiveness of that license). As an importer/distributor, part of the licensing requirements include demonstration that any foreign (non-Canadian) facilities involved in fabrication, packaging/labeling or testing of products imported/distributed under the license comply with cGMP.

Post-Approval Requirements

The Health Products and Food Branch Inspectorate of Health Canada periodically inspects licensed establishments in Canada to verify compliance with cGMP. Manufacturers and importers are required to monitor the safety and quality of their products and must report adverse reactions to the Marketed Health Products Directorate in accordance with a prescribed timeline and format.

Regulatory Process for Markets outside the United States, Europe United Kingdom and Canada

The majority of regulatory authorities in countries outside the United States, Canada and Europe require that a product first be approved by the FDA or European authority prior to granting the market authorization in their country. There are a limited number of countries (Bahamas, Bermuda, Guam, Oman and Qatar) that do not require further local product registration for products and they may be distributed based on the existing FDA approval.

In addition to requiring the submission of a license application containing documentation supporting the safety, efficacy and quality of the product, many countries require the submission of FDA Export Certificates for our products to provide assurance that such products can be legally marketed in the United States. The Certificate of Pharmaceutical Product, or CPP, and/or the Certificate to Foreign Government, or CFG, are issued by the FDA at the request of the manufacturer seeking licensing in the country outside the United States. The CPP conforms to the format established by the World Health Organization, or WHO, and is intended for use by the importing country when considering whether to license the product in question for sale in that country. The CFG serves to document that the product can be legally marketed in the United States and the manufacturer is in compliance with GMP. A limited number of regulatory authorities in countries outside United States, Canada and Europe conduct onsite inspections to verify GMP compliance. Failure to maintain and document GMP compliance could result in withdrawal of marketing authorization. In addition changes to manufacturing or testing procedures for the product require approval of the change in the United States prior to the submission of the variation to the registration in the international market. These changes may require approval in each market in order to maintain product distribution. Furthermore, any changes in the distributors supporting our export business could result in a loss of sales.

Pharmaceutical Pricing and Reimbursement

In the United States and other countries, sales of any products for which we receive regulatory approval for commercial sale will depend in part on the availability of reimbursement from third-party payors. Third-party payors include government health programs, managed care providers, private health insurers and other organizations. These third-party payors are increasingly challenging the price and examining the cost-effectiveness of medical products and services. In addition, significant uncertainty exists as to the reimbursement status of newly approved healthcare products. Our products may not be considered cost-effective. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

United States Pharmaceutical Pricing and Reimbursement

In the United States, our products are reimbursed or purchased under several government programs, including Medicaid, Medicare Parts B and D and the 340B Program, and pursuant to our contract with the Department of Veterans Affairs. Medicaid is a joint state and federal government health plan that provides covered outpatient prescription drugs for low income individuals. Under Medicaid, drug manufacturers pay rebates to the states based on utilization data provided by the states. The rebate amount for most brand name drugs is the greater of 23.1% of the AMP per unit or the difference between the AMP and Best Price per unit and adjusted by the CPI-U, subject to certain exceptions (for example, for certain clotting factors, such as Factor VIII and Factor IX, of the rebate amount is the greater of 17.1% of the AMP per unit or the difference between the AMP and the Best Price per unit and adjusted by the CPI-U. For non-innovator multiple source (generic) drugs, the rebate percentage is equal to a minimum of 13.0% of AMP. The ACA also extended this rebate obligation to prescription drugs covered by Medicaid managed care organizations.

Medicare Part B reimburses providers for drugs provided in the outpatient setting based upon ASP. Beginning in 2005, the Medicare drug reimbursement methodology for physician and hospital outpatient schedules changed to ASP + 6%. This payment was based on a volume-weighted average of all brands under a common billing code. After changes in certain prior years, CMS increased the rate back to + 6% for 2013 and maintained the same rate for 2014 through 2019, except that effective January 1, 2018, a new CMS rule went into effect substantially cutting reimbursement paid to hospitals and other providers for certain outpatient drugs and biologicals, including certain of our products, if purchased by these providers under the 340B Program. The reimbursement was decreased from ASP + 6% to ASP - 22.5%. However, on December 27, 2018, the Federal District Court for the District of Columbia issued an opinion finding that this reimbursement cut exceeded CMS's regulatory authority. No final remedy has yet resulted from this decision, and the case remains subject to appeal. The outcome of this reimbursement change on our business is uncertain, but it may decrease demand for our products and have an adverse effect on our business. We believe that we meet the requirements of the 340B/ Program and are continuing to review and monitor these and other developments affecting the 340B Program. In addition, under the Bipartisan Budget Act of 2013 and subsequent measures, Medicare is subject to a 2% reduction in federal spending, or "sequestration," including drugs reimbursed under Medicare, for federal fiscal years 2013 through 2025. The full ramifications of this sequestration for Medicare reimbursement are not yet clear, as Congressional action may reduce, eliminate or otherwise change this payment reduction.

Other pricing concerns in the United States include that in May 2018, President Trump released a drug "blueprint" including an array of policy ideas intended to lower drug prices and patient out-of-pocket drug costs, and federal administrative agencies have begun issuing proposed regulations to adopt various of these proposals. An area of focus are drugs reimbursed under Medicare Part B. The proposals include, for example, moving reimbursement for certain Medicare Part B drugs into Medicare Part D to make them subject to a variety of pricing negotiations, establishing an enhanced competitive acquisition program for Medicare Part B drugs, and instituting an "International Pricing Index" payment model that would link reimbursement for certain Medicare Part B drugs to pricing levels for such drugs found in other countries. Other proposals support the marketing of biosimilars, involve lowering standards for demonstrating biosimilarity. One additional proposal, which was published as a proposed rule by the Office of Inspector General of the Department of Health and Human Services on February 6, 2019, and is focused initially on drugs reimbursed under Medicare Part D and certain Medicaid managed care organizations (although comments were sought as to whether its scope should be expanded, including to Medicare Part B drugs), would substantially disrupt current pharmaceutical market practices by apparently rendering illegal, under the federal Anti-Kickback Statute, many drug rebates now routinely paid by drug manufacturers to such health benefit plans or their pharmacy benefit managers (PBMs). The uncertain status of these various pricing proposals, some of which could take effect based on action by federal administrative agencies without the need for Congressional action, affects our ability to plan, and the proposals, if adopted, in whole or in part, could adversely affect our business.

An increasing number of states in the United States have also proposed or passed legislation that seeks to directly or indirectly regulate pharmaceutical drug pricing, such as by requiring drug manufacturers to publicly report pricing information or to place a maximum price ceiling on pharmaceutical products purchased by state agencies. For example, in October 2017, California enacted a prescription drug price transparency law that requires prescription drug manufacturers to provide advance notice and explanation for certain drug price increases that exceed a specified threshold. Laws of this type may cause us to experience additional pricing pressures on our affected products, and could adversely affect our business.

Medicare Part D is a partial, voluntary prescription drug benefit created by the federal government primarily for persons 65 years old and over. The Medicare Part D drug program is administered through private insurers that contract with CMS. Government payment for some of the costs of prescription drugs may increase demand for any products for which we receive marketing approval. However, to obtain payments under this program, we are required to negotiate prices with private insurers operating pursuant to federal program guidance. These prices may be lower than we might otherwise obtain. In addition, beginning in 2011, the ACA generally required that we provide a 50% discount (the "Coverage Gap Discount") to patients who have expended certain amounts for drugs and therefore fall within the Medicare Part D coverage gap. In February 2018, legislation was enacted as part of the Bipartisan Budget Act of 2018 that increased this coverage gap discount to 70%, and extended the price reductions of the Coverage Gap Discount Program to include biosimilar drugs.

The availability of federal funds to pay for our products under the Medicaid and Medicare Part B programs requires that we extend discounts under the 340B/PHS drug pricing program. The 340B/PHS drug pricing program extends discounts to a variety of community health clinics and other specified entities that receive health services grants from the PHS, as well as hospitals that serve a disproportionate share of certain low income individuals. The PHS ceiling price cannot exceed the AMP (as reported to CMS under the Medicaid drug rebate program) less the Medicaid unit rebate amount. We have entered into a PPA with the government in which we agree to participate in the 340B Program by

charging eligible entities no more than the PHS ceiling price for drugs intended for outpatient use. Evolving requirements with respect to this program continue to be issued by the HRSA of HHS, the federal agency responsible for oversight of the 340B Program, which creates uncertainty. For example, effective January 1, 2019, a final HRSA rule codified standards regarding the calculation of the ceiling price for covered outpatient drugs under the 340B Program, as well as regarding the imposition of civil monetary penalties, or CMP, on manufacturers that knowingly and intentionally overcharge covered entities.

We make our products available for purchase by authorized government users of the Federal Supply Schedule, or FSS, pursuant to their FSS contracts with the Department of Veterans Affairs. Under the Veterans Health Care Act of 1992, companies are required to offer discounted FSS contract pricing to four federal agencies — the Department of Veterans Affairs, the Department of Defense, the Coast Guard and the PHS (including the Indian Health Service) — for federal funding to be made available for reimbursement of products under the Medicaid program and products eligible to be purchased by those four federal agencies. FSS pricing to those four federal agencies must be equal to or less than the ceiling price, which is, at a minimum, 24% off the non-federal AMP for the prior fiscal year.

The ACA imposed a fee on manufacturers and importers of branded prescription drugs and biologics based on their sales to United States government health programs. An aggregate annual fee of $3.0 billion was imposed on all covered entities for 2014 through 2016. The aggregate fee is allocated among applicable manufacturers and importers, including us, based on their relative sales to government health programs. The aggregate fee increased up to $4.0 billion for 2017, $4.1 billion for 2018, and was reduced to $2.8 billion for 2019 and thereafter. Beginning in 2013, the ACA also imposed a new excise tax on many medical devices equal to 2.3% of the sales price, and excludes devices generally purchased by the general public at retail for individual use. However, with respect to the medical device excise tax, a two-year moratorium was imposed under the Consolidated Appropriations Act, 2016, suspending the imposition of the tax on device sales during the period beginning January 1, 2016 and ending December 31, 2017. On January 22, 2018, an additional two-year moratorium was imposed under Public Law No. 115-120, suspending the imposition of the tax on device sales during the period beginning January 1, 2018 and ending on December 31, 2019. On December 20, 2019, the medical device excise tax was repealed under Public Law No. 116-94, eliminating the imposition of the tax for periods after December 31, 2019. In addition, the Prescription Drug User Fee Act, or PDUFA, first enacted in 1992, sets forth user fees that pharmaceutical and biological companies pay to the FDA for: certain applications for approvals of drugs and biologicals; the establishments where the products are made; and the products themselves. The fees under PDUFA cover a substantial portion of the FDA's operating budget, and the measure also addresses aspects of the regulatory approval process, such as timing and procedures. PDUFA is subject to reauthorization by Congress every five years, and in December 2016, after a lengthy process involving significant industry and other stakeholder input, the FDA submitted its final recommendations to Congress for the sixth PDUFA reauthorization, which was signed into law in August 2017, and which covers fiscal years 2018 through 2022.

The marketability of any products for which we receive regulatory approval for commercial sale may suffer if the government and third-party payors fail to provide adequate coverage and reimbursement. Federal, state and local governments in the United States have enacted and continue to consider additional legislation to limit the growth of healthcare costs, including the costs of prescription drugs. Existing and future legislation could limit payments for our existing products or for drug candidates that we are developing, including possibly permitting the federal government to negotiate prices directly with manufacturers. In addition, an increasing emphasis on managed care in the United States has increased and will continue to increase the pressure on pharmaceutical pricing. See Risk Factors—Risks Relating to the Healthcare Industry—United States Healthcare Reform may adversely affect our business."

European Union Pharmaceutical Pricing and Reimbursement

Our operations in the EU are subject to regulations that affect the pricing and marketing of our products. The governments of EU Member States are able to influence the price of pharmaceutical products through their control of national healthcare systems. As such, governments in the EU Member States have been introducing healthcare reforms to limit increases in costs, particularly with respect to prescription drugs. Some EU Member States have also passed legislation to impose mandatory rebates for pharmaceutical products and financial claw-backs on the pharmaceutical industry. Through health technology assessment organizations that use formal economic metrics such as cost-effectiveness to determine prices, coverage and reimbursement of new therapies, EU Member States are also seeking to limit healthcare costs. We expect that EU Member States will continue to pursue actions to reduce healthcare expenditures.

The EU is currently undergoing an analysis of the intellectual property protections extended to pharmaceutical products as well as the overall regulatory framework for the approval and commercialization of medicinal products. This could result in significant changes in the way drugs are approved and marketed, as well as with respect to the duration of exclusivity, in particular for orphan drugs.

Pricing and Reimbursement in Other Countries

Many countries around the world have been taking steps to control healthcare costs, particularly as they relate to prescription drugs. For example, Canada is contemplating regulatory changes that seek to reduce prices for certain medicinal products, such as biologics and medicines for rare diseases. China has organized national price negotiations for certain products directly linked to national drug reimbursement. Drug prices in China may further decline due to a stated national policy of reducing healthcare costs. Furthermore, countries are utilizing tendering processes to generate competition in a bid to control prescription drugs.

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Pursuant to our articles of association (the "Articles of Association"), we are managed by a board of directors (the "Board"), which may be composed of not less than three and not more than 15 directors. Our current Board has 12 directors. Directors must be individuals. Under Spanish law, the Board is responsible for management, administration and representation in all matters concerning the business, subject to the provisions of the Articles of Association and the powers conferred at the general shareholders' meeting.

Appointment and Dismissal

Pursuant to Spanish law and our Articles of Association, directors are elected by our shareholders to serve for a term of four years and may be reelected to serve for an unlimited number of terms, except in the case of independent directors, who pursuant to Spanish law and the regulations of our Board originally approved at the Board meeting held on April 5, 2006, as amended (the "Board Regulations"), shall not serve as such for more than 12 years. We do not provide for the reelection of directors at staggered intervals or cumulative voting for such directors or otherwise.

A director must be an individual. If a director ceases to hold office prior to the expiration of his or her term, the Board may fill the vacancy by appointing a new director to replace the outgoing director. Any director so appointed will hold office until the next general shareholders' meeting when the appointment may be confirmed or revoked by our shareholders. If such appointment takes place between the time that a general shareholders' meeting is called and the time the meeting takes place, then the director so appointed will hold office until the next general shareholders' meeting, when this appointment is to be confirmed or revoked. Any such appointment will be only for the remainder of the term of the outgoing director, without prejudice to such director's eventual election. A director may resign, or be removed, from office by a resolution of our general shareholders' meeting at any time. A director who is also a shareholder may vote freely on any of our shareholders' resolutions relating to the appointment and dismissal of directors (including the appointment or dismissal of that director).

In addition, pursuant to the Board Regulations, a director must tender a resignation to the Board and the Board may accept such resignation, in its discretion, under the following circumstances: (i) when the director ceases to hold the executive position to which such director's appointment to the Board was related; (ii) when circumstances arise that might harm the Company's name or reputation, related or not to their actions within the Company; (iii) when the director becomes unable to hold the office due to a legal cause of ineligibility or incompatibility; (iv) when any criminal charges are brought against or a formal inquiry is opened against him or her by a regulator; (v) when the director has been severely admonished by our Audit Committee for having breached his or her duties as director; (vi) when the director's participation on the Board may jeopardize our interests or when the reasons for his or her appointment cease to exist; and (vii) in the case of a proprietary director, when the relevant shareholder ceases to hold its stake in us, or reduces its stake below the level that reasonably justified the appointment of such director. When a director leaves his/her position, whether by resignation or resolution of the general shareholders' meeting before his/her tenure expires, he/she shall explain, in sufficient detail, the reasons behind this decision or, in the case of non-executive directors, his/her opinion of the reasons for the general shareholders' meeting resolution, in a letter that must be sent to the members of the board via the chairperson or the secretary.

In addition, under Spanish corporate law, a holder of voting shares (or group of shareholders of voting shares acting together) may, subject to availability of seats on the Board, appoint a number of directors proportionate to that shareholder's (or group of shareholders') interest in our voting capital. If the voting capital stock represented by the shares held by such shareholder (or group of shareholders) is equal to or greater than the result of dividing our total voting capital stock by the number of directors, such shareholder (or group of shareholders) shall have the right to appoint a proportionate number of directors. For example, a shareholder holding 20 voting shares out of a total of 100 voting shares in a company with five directors will be entitled to appoint one director. Should this power be exercised, shares so pooled shall not participate in the voting for the other members of the Board. However, they may exercise their voting rights with respect to the removal of existing directors. Since such rights apply only to voting shares or Class B shares that have recovered their voting rights, our Class B shares and the Class B ADSs that represent them in the United States do not count towards the proportional representation right.

The Board must appoint a Chairman of the Board from among its members. Mr. Víctor Grifols Roura is the current non-executive Chairman. The Board may also designate one or more Vice Chairmen, who shall be numbered consecutively, and who shall replace the Chairman in the event of impossibility to act or absence. Mr. Thomas H. Glanzmann is the current Vice Chairman.

The Board must also appoint a Secretary and may also designate one or more Vice-Secretaries. Neither the Secretary nor the Vice-Secretary is required to be a member of the Board; however, the Secretary or the Vice-Secretary will not be entitled to vote on matters before the Board unless he or she is a member of the Board. Mr. Tomás Dagá is the current Vice-Secretary of the Board and Ms. Nuria Martín Barnés is the current Secretary non-member of the Board.

Meetings of the Board of Directors

Pursuant to the Articles of Association, a meeting of the Board may be called by the Chairman whenever he considers such a meeting necessary or suitable. The Chairman is also required to call a meeting at the request of one-third of the directors. Meetings of the Board are called using any means of notice at least ten days before the date of the meeting, unless exigent circumstances require a shorter term. Such notice of a meeting of the Board must state the place, date and time as well as the issues to be discussed. The Board is required by Spanish law to hold a meeting at least every three months. Our Articles of Association provide that a majority of the directors (half plus one of the directors present at a meeting) of the Board (represented in person or by proxy by another director on the Board; non-executive directors may only appoint another non-executive director to represent them) constitutes a quorum. Except as otherwise provided by law or specified in the Articles of Association, resolutions of the Board must be passed by an absolute majority of the directors present or represented at a meeting, with the Chairman having the right to cast a deciding vote in the event of a tie.

Pursuant to the Articles of Association the Board may hold meetings by videoconference, conference call or by any other distance communication systems as long as said communications take place in real time and therefore, in one sole act, and both the identity of the participating or voting individual and the security of the electronic communications, are properly guaranteed.

Delegation of Powers

Pursuant to Spanish law and our Articles of Association, the Board may delegate its powers either to an executive committee (Comisión Ejecutiva) or to one or more chief executive officers. Spanish corporate law provides that resolutions appointing an executive committee, any chief executive officer or authorizing the permanent delegation of all, or part of, such board of directors' powers, requires a two-thirds majority of the members of such board of directors and the registration of such resolution in the Spanish Commercial Registry (Registro Mercantil). The Board may also revoke such powers at any time. In addition, when a member of the Board is appointed chief executive officer or vested with executive functions, he/she will need to enter into an agreement with the Company, which shall be approved by a two-thirds majority of the Board. The director in question will have to refrain from participating in the deliberation and voting process of such agreement.

Under Spanish corporate law, a board of directors may also grant general or specific powers of attorney to any person whether or not that person is a director or a shareholder. General powers of attorney must be registered in the Commercial Registry. However, Spanish law provides that the following powers, among others, may not be delegated: (i) the formulation and submission for approval of the yearly financial statements at the general shareholders' meeting; and (ii) those powers granted to the board of directors by a general shareholders' meeting (unless otherwise provided in the relevant shareholders' resolution).

Mr. Raimon Grifols Roura and Mr. Víctor Grifols Deu currently serve as joint and several Chief Executive Officers of the Company, with delegation of all powers legally delegable from the Board. Set forth below are the names and current positions of the members of the Board:

Name	Age	Title	Type	Director Since	Term Expires
Víctor Grifols Roura	71	Director, non-executive Chairman of the Board	Proprietary	Jul 1991[(1)]	May 2025
Víctor Grifols Deu	44	Director and Chief Executive Officer	Executive	May 2016	Oct 2024
Raimon Grifols Roura	57	Director and Chief Executive Officer	Executive	May 2015	May 2023
Tomás Dagá Gelabert	65	Director and Vice-Secretary of the Board	Other External	Apr 2000	May 2023
Thomas H. Glanzmann	63	Director and Vice-chairman of the Board of Directors	Other External	Apr 2006	Oct 2024
Enriqueta Felip Font	58	Director	Independent	May 2019	May 2023
Steven Francis Mayer	61	Director	Independent	Jan 2011	Oct 2024
Belén Villalonga Morenés	53	Director	Independent	May 2013	May 2022

Name	Age	Title	Type	Director Since	Term Expires
Marla E. Salmon	72	Director	Independent	May 2014	May 2022
Carina Szpilka Lázaro	52	Director	Independent	May 2015	May 2023
James Costos	58	Director	Independent	Oct 2020	Oct 2024
Iñigo Sánchez-Asiaín Mardones	57	Director and Lead Independent Director[2]	Independent	May 2015	May 2023
Nuria Martín Barnés	63	Secretary non-member of the Board of Directors	n/a	May 2015	n/a

(1) Between July 8, 1991 and May 30, 2002, Mr. Víctor Grifols Roura was not a director but sat on the Board as representative of our then director Deria, S.A.

(2) The lead independent director is a figure introduced by Law 31/2014, adopted on December 3, 2014, that amended the Spanish Companies Act in matters of corporate governance, or Law 31/2014. It is mandatory to appoint a lead independent director when the office of Chairman of the Board and that of chief executive officer is held by the same person. The lead independent director must (i) be an independent director and be authorized to request the calling of a board meeting or the inclusion of new points on the agenda of a board meeting already convened, (ii) coordinate and gather the non-executive directors and (iii) direct, when applicable, the Chairperson's periodic evaluation by the Board. The Board in its meeting held on May 24, 2019, agreed to reelect Iñigo Sánchez-Asiaín Mardones as the Company's Lead Independent Director although the position has not been mandatory since January 1, 2017 since the offices of Chairman of the Board and Chief Executive Officer are no longer held by the same person.

Director Biographies

Víctor Grifols Roura

Mr. Víctor Grifols Roura is non-executive Chairman and proprietary director since January 1, 2017. From 1987 to 2017, he held the role of Chief Executive Officer and top executive of the Grifols Group, succeeding his father, Mr. Víctor Grifols Lucas. Mr. Víctor Grifols Roura spearheaded the 1987 reorganization that created Grifols as it is today. Mr. Víctor Grifols Roura originally joined the Group in 1973 as an Export Manager and later served as Sales Manager. Mr. Grifols Roura earned a business administration degree from the University of Barcelona. As part of the approved Company's succession plan on January 1, 2017, Mr. Víctor Grifols Deu and Mr. Raimon Grifols Roura were appointed co-CEOs of the Company.

Mr. Víctor Grifols Roura is a shareholder of Deria S.A. (a non-controlling shareholder, pursuant to the revised Spanish Securities Market Act (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) as amended and restated (the "Spanish Securities Market Act"). He is also a shareholder of Scranton Enterprises, B.V. (a non-controlling shareholder, pursuant to the Spanish Securities Market Act). Ms. Nuria Roura Carreras (Rodellar Amsterdam Holdings B.V.) is the mother of Mr. Víctor Grifols Roura.

Víctor Grifols Deu

Mr. Víctor Grifols Deu is Grifols' joint and several Chief Executive Officer together with Mr. Raimon Grifols Roura since January 1, 2017. He succeeded his father, Mr. Víctor Grifols Roura in the position. He is a member of the administration bodies of several companies within the Grifols Group and was appointed executive director in May 2016. He joined the Company in 2001 as an analyst in the Planning and Control Department of the Company. In 2008 he became the director of the Planning and Control Department and was also appointed a member of the Executive Committee. He has been part of the team that analyzed and was responsible for the integration of operations after the acquisition of Alpha Therapeutics, Talecris Biotherapeutics and Novartis' Transfusion Diagnostic Unit. He graduated in Business Administration and Management from the Ramon Llull University — Sarrià Chemical Institute and holds a postgraduate degree in Business Administration and Management from Michael Smurfit Business School in Dublin.

Mr. Víctor Grifols Deu is the grandson of Ms. Nuria Roura Carreras (Rodellar Amsterdam Holdings B.V.).

Raimon Grifols Roura

Mr. Raimon Grifols Roura is Grifols' joint and several Chief Executive Officer together with Mr. Víctor Grifols Deu since January 1, 2017. He succeeded his brother, Mr. Víctor Grifols Roura in the position. He is a member of the administration bodies of several companies within the Grifols Group. From 2001 to 2015 he held the role of non-member secretary of the Board of Directors of Grifols, and in 2015 began serving as director and Vice Secretary of the Board of Directors. In May 2016, the Board accepted his resignation as Vice Secretary. Until his appointment as executive director in July 2016, Mr. Grifols Roura was a partner at the law firm Osborne Clarke in Spain. Mr. Grifols Roura earned his law degree from the University of Barcelona (Universidad de Barcelona).

Mr. Raimon Grifols Roura is a shareholder of Deria S.A. (a non-controlling shareholder, pursuant to the Spanish Securities Market Act). He is also a shareholder of Scranton Enterprises, B.V. (a non-controlling shareholder, pursuant to the Spanish Securities Market Act). Ms. Nuria Roura Carreras (Rodellar Amsterdam Holdings B.V.) is the mother of Mr. Raimon Grifols Roura.

Tomás Dagá Gelabert

Mr. Tomás Dagá Gelabert has served as director of Grifols since April 2000 and also as Vice Secretary of the Board since May 2016. He is a partner and founder of the law firm Osborne Clarke in Spain. He was the managing partner of the law firm Osborne Clarke in Spain until June 30, 2017. Prior to joining Osborne Clarke, he worked in the corporate and tax department of Peat Marwick Mitchell & Co. in Barcelona. He is currently a member of the administrative bodies of several companies within the Grifols Group. He is a board member of Alkahest Inc. and RAAS Blood Products Co., Ltd., as well as a trustee and the secretary of the private foundation Víctor Grífols i Lucas and a trustee of the Probitas Fundación Privada foundation, and the secretary non-member of Progenika Biopharma, S.A. Mr. Dagá earned his law degree from the University of Barcelona (Universidad de Barcelona).

Mr. Tomás Dagá Gelabert is a shareholder of Scranton Enterprises, B.V. (a non-controlling shareholder, pursuant to the Spanish Securities Market Act).

Thomas H. Glanzmann

Mr. Thomas H. Glanzmann has served as a director of Grifols since April 2006 and on January 1, 2017 he was appointed non-executive Vice Chairman of the Board of Directors. Since December 2020, he is the Chairman of our Sustainability Committee. He serves as a director on the board and as a member of several committees at Alcon, Inc. (among others, the sustainability, compensation and innovation committees) and is a healthcare advisor to Madison Dearborn and Partners. He is also a founder and General Partner in Medical Technology Venture Partners in California. From 2006 until 2011 he was the CEO and Chairman of Gambro AB. Prior to this Mr. Glanzmann was the CEO and Managing Director of HemoCue AB. Between 1988 and 2004 he held various positions at Baxter Healthcare Corporation: Senior Vice President and Senior Corporate Officer of Baxter Healthcare Corporation; President of Baxter Bioscience; Chief Executive Officer of Immuno International; and President of the European Biotech Group. Between 1984 and 1988 he worked at Philip Morris where he was the country manager for Norway, Denmark and Iceland. Mr. Glanzmann holds an MBA from IMD in Lausanne-Switzerland, a B.A. in Political Science from Dartmouth College, U.S., and a Board of Directors Certification from the UCLA Anderson School of Management, U.S.

Enriqueta Felip Font

Ms. Enriqueta Felip Font has served as a director of Grifols since May 2019. She received her degree in Medicine and Surgery from the Autonomous University of Barcelona, where she also completed her studies for a PhD in Medical Oncology. She has an extensive professional career and accredited experience in the oncology sector, as well as knowledge in the scientific and research field. She is currently the Section Chief of the Medical Oncology Service at Vall d'Hebron University Hospital and the Principal Investigator of the Vall d'Hebron Institute of Oncology's Thoracic Tumors Cancer Group. Ms. Enriqueta Felip Font is a member of the Scientific Committee of the Hospital Parc Taulí of Sabadell. Throughout her career, she has obtained several recognitions for her work in the oncology field. In 2015, she was awarded with the first ESMO Women for Oncology Award from the European Society of Medical Oncology (ESMO).

Most recently, she featured on Clarivate Analytics' annual Global Highly Cited Researchers List 2018 and 2019. Ms. Enriqueta Felip Font has played key roles in many leading professional and international cancer societies including the European Society of Medical Oncology (ESMO), the European School of Oncology (ESO) and the International Association for the Study of Lung Cancer (IASLC), where she is currently a member of the board of directors.

Steven F. Mayer

Mr. Steven F. Mayer has served as a director of Grifols since January 2011. He is currently the CEO of Iron Horse Acquisition Corp. and of Dedication Capital, LLC, private investment firms that he founded. From 2002 until 2018, he held a variety of management positions with Cerberus Capital Management, L.P. and Cerberus California, LLC, affiliated private investment firms, culminating with serving as Senior Managing Director, Co-Head of Global Private Equity, and Chairman of the Cerberus Investment Committee.

Mr. Mayer holds a Bachelor of Arts, cum laude, from Princeton University and a Juris Doctor degree, magna cum laude, from Harvard Law School. Mr. Mayer has served as a member of the board of directors or equivalent body of a large

number of companies in a wide variety of industries in the United States and Europe. He is currently a member of the Board of Supervisors of Syntellix AG and a director of PrettyParty, LLC.

Belén Villalonga Morenés

Ms. Belén Villalonga Morenés has served as director of Grifols since May 2013. She is a Professor of Management at New York University's Stern School of Business. Between 2001 and 2012 she was a faculty member at Harvard Business School. Her teaching, research, and consulting activities are in the areas of corporate strategy, finance, and governance, with a special focus on family-controlled companies.

She is also a director at Banco Santander International, the Santander group's private banking subsidiary in the United States and has also been an independent director between 2006 and 2019 at Acciona, a leader in the renewable energy and infrastructure industries, and between 2015 and 2018 at Talgo, a high-speed train manufacturer.

Ms. Belén Villalonga Morenés holds a Ph.D. in Management and an M.A. in Economics from the University of California at Los Angeles, where she was a Fulbright Scholar. She also holds a Ph.D. in Business Economics from the Complutense University of Madrid as well as a degree in Economic and Management Sciences from the Colegio Universitario de Estudios Financieros in Madrid.

Marla E. Salmon

Ms. Marla E. Salmon has served as director of Grifols since May 2014. She is a professor at the University of Washington, with appointments in global health, nursing, and public affairs. Her career has focused on health policy and health care systems capacity building globally and in the United States, working with governments, international agencies, member-state organizations, and other health–related entities. Her recent scholarship focuses on gender-lens impact investment in the health sector in lower income countries.

Prior to her academic career, she was a member of the U.S. Government's Senior Executive Service, in the Health and Human Services Department. While there, she served on White House Taskforce on Healthcare Reform, was part of the U.S. Delegation to the World Health Assembly, and chaired the World Health Organization's Global Advisory Group on Nursing and Midwifery.

She is currently a member of the IES Abroad, Inc. Board of Directors and of the National Academies of Science, Engineering and Medicine's Health and Medicine Division Committee.

She holds a doctorate in health policy and administration from the Johns Hopkins School of Hygiene and Public Health, two Honoris Causa doctorates in recognition of her national and international service, and other degrees in nursing and political science. She is a member of the National Academy of Medicine and fellow in the American Academy of Nursing.

Carina Szpilka Lázaro

Ms. Carina Szpilka Lázaro has served as a director of Grifols since May 2015. She earned a degree in Business Administration from the Universidad Pontificia de Comillas in Madrid (ICADE) and an Executive MBA from the Instituto de Empresa de Madrid. She began her professional career in the financial sector working at Banco Santander and Argentaria (now known as BBVA). In 1998 she was part of the team that founded ING Direct in Spain, where she held the position of CEO from 2010 to 2013, having previously held that position in ING Direct France from 2008 to 2010. She is currently an independent director at Abanca and Meliá Hotels International, as well as a partner at KFund Venture Capital and Chairwoman of Adigital. She has received numerous awards. Among others, in 2011 she was given the "Female Executive of the Year" award by the Spanish Federation of Female Directors, Executives, Professionals and Entrepreneurs (Federación Española de Mujeres Directivas - FEDEPE). For four years, she was also a member of the UNICEF Foundation.

James Costos

Mr. James Costos has served as a director of Grifols since October 2020. He is an American diplomat who holds a degree in Political Science from the University of Massachusetts. He has an extensive professional career and accredited experience in different sectors including international relations and the digital and communications sectors. From 2013 to 2017, he was the U.S. Ambassador to the Kingdom of Spain and to the Principality of Andorra. He is currently the President of Grupo Secuoya Studios in Madrid. He is a member of the Board of Directors of PJT Partners, a firm providing

financial advisory services in investment banking, Senior Advisor of F.C. Barcelona and Senior Managing Director in the Venture Technology Group at Dentons. He is also a member of the Board of Advisory of AmCham Spain, as well as of three technological companies focused on artificial intelligence, teleportation and digital transparency. Additionally, he is a member of the Atlantic Council on Foreign Relations and of the International Council of the Reina Sofia Museum Foundation.

Iñigo Sánchez-Asiaín Mardones

Mr. Iñigo Sánchez-Asiaín Mardones has been the Lead Independent director of the Board since May 2015. He earned a degree in Business Administration from the Universidad Pontificia de Comillas in Madrid (ICADE) and an MBA from Harvard Business School. In 2010 he founded Portobello Capital, where he remains a partner and a member of the Executive Committee and Investment Committee, leading the investments in companies such as Angulas Aguinaga, a company where he is Vice-Chairman and member of the Executive Committee, and Hotels & Resorts Blue Sea, S.L., where he is a member of the Board of Directors. Previously, from 1993 to 2005, he was Deputy General Director at Banco Santander and from 2005-2010 was a partner and member of the board of directors of Ibersuizas Gestión SGECR, S.A. He is also a member of the Executive Committee at the Harvard Club of Spain, which he has previously chaired.

Biography of the Secretary Non-Member of the Board

Nuria Martín Barnés

Ms. Nuria Martín Barnés served as Vice-Secretary Non-Member of the Board of Directors from 2001 to 2015, and has served as Secretary Non-Member of the Board of Directors since 2015. Ms. Martín has been the managing Partner at Osborne Clarke Spain since July 1, 2017. Prior to joining Osborne Clarke she worked in the Corporate and Tax Department of KPMG Peat Marwick from 1982 to 1986. Ms. Martín is a trustee of the Probitas Fundación Privada foundation and she is also secretary and member of the board of directors of Compañía General de Inversiones, S.I.C.A.V., S.A., and Gesiuris Asset Management, S.G.I.I.C., S.A. Ms. Martín earned her law degree from the University of Barcelona.

Senior Management

Our senior management currently consists of the following persons:

Name	Age	Title	Since
Raimon Grifols Roura	57	Co-Chief Executive Officer	2017
Víctor Grifols Deu	44	Co-Chief Executive Officer	2017
Alfredo Arroyo Guerra	64	Chief Financial Officer	2013
Miguel Pascual Montblanch	62	President, Commercial Operations Management	2018
Vicente Blanquer Torre	60	Chief Quality Officer	2016
Montserrat Gaja Llamas	56	Chief Human Resources Officer	2021
David Ian Bell	67	General Counsel and Chief Corporate Development Officer	2021
Nuria Pascual Lapeña	57	VP, Corporate Treasury & Investor Relation Officer	2015
Lafmin Morgan	56	Chief Commercial Officer	2018
David Dew	48	President of the Diagnostic Commercial Division	2020
Eduardo Herrero Jiménez	52	President of Bioscience Industrial Group	2017
Daniel Fleta Coit	50	Chief Industrial Officer	2019
Robert Jagt	55	President of the Hospital Commercial Division	2018
Joel Abelson	62	President of the Bioscience Commercial Division	2018
Alberto Grifols Roura	62	President of the Bio Supplies Division	2018
Matt Murawski	55	VP, Bioscience, Diagnostic & Scientific Development	2017
Maria Teresa Rioné Llano	56	Chief Communications Officer	2018
Albert Grifols Coma-Cros	44	Chief Scientific Innovation Officer	2021
Xavier Sueiras Gil	53	Chief IT Officer	2018
Antonio Martinez Martinez	54	President, Diagnostic Scientific & R&D	2020
Antoni Jaumà Fages	50	President, Diagnostic Manufacturing Operations	2020
Christopher Paul Healey	56	President, North America Corporate Affairs	2020
Sergi Roura Adell	53	President, Commercial Tech Support	2019
Fernando Rodriguez Haro	43	VP Corporate Planning & Control	2016

Senior Management Biographies

The following are the biographies of our senior management who are not also directors:

Alfredo Arroyo Guerra

Mr. Arroyo has served as our Corporate Vice President and Chief Financial Officer since January 2007. Previously, Mr. Arroyo served as a CFO and in various Senior Finance positions in companies including KPMG, Carrefour, Chupa Chups, Reckitt Benckiser and Winterthur. Mr. Arroyo received a degree in Economics and is a Certified Public Accountant in Spain.

Miguel Pascual Montblanch

Mr. Pascual has served as our President Commercial Operations Management (previously President Operations Network) since 2012 and he is also a member of the board of worldwide Grifols commercial affiliates. He joined us in 1974 and has held several positions since that time, beginning as General Manager of Grifols Movaco S.A. until 2007. He was also General Manager of Iberoamerica Sales from June 2007 until 2012.

Vicente Blanquer Torre

Mr. Blanquer has served as our VP Quality and Regulatory Affairs since 2007 and was Corporate Vice President and the Technical Director of the Biological Industrial Group (previously the Pharmaceutical Technical Director) since 1993. He is currently the Chief Quality Officer, responsible for both Bioscience's quality assurance and quality control. From 1987 until 1993, he was the Deputy Technical Director, responsible for process quality control concerning plasma derivatives manufacturing. Mr. Blanquer received a degree in Pharmacy from the University of Barcelona.

Montserrat Gaja Llamas

Ms. Gaja joined us in 1992. She currently serves as Chief Human Resources Officer. Previously, she served as Deputy Chief Human Resources Officer and VP Compensation & Benefits from 2011 to 2020. She also served in different positions in the Administration and Finance departments. Prior to joining us, Ms. Gaja served as Accountant Analyst at Banco de la Pequeña y Mediana Empresa. Ms. Gaja received a Bachelor's Degree in Economics at the University of Barcelona.

David Ian Bell

Mr. Bell has been the General Counsel NA since 2003 and Chief Corporate Development Officer since 2021. He previously held the position of Chief Innovation Officer from 2016 to 2020. Mr. Bell joined us as a Corporate Vice President of Grifols Shared Services North America, Inc. (previously Grifols, Inc.) in July 2003. He also serves as a member of our Executive Committee in Spain. He additionally serves on the boards of numerous companies affiliated to Grifols. Mr. Bell is responsible for all legal activities of our U.S. operations, including litigation, mergers and acquisitions, real estate transactions, intellectual property and contracts. Prior to joining us, Mr. Bell was Vice President and General Counsel for Alpha. He also spent time as a partner at the U.S. law firm of Knapp, Petersen & Clarke where he specialized in complex litigation involving healthcare, pharmaceutical and biotechnology regulation and liability. Mr. Bell attended the University of California, Irvine, Southwestern University School of Law and a postgraduate program at Harvard Law School. He is a member of the California State Bar and is admitted to practice before the United States Supreme Court as well as numerous federal appellate and district courts.

Nuria Pascual Lapeña

Ms. Pascual joined us in 1996. She currently serves as VP, Corporate Treasury & Investor Relations Officer. Prior to joining us, she served in various positions at Deutsche Bank and Banco Santander de Negocios. She is a member of the board of directors of several companies related to her family's businesses. Ms. Pascual received a degree in Economics & Business Administration and received a Masters of Sciences in Economics from the London School of Economics and Political Sciences.

David Dew

Mr. Dew became President of the Grifols Diagnostic Commercial division in 2020 and had been President of the Global Diagnostic Sales & Commercial Operations since he joined Grifols in 2014. Prior to joining Grifols, Mr. Dew was

with Novartis Diagnostics from 2007-2014 as Vice President of Americas Commercial Operations and Global Marketing (2011-2014), Senior Director of Sales Marketing Europe Middle East and Africa (2010-2011), and Director of Marketing (2007-2010). Prior to Novartis, Mr. Dew held various commercial leadership positions with Abbott Diagnostics from 2003-2007. Mr. Dew holds an MBA from the University of California at Irvine and a BA in Hospitality Business Management from Washington State University.

Lafmin Morgan

Mr. Morgan has been Chief Commercial Officer since July 2018 and had been President of the Global Bioscience Division for Grifols since 2014. Previously, Mr. Morgan led the Global Marketing function for all Grifols divisions, Bioscience, Hospital and Diagnostics. Mr. Morgan also served as Grifols North American Vice President and General Manager for Pulmonary in 2011. Mr. Morgan joined Grifols (then Talecris Biotherapeutics) in 2010. He was the Vice President of Product Management at Talecris Biotherapeutics where he was responsible for the marketing of Gamunex-C, Prolastin-C, Thrombate, Koate —DVI and the Company's line of hyperimmune products. Prior to Grifols, Mr. Morgan worked at GSK for 20 years. During that time, he held a variety of positions in a number of different functional areas. Mr. Morgan holds a Bachelor's Degree in Business Administration and an MBA from the University of North Carolina in Chapel Hill.

Daniel Fleta Coit

Mr. Fleta joined us in 2001 and since January 2019 he has been our Chief Industrial Officer. Previously, Mr. Fleta served as Deputy Chief Industrial Officer and Managing Director Grifols Engineering S.A. from 2011 to 2018. Beginning in 2005, he has served as Director Pharmaceutical Projects. Mr. Fleta received a degree in Industrial Engineering from the Institut Químic de Sarrià in 1995.

Eduardo Herrero Jimenez

Mr. Herrero joined us in 1998 and since January 2018 he has been our President Bioscience Industrial Group. Previously, Mr. Herrero served as President and Managing Director of Biomat, S.A. from 2009 to 2015. Beginning in 2002, he had served as Manager Regulatory Affairs. Mr. Herrero received a Master's Degree in Pharmacy from the Universitat Politècnica de Barcelona in 1991.

Robert Jagt

Mr. Jagt joined us in 2014 as Vice President Commercial Services and since July 2017 he has been our President of Hospital Commercial division (previously President Hospital Operations Network). Previously, Mr. Jagt served as Vice President Bioscience Commercial Services & Controlling. Mr. Jagt holds a Bachelor of Arts, Business & Economics from Wheaton College, Illinois.

Joel Abelson

Mr. Abelson joined us in 2006 and since 2018 he has been our President Bioscience Commercial division. Previously, Mr. Abelson served as President Global Bioscience Sales & Commercial Operations and Corporate Vice President Commercial NA Operations from 2013 to 2016. Beginning in 2011, he has served as President NA Commercial Operations. Mr. Abelson holds a Bachelor of Arts from the Carleton University in Ottawa and a Master's in Public Administration from the University of Toronto.

Alberto Grifols Roura

Mr. Grifols joined us in 1985 and since 2018 has served as President Bio Supplies division. Previously he has held several positions, such as; Managing Director of Grifols Argentina S.A., Managing Director of Biomat S.A., Managing Director of Laboratorios Grifols; and President of Instituto Grifols, S.A. from 2011 to 2016. Mr. Grifols received a Master's degree in Industrial Engineering from the Universitat Politècnica de Terrassa in 1985.

Matt Murawski

Mr. Murawski joined us in 2017 as Vice President of both Diagnostic Research and Innovation Management and Project Management, and currently serves as VP, Bioscience, Diagnostic & Scientific Development. Previously, he was the senior executive responsible for business alliances and project execution at Hologic where he coordinated and monitored

diagnostic innovation projects, including internal and external investments. Mr. Murawski holds a Bachelor of Science, Finance and a Master's in Business Administration from DePaul University - Kellstadt School of Business.

Maria Teresa Rioné Llano

Ms. Rioné joined Grifols in 2018 and currently serves as the Chief Communications Officer. Prior to joining Grifols, Ms. Rioné was Senior Director of Communications Western Europe at Nike Corporation. Ms. Rioné is a graduate in Law with honors in Commercial Law from Universitat de Barcelona and a Master's in Marketing and Sales Management from IE Business School.

Albert Grifols Coma-Cros

Mr. Grifols Coma-Cros joined Grifols in 2004 and since 2021 serves as Chief Scientific Innovation Officer. He held the position of President at GWWO from 2018 to 2020, and previously he was the Corporate Cash Manager and Global Treasury Director. Mr. Grifols Coma-Cros received a degree in Business Administration from the Universitat Autònoma de Barcelona in 2004.

Xavier Sueiras Gil

Mr. Sueiras joined us in 1997 and has held several positions since that time, starting as Manufacturing Director in Laboratorios Grifols, S.A., later becoming Project Director from 2005 to 2012 in Grifols and then working as VP NA Information Technology and VP Global IT from 2012 to 2015. Since 2018, Mr. Sueiras has served as Chief IT Officer. Mr. Sueiras received a degree in Industrial Engineering from the Universitat Politècnica de Catalunya in 1994.

Antonio Martinez Martinez

Dr. Martinez joined Grifols in 2020 and serves as President of Diagnostic Scientific & R&D. Prior to Grifols, he served as Chief Executive Officer of Progenika Biopharma S.A., a leading molecular diagnostic company dedicated to personalized medicine he co-founded in 2000 and that was acquired by Grifols in 2013. Mr. Martinez has received the Ernst & Young Most Innovative Entrepreneur Award (2010) and the Ruban d´Honneur in the European Business Awards, HSBC Bank (2011). Before receiving a MOD from the Instituto de Empresa, Dr. Martinez obtained his PhD from the University of Navarra with a project aimed at the development of a diagnostic method for cystic fibrosis, an aim that he accomplished in 1992. The output of Dr. Martinez's research and development work includes more than 70 publications in scientific journals and 20 patent applications on diagnostic methods for genotyping or gene expression.

Antoni Jaumà Fages

Mr. Jaumà joined Grifols in 2002 as the Manufacturing Director of Diagnostic Grifols, S.A., moving to Managing Director in 2013. From 2018 to 2020 he held the position of VP, Diagnostic Industrial Operations in Grifols and since January 2020 Mr. Jaumà has served as President of Diagnostic Manufacturing Operations. Mr. Jaumà received a bachelor's degree in Chemistry from the Universitat de Barcelona in 1994 and attended a directive business program at IESE Business School in 2008.

Christopher Paul Healey

Mr. Healey joined us in 2005 as Vice President Public Affairs and since 2020 Mr. Healey serves as President of North America Corporate Affairs. Mr. Healey holds a Bachelor of Science in Psychology from the University of Florida in 1987 and a Juris Doctor of Law from the Emory University School of Law in 1992.

Sergi Roura Adell

Mr. Roura joined Grifols in 1995 and has held several positions since that time, starting as Project Manager in the engineering department. With the creation of Grifols Engineering in 2001, he was appointed as Managing Director of Grifols Engineering, S.A. From 2011 to 2016 he was the President of Grifols Therapeutic Inc based in North Carolina, U.S. and from 2017 to 2019 he was the President of Facilities North America. Since 2019, Mr. Roura has served as President, Commercial Tech Support. Mr. Roura received a degree in Industrial Engineering from the Universitat Politecnica de Catalunya in 1994.

Fernando Rodriguez Haro

Mr. Rodriguez joined Grifols in 2016 as Vice-President, Corporate Planning & Control. Previously, Mr. Rodriguez served in various finance leadership roles at AkzoNobel N.V. and Nike Inc. Mr. Rodriguez received a degree in Economics from Universidad Nacional de Córdoba, Argentina and a Master's in Business Administration from DePaul University - Kellstadt School of Business.

Committees of Our Board of Directors

The Board has an Audit Committee, an Appointments and Remuneration Committee and a Sustainability Committee. The following is a brief description of such committees.

Audit Committee

The Board established an Audit Committee in compliance with Articles 24.bis and 24.ter of the Articles of Association and Article 14 of the Board Regulations.

The regulations applicable to the Audit Committee are set forth in the provisions referred to above, as well as the bylaws of the Audit Committee, which were approved by the Board and the Audit Committee on December 9, 2008, and modified in December 2020 in order to adapt its content to the current recommendations of the Good Governance Code of Listed Companies. In connection with the Talecris Biotherapeutics acquisition, at a Board meeting held on May 24, 2011, the Articles of Association and Board Regulations were amended to conform to NASDAQ Listing Rules and to facilitate the listing of our Class B ADSs on NASDAQ. Furthermore, the bylaws of the Audit Committee were modified at a Committee meeting held on March 31, 2015, to adapt them to the requirements imposed by Law 31/2014. In 2017, article 24.ter of the Articles of Association and Article 14 of the Board Regulations concerning the composition and functions of the Audit Committee were amended in order to adequate their content to the latest amendments of the Spanish Companies Act introduced by the currently in force Spanish Audit Act.

Pursuant to our Spanish corporate governance requirements and our Articles of Association and the Board Regulations, the Audit Committee consists of a minimum of three directors and a maximum of five directors who are appointed by the Board based on such directors' knowledge, competence and experience in accounting, audit and risk management matters (both financial and non-financial). All of the members of the Audit Committee must be non-executive directors, and the majority must be independent directors. As a group, the members of the Committee must have the pertinent technical knowledge in relation to the sector of activity of the Company. In addition, all members of the Audit Committee, including the chairman, must meet the independence, experience and other requirements set forth in the Exchange Act and NASDAQ Listing Rules.

The responsibilities of the Audit Committee include:

- reporting to the shareholders at general shareholders' meetings regarding matters for which the Audit Committee is responsible;

- recommending to the Board the selection, appointment, re-election, hiring and replacement of the external auditor regardless of the faculties vested in the general shareholders' meeting and the Board with regard to the approval of such resolutions under Spanish law;

- oversight of our internal audit department, including selecting, appointing and dismissing its manager, monitoring its budget, receiving periodic information on the department's activities and ensuring that management takes the conclusions and recommendations of the department's reports into account;

- setting up and supervising procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, as well as the confidential and anonymous submission by employees and other persons related to Grifols of concerns regarding questionable accounting or auditing matters;

- exercising oversight of the process for gathering financial and non-financial information and the related internal control system; reviewing the financial statements and the periodic financial statements that should be submitted to the securities regulatory authorities and ensuring that the appropriate accounting standards are

followed; reporting to the Board on any change in the accounting standards and on balance sheet and off balance sheet risks;

- receiving information from the auditors including relating to auditor independence and conduct of audits of the financial statements, and issuing on an annual basis a written opinion on the independence of the auditor;

- supervising any transactions entered into with significant shareholders as set forth in the Board Regulations; and

- (i) ensuring compliance with the Internal Code of Conduct of Grifols in Matters Relating to the Stock Market, or Stock Market Code of Conduct, the Code of Conduct for Grifols' Employees, the Board Regulations (each available on our website, at www.grifols.com) and, in general, any other corporate regulations and (ii) making any necessary proposals to improve such regulations.

The Audit Committee currently consists of Mr. Mayer and Madames Szpilka and Villalonga. Each of the members is independent in conformity with Exchange Act requirements and NASDAQ Listing Rules, as well as in conformity with the Spanish Companies Act. Mr. Tomás Dagá Gelabert serves as Secretary non-member of the Audit Committee.

Appointments and Remuneration Committee

The Board established an Appointments and Remuneration Committee in compliance with Article 24.*bis* and 24. *quater* of the Articles of Association and Article 15 of the Board Regulations.

Pursuant to Spanish corporate governance requirements and Article 15 of the Board Regulations, the Appointments and Remuneration Committee is required to consist of between three and five members, all of which must be non-executive directors, which includes at least two independent directors.

The responsibilities of the Appointments and Remuneration Committee include:

- assisting in the nomination of directors, including evaluating potential nominees in light of the level of knowledge, competence and experience necessary to serve on the Board;

- establishing a representation target for the gender that is least represented on the Board and prepare guidelines to achieve said target;

- reporting and making proposals to the Board on the appointment of members to the various committees of the Board and on the persons who should hold the office of Secretary and Vice-Secretary of the Board;

- examining and organizing the orderly and planned succession of the Chairman of the Board and the Chief Executive Officer;

- reporting on proposals for the appointment and removal of any members of senior management made by the Chief Executive Officer;

- making proposals on the remuneration plans for the Board and senior management;

- periodically reviewing the remuneration plans of senior management, including considering their suitability and performance; and

- reporting on transactions in which directors may have a conflict of interest.

Consistent with NASDAQ Listing Rules for foreign private issuers, our Appointments and Remuneration Committee currently consists of Messrs. Tomás Dagá Gelabert, James Costos and Ms. Marla E. Salmon as directors. Each of Ms. Salmon and Mr. Costos is independent in conformity with Exchange Act requirements and NASDAQ Listing Rules and Mr. Dagá is considered an "Other External" director under the Spanish Companies Act. Ms. Nuria Martín Barnés serves as Secretary non-member of the Appointments and Remuneration Committee.

Sustainability Committee

In its meeting held on December 11, 2020, the Board resolved to amend certain articles of the Regulations of the Internal Functioning of the Board of Directors of Grifols, in order to adapt its content to certain recommendations of the reform of the Good Governance Code of Listed Companies published in June 2020 by the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores), or CNMV, and created a Sustainability Committee.

The regulations applicable to the Sustainability Committee are set forth in article 15 bis. of the Board Regulations, as well as in the Regulations of the Sustainability Committee, which were approved by the Board on February 19, 2021. Pursuant to Article 15 bis of the Board Regulations and the Regulations of the Sustainability Committee, the Sustainability Committee is required to consist of between three and five members, all of which must be non-executive directors, the majority of them being independent.

The responsibilities of the Sustainability Committee include:

- monitoring compliance with the Company's internal codes of conduct and corporate governance rules, and ensuring that the corporate culture is aligned with its purpose and values;

- monitoring the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the Company communicates and relates with small and medium-sized shareholders should be monitored;

- periodically evaluating the effectiveness of the Company's corporate governance system and environmental and social policy to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders;

- ensuring the Company's environmental and social practices are in accordance with the established strategy and policy; and

- monitoring and evaluating the Company's interaction with its stakeholder groups.

The Sustainability Committee currently consists of Messers. Thomas H. Glanzmann, Iñigo Sánchez-Asiaín Mardones and Ms. Enriqueta Felip Font. Each of Mr. Sánchez-Asiaín and Ms. Felip is independent, in conformity with Exchange Act requirements and NASDAQ Listing Rules and Mr. H. Glanzmann is considered an "Other External" director under the Spanish Companies Act. Ms. Nuria Martín Barnés serves as Secretary non-member of the Sustainability Committee.

Family Relationships

Mr. Raimon Grifols Roura, director and one of our Chief Executive Officers, Mr. Alberto Grifols Roura, President of Bio Supplies division and Mr. Víctor Grifols Roura, a director and non-executive Chairman of the Board, are brothers.

Mr. Raimon Grifols Roura is the uncle of Mr. Víctor Grifols Deu, both being directors and co-Chief Executive Officers.

Mr. Alberto Grifols Roura, the President of Bio Supplies division, is the uncle of Mr. Victor Grifols Deu, one of the co-Chief Executive Officers.

Mr. Víctor Grifols Deu, director and one of our co-Chief Executive Officers, is the son of Mr. Víctor Grifols Roura, a director and the non-executive Chairman of the Board.

Messrs. Víctor Grifols Roura, Alberto Grifols Roura and Raimon Grifols Roura are the grandchildren of Mr. José Antonio Grifols i Roig, our founder.

Mr. Raimon Grifols Roura, director and one of our Chief Executive Officers, Mr. Alberto Grifols Roura, President of Bio Supplies division and Mr. Victor Grifols Roura, a director and non-executive Chairman of the Board, are cousins of Mr. Albert Grifols Coma-Cros, the Chief Scientific Innovation Officer.

Compensation of Members of Our Board of Directors

Our directors are entitled to receive compensation for serving as directors on our Board. The Articles of Association generally set forth the processes for the determination of the compensation paid to the members of the Board. Article 20.*bis* of the Articles of Association provides that the directors' remuneration shall be a fixed amount and that, at least every three years and valid for the three fiscal years following the year it is approved, the general shareholders' meeting shall approve the directors' remuneration policy, which, pursuant to Article 26 of the Regulations of the Internal Functioning of the Board of Directors of Grifols, S,A. (*Reglamento de funcionamiento interno del consejo de administración*), or Board Regulations, (i) with respect to directors in their role as such shall necessarily determine the maximum amount of the annual remuneration to be paid to all the directors and (ii) with respect to the remuneration of the directors for performing their executive duties must include the amount of the annual fixed remuneration, the different parameters to set the variable components and the main terms and conditions of their contracts including, in particular, duration, severance payments or compensations for the termination of the employment relationship, and exclusivity, post-contractual non-competition, and retention or loyalty agreements. The Board then determines, pursuant to Article 26.2 of the Board Regulations, how much of the shareholder-approved aggregate compensation amount will be allocated to each director as compensation, taking into account the recommendations of our appointments and remuneration committee (*Comisión de Nombramientos y Retribuciones*), or Appointments and Remuneration Committee, and their dedication to our business. In this respect, the Company's director remuneration policy is the one which was approved at the general shareholders' meeting held on May 26, 2017 and which was applicable during three fiscal years following the year of its approval. The general shareholders' meeting held on October 9, 2020, approved a new remuneration policy, which is substantially the same policy approved by the general shareholders' meeting held on May 26, 2017, except for the parameter for determining the achievement of the Company's annual objectives for the variable remuneration of the executive directors and for some improvements and corrections in the wording. It will be applied during the fiscal years 2021, 2022 and 2023 unless the general shareholders' meeting expressly modifies it.

Our director compensation philosophy, as set forth in Article 27 of the Board Regulations, provides that the remuneration of non-executive directors (*consejeros no ejecutivos*) shall be established in a manner that provides incentives for our directors to be dedicated and involved while not creating an obstacle to their independence. To that end, Article 27 further establishes that the Board, following the advice of the Appointments and Remuneration Committee, shall take the necessary measures to ensure that non-executive directors' remuneration adheres to the following guidelines: (a) their remuneration should be relative to their dedication, abilities and functions; and (b) they are excluded from any plans (x) consisting of the delivery of equity awards or options or other instruments linked to the value of our shares, (y) linked to our performance or (z) including retirement benefits. However, non-executive directors may be remunerated with our shares only if they agree to hold them for the duration of the term that they hold their office.

In accordance with the compensation system outlined in the Articles of Association and the Company's directors' remuneration policy, adopted at the general shareholders' meeting held on May 26, 2017, which is applicable during three fiscal years following the year of its approval, the shareholders set the maximum annual amount available for compensation to the non-executive directors at €100,000 per director, other than those non-executive directors of the Board that render remunerated professional services to us. Also, any director that is a member of one of the Board committees (Audit Committee, Appointments and Remuneration Committee and Sustainability Committee) shall receive an additional gross annual remuneration of €25,000 as a result of the heavier workload (thus, the total remuneration would amount to €125,000). Similarly, the chairpersons of each Committee would receive an additional €25,000 for performing their duties as chairperson (thus, the total remuneration would amount to €150,000). The lead independent director would receive an additional remuneration amounting to €50,000 for performing his/her duties (thus, the total remuneration would amount to €150,000). Under no circumstances may the remuneration of a non-executive director exceed €150,000 per year. Although the Sustainability Committee was established on December 11, 2020, its members did not receive any remuneration for being part of the Committee during such year, as the Committee did not meet during 2020 and its members were unable to effectively perform their duties.

As of the date of this offering memorandum, Ms. Enriqueta Felip Font, Mr. James Costos, Mr. Steven F. Mayer, Ms. Belén Villalonga Morenés, Ms. Marla E. Salmon, Ms. Carina Szpilka Lázaro and Mr. Iñigo Sánchez-Asiaín Mardones are our independent directors in conformity with Exchange Act requirements and NASDAQ Listing Rules. Messrs. Dagá and Glanzmann serve as external directors (and not independent) and Mr. Víctor Grifols Roura serves as proprietary director (and not independent) in conformity with Spanish rules.

The total compensation paid to directors in the six-month period ended June 30, 2021 and the year ended December 31, 2020, in the aggregate, amounted to €2.2 million and €5 million, respectively. Of the total director compensation amount, the executive directors (*consejeros ejecutivos*) received €0.9 million and €2.3 million in cash for

each period, respectively (€0.9 million and €1.8 million, respectively, in fixed compensation in cash, and €0 and €0.5 million, respectively, in variable compensation in cash for their service as executive directors).

In 2021, the executive directors Mr. Raimon Grifols Roura and Mr. Víctor Grifols Deu, received RSUs allocated in fiscal year 2019, which had a vesting period of two years and one day. Hence, in 2021 both were awarded Class B shares in the amount of €295,364.80 and €215,070.80, respectively. In 2020, both were awarded Class B shares with an equivalent value of approximately €341,000 and €192,000, respectively. Directors categorized as "other external" directors (other than those who render remunerated professional service to us) received €125,000 in aggregate for the six-month period ended June 30, 2021. These figures include accruals for contingent or deferred compensation. None of our directors received attendance fees for meetings of the Board or committees of the Board. Finally, pursuant to Article 20.*bis* of the Articles of Association, our directors are reimbursed for all expenses incurred in connection with their service as directors.

With respect to the €0.5 million received by the executive directors in variable compensation in 2020, this amount corresponds to 50% of the total amount of variable compensation in the case of executive directors. The remaining 50% was paid in Class B ordinary shares with a vesting period for delivery of two years and one day. For the six-month period ended June 30, 2021, we did not pay any variable compensation to the executive directors.

The remuneration of the Chairman of the Board in the six-month period ended June 30, 2021 and the year ended December 31, 2020 was a fixed annual amount of €482,500 and €965,000, respectively, as established under our directors' compensation policy. The compensation of Mr. Grifols Roura has been determined taking into account his proven experience as director and Chairman of the Company, in addition to his knowledge in the sector where the Company operates. When deciding the remuneration of Mr. Grifols Roura, which is the same fixed amount he had when he held an executive position, excluding any variable amount, the additional duties that he will carry out, as well as those set out in the Spanish Companies' Act for the position of Chairman of the Board, were taken into account.

Compensation of Senior Management

In the six-month period ended June 30, 2021, members of our senior management (excluding those who also served as members of the Board) were paid compensation amounting to €7,721,633 in the aggregate. This figure includes accruals for contingent or deferred compensation earned in respect of 2021 service. In 2020, members of our senior management (excluding those who also served as members of the Board) were paid compensation amounting to €17,164,463 in the aggregate. This figure includes accruals for contingent or deferred compensation earned in respect of 2020 service. The breakdown of the aggregate amount paid to such senior management for discharging their duties in the six-month period ended June 30, 2021 and the year ended December 31, 2020 is set forth in the table below.

Component	Amount paid in the six-month period ended June 30, 2021	Amount paid in the year ended December 31, 2020
	(in euros)	
Salaries	5,429,066	11,599,412
Variable Compensation	2,292,567	5,565,051
Stock options or other securities	—	—
Other — e.g., life and health insurance	60,309	116,375
Other — e.g., pensions/savings	70,714	144,002

Employment and Severance Arrangements

We have entered into employment contracts with all members of our senior management that entitle them to unilaterally rescind their employment contracts and receive termination benefits of two to five years' salary in the event that we undergo a change of control. In addition to this, five members of our senior management are contractually entitled to termination benefits of one to four years' salary under certain circumstances other than a change of control.

See Notes 18(b) and 20 and Notes 29(c) and 31(a) to our consolidated interim financial statements and annual consolidated financial statements included in this offering memorandum for further details of the payments received by employees.

Equity and Other Incentive Programs

In 2020, no compensation was paid pursuant to a profit sharing plan or any stock option and no other equity compensation was awarded to any of our directors or senior management.

Pension and Retirement Compensation Programs

Our directors and senior management employed by our U.S. subsidiaries participate in a tax-qualified 401(k) plan on the same terms as our other employees. The aggregate amount of employer contributions to the 401(k) plans for our directors and senior management during the six-month period ended June 30, 2021 and the year ended December 30, 2020 was €46,168 and €75,500, respectively. In addition, we made contributions to the pension plan of one member of senior management who resides in Canada, in the amount of €24,546 and €68,502, respectively. In the six-month period ended 2021, neither we nor our subsidiaries set aside or accrued any other amounts to provide pension, retirement or similar benefits for our directors or senior management.

SECURITY OWNERSHIP OF MAJOR SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT OF GRIFOLS

As of the date of this offering memorandum, our share capital was €119,603,705 and comprised:

- Class A shares: 426,129,798 outstanding ordinary shares with a par value of €0.25 each. All of the Class A shares belong to the same class and series; and

- Class B shares: 261,425,110 non-voting preference shares with a par value of €0.05 each. All of the Class B shares belong to the same class and series and have the preferential rights set forth in the Articles of Association.

Each of our Class A shares is entitled to one vote, except that the voting rights of Class A shares held in treasury by us or by any of our direct subsidiaries are suspended. Class A shares held by our major shareholders, directors or senior management do not entitle such shareholders to different voting rights.

Holders of our Class B shares generally do not have voting rights, except with respect to certain extraordinary matters that require approval by a majority of our outstanding Class B shares. However, each of our Class B shares entitles its holder to receive a minimum annual preferred dividend out of the distributable profits at the end of each fiscal year the share is outstanding equal to €0.01 per Class B share. In any given fiscal year, we will pay a preferred dividend to the holders of our Class B shares before any dividend out of the distributable profits for such fiscal year is paid to the holders of our Class A shares.

The following table sets forth certain information, including information regarding beneficial ownership of our Class A (voting) shares as of the date of this offering memorandum, for (i) our major shareholders, including, in accordance with applicable Spanish regulations, each person or entity that is known to us to be the beneficial owner of more than 3% of our Class A shares or 1% of our Class A shares in the event of a person or entity domiciled in a tax haven, (ii) each of our directors and (iii) each member of our senior management.

Since our Class A shares are represented through book entries, their exact ownership structure cannot be known, except through the information that the shareholders provide voluntarily or in compliance with applicable regulations, and information provided by the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.*, or Iberclear, on which the shares are settled and cleared, and its participant entities (*entidades participantes*).

Beneficial ownership is determined in accordance with applicable Spanish regulations.

Name of Beneficial Owner	Number of Voting Shares	Percentage of Voting rights
Major Shareholders		
Deria S.A.[(1)]	39,183,692	9.19
Scranton Enterprises B.V.[(2)]	34,655,622	8.13
Thorthol Holdings B.V.[(3)]	30,209,093	7.09
Núria Roura Carreras [(4)]	26,224,374	6.15
Blackrock, Inc.[(5)]	14,883,359	3.49
Capital Research and Management Company	21,542,276	5.05
Fidelity International Limited[(6)]	7,715,853	1.81
Europacific Growth Fund	13,108,637	3.08
Directors		
Víctor Grifols Roura [(7)]	776,220	*
Thomas H. Glanzmann [(8)]	169,322	*
Tomás Dagá Gelabert	152,576	*
Víctor Grifols Deu	14,620	*
Raimon Grifols Roura	5,280	*
Carina Szpilka Lázaro	1,490	*
Senior Management		
Vicente Blanquer Torre	44,754	*
David Ian Bell	20,000	*
Nuria Pascual Lapeña	19,592	*
Miquel Pascual Montblanch	15,000	*

Eduardo Herrero Jiménez	3,384	*
Alberto Grifols Roura	28,311	*
Maria Teresa Rioné Llano	5,289	*
Albert Grifols Coma-Cros	66,000	*
Xavier Sueiras Gil	70	—

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* Less than 1%.

(1) The various members of the Grifols Roura family hold their respective shares indirectly through Deria S.A.

(2) Scranton Enterprises B.V. is a corporation whose shares are owned by certain of our directors. Some members of the Grifols Family who are directors or executive officers hold part of their shares indirectly through Scranton Enterprises B.V.

(3) The various members of the Grifols Gras family hold their respective shares indirectly through Thorthol Holdings B.V.

(4) 26,224,374 Class A shares are held directly by Rodellar Amsterdam B.V., through which Núria Roura Carreras exercises indirect voting rights.

(5) Of the total number of 14,883,359 voting rights, 13,219,462 voting rights are held indirectly by Blackrock Inc. through rights over Class A shares and 1,663,897 voting rights through financial instruments.

(6) Of the total number of 7,715,853 voting rights, 4,099,153 voting rights are held indirectly by Fidelity International Limited through rights over Class A shares and 3,616,700 voting rights through financial instruments.

(7) Of the total number of 776,220 voting shares attributed to Mr. Víctor Grifols Roura, 775,220 are held indirectly through Padolç, S.L.

(8) 24,000 Class A shares are held indirectly through Glanzmann Enterprises AG, and 106,000 Class A shares are held indirectly through Opulentia Holdings Ltd.

To our knowledge, we are not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. We do not know of any arrangements which would result in a change in our control.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Sale of Haema and Biotest US

In December 2018, we sold our 100% stake in Haema and Biotest US to Scranton Plasma B.V., one of our major shareholders and a related party, for a total of $538 million. Scranton Enterprises B.V. financed the purchase in part through a loan from GWWO for an initial principal sum of the euro equivalent of $95 million, with an interest rate of EURIBOR plus 200 basis points. As of June 30, 2021, the euro equivalent of $95 million was outstanding on the loan.

We have the ability to repurchase the shares sold to Scranton Plasma B.V. at any time. Our Plasma Supply Agreement in place with Haema and Biotest US has been extended for a 30-year period and we continue to operate the companies' plasma collection centers. See "Operational and Financial Review—Factors Affecting Our Financial Condition and Results of Operations—Acquisitions—Acquisition and Sale of Haema and Biotest US."

Payments for Rights-of-Use

In 2011, we entered into a lease agreement with Centurión Real Estate S.A.U. whereby we pay for the rights-of-use of certain real estate properties. The sole shareholder of Centurión Real Estate S.A.U. is Scranton Enterprises B.V., one of our significant shareholders. This lease agreement was entered into on an arm's-length basis, and, for the six-month period ended June 30, 2021 and each of the years ended December 31, 2020, 2019 and 2018, we paid to Centurión Real Estate S.A.U approximately €0.5 million, €5.1 million, €7.1 million and €5.5 million, respectively.

Charitable Contributions

We contribute to two charitable foundations, the Mr. Víctor Grifols i Lucas Foundation and the Probitas Private Foundation, which were formed by us, and certain of our current officers and directors serve as patrons of the Probitas Private Foundation.

The Mr. Víctor Grifols i Lucas Foundation provides grants to further the study of bioethics. It was created in 1998 with the mission of promoting bioethics through dialogue between specialists in a range of areas. The Víctor Grifols i Lucas Foundation seeks to foster ethical attitudes in organizations, companies and individuals active in the field of human health, offering a discussion platform that provides a forum for the exchange of different perspectives. Mr. Víctor Grifols i Lucas is our former Chief Executive Officer and is the father of both Mr. Raimon Grifols Roura, our Chief Executive Officer, and Mr. Víctor Grifols Roura, a proprietary director and non-executive Chairman of the Board. We contributed €0.2 million, €0.4 million, €0.4 million and €0.4 million to the Víctor Grifols i Lucas Foundation in the six-month period ended June 30, 2021 and the years ended December 31, 2020, 2019 and 2018, respectively.

The Probitas Private Foundation provides medical and sanitary assistance to international communities that lack medical and sanitary resources or that have an urgent and essential need for such services due to catastrophes. The Probitas Private Foundation was founded by us in 2008. Mr. Tomás Dagá Gelabert, one of our directors, was a patron of the Probitas Private Foundation until May 27, 2021. We contributed €3.1 million, €9.9 million, €5.1 million and €3.8 million to the Probitas Private Foundation in the six-month period ended June 30, 2021 and the years ended 2020, 2019 and 2018, respectively. We contribute to the Probitas Private Foundation an amount equal to 0.7% of our profits before tax each year.

Loans

We have not extended any advances or loans to members of the Board or key management personnel nor have we assumed any guarantee commitments on their behalf. We also have not assumed any pension or life insurance obligations on behalf of former or current members of the Board or key management personnel.

DESCRIPTION OF INDEBTEDNESS

First Lien Credit Facilities

On November 15, 2019, we entered into a Credit and Guaranty Agreement (the "First Lien Credit Facilities") with a syndicate led by Bank of America Europe Designated Activity Company (formerly known as Bank of America Merrill Lynch International Limited Designated Activity Company), Bank of America, N.A., BNP Paribas S.A., Sucursal en España, HSBC France, Banco Bilbao Vizcaya Argentaria S.A., and JP Morgan Securities PLC, as the arrangers (the "Arranging Banks"), which consist of the "Term Loans" and the "Revolving Loans." The initial Term Loans (consisting of a Dollar Tranche B Term Loan and a Euro Tranche B Term Loan) were fully drawn down on November 15, 2019. Both the Dollar Tranche B Term Loan (in original principal amount equal to $2,500,000,000) and the Euro Tranche B Term Loan (in original principal amount equal to €1,360,000,000) mature eight years from November 15, 2019 and have a repayment schedule with quarterly amortization starting on the last business day of the fiscal quarter ending on March 31, 2020, equal to 0.25% of the aggregate principal amount of the initial Dollar Tranche B Term Loan (or Euro Tranche B Term Loan, as the case may be) outstanding on November 15, 2019, with the remainder payable at maturity.

The Revolving Loans, which initially provided for a commitment of $500,000,000, are available during the period commencing from November 15, 2019 and ending on the sixth anniversary of November 15, 2019. On May 7, 2020, we signed an upsize to the Revolving Loans to increase the lender commitments thereunder from $500,000,000 to $1,000,000,000 with the existing and new revolving lenders. The terms and conditions of which are similar to those entered into on November 15, 2019. As part of the upsize, the applicable margin for Revolving Loans was increased from 0.50% to 1.50% in the case of Base Rate Loans and from 1.50% to 2.50% in the case of Eurocurrency Rate Loans. Additionally, the commitment fee payable in respect of the unused Revolving Commitments was increased from 0.50% to 0.875%. The purpose of the upsize of the Revolving Loans was to reinforce our liquidity position.

The borrower under the revolving facility is GWWO, an Irish entity and our wholly owned direct subsidiary. The borrower under the euro denominated tranche B facility is Grifols. The borrower under the Dollar-denominated tranche B facility is Grifols Worldwide Operations USA, a Delaware corporation and a direct wholly owned subsidiary of GWWO. The First Lien Credit Facilities are governed by New York law; however, certain collateral documents are governed under the local law of other jurisdictions.

The interest rates on the Revolving Loans are either (a) the base rate (i.e., the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) (1) if denominated in dollars or any other non-euro currency, the London Interbank Offered Rate, or LIBOR, with a one-month interest period plus 1.00% and (2) if denominated in Euros, the euro interbank offered rate, or EURIBOR, with a one-month interest period plus 1.00%) plus 1.50% or (b) LIBOR (if denominated in dollars or any other non-euro currency) or EURIBOR (if denominated in Euros) plus 2.50%. The interest rate on the Dollar Tranche B Term Loan is either (a) the base rate plus 1.00% or (b) LIBOR plus 2.00%. The interest rate on the Euro Tranche B Term Loan is EURIBOR with a one-month interest period plus 2.25%.

Borrowings under the First Lien Credit Facilities are subject to mandatory prepayment upon the occurrence of certain events, including the incurrence of certain debt and the sale or other disposition of certain assets. In addition, a portion of the borrowings under the First Lien Credit Facilities are subject to mandatory prepayment in the event we have excess cash flow, as defined therein. Both the Term Loans and the Revolving Loans are guaranteed by Grifols (solely in respect of the obligations of Grifols Worldwide Operations USA and GWWO) and certain subsidiaries of Grifols that together with Grifols represented, as of December 31, 2020, in aggregate, at least 70% of the earnings before interest, tax, depreciation and amortization of Grifols and its subsidiaries, and are secured by a perfected first priority security interest (subject to permitted liens, as described in the First Lien Credit Facilities) in all of the tangible and intangible assets of the U.S. credit parties and plasma inventory of GWWO and pledges of equity of certain subsidiaries of Grifols (subject to certain exclusions and limitations). The First Lien Credit Facilities include customary affirmative and negative covenants and events of default. Negative covenants include, among other limitations, limitations on additional debt, liens, asset sales and affiliate transactions. Events of defaults include, among other events, violation of covenants, material breaches of representations, cross default to other material debt, bankruptcy and insolvency and material judgments. The First Lien Credit Facilities currently require the borrowers to ensure that the aggregate earnings before interest, tax, depreciation and amortization attributable to the guarantors of the First Lien Credit Facilities as a group is no less than 70% of the earnings before interest, tax, depreciation and amortization of Grifols and its subsidiaries. However, pursuant to a First Amendments to the Credit and Guaranty Agreement, the U.S. Pledge and Security Agreement and the Pledge Agreement dated August 13, 2021, amongst other things, said threshold has been reduced to 60% of the earnings before interest, tax, depreciation and amortization of Grifols and its subsidiaries. In addition, pursuant to such First Amendments, amongst other things, (i) Biomat USA and Talecris will be released from their respective guarantees provided under the First Lien Credit Facilities and (ii) the liens granted over the assets of and equity interests of Biomat USA and Talecris will be released, in either case

with respect to clauses (i) and (ii) as from the completion of the Biomat Transactions, all of it in accordance with the terms and conditions set out in such First Amendment agreement.

The terms of the First Lien Credit Facilities contain limitations on our ability to pay ordinary dividends. We may pay dividends (a) in the ordinary course of business consistent with our dividend policy in an amount not to exceed in respect of any fiscal year, 40% of the consolidated net income of Grifols and its subsidiaries for such fiscal year, which may be paid in installments, the first, no earlier than December of such fiscal year and the last, no later than the following fiscal year or (b) whether or not in the ordinary course of business so long as after giving effect thereto, the leverage ratio is not greater than 3.75x. We may make regularly scheduled payments of interest in respect of the Unsecured Notes and the Senior Refinancing Notes (as defined in the First Lien Credit Facilities) to the extent required by the terms of the indenture governing the Unsecured Notes or the Senior Refinancing Notes Documents (as defined in the First Lien Credit Facilities), as the case may be.

We entered into an amendment to the First Lien Credit Facilities on August 13, 2021 to permit the consummation of the Biomat Transactions.

As of the date of this offering memorandum, we had €1,339.6 million and $2,077.0 million in aggregate principal amount outstanding of Term Loans, and €535.2 million in aggregate principal amount outstanding of Revolving Loans.

EIB Term Loans

On October 28, 2015, GWWO entered into a loan agreement with the European Investment Bank for a term loan of €100 million under the European Fund for Strategic Investments (the "2015 EIB Term Loan"), which was amended on December 5, 2017. The financial terms of the loan agreement include a fixed interest rate of 2.40% for a tenor of ten years from October 28, 2015, and a repayment schedule with amortization in years three through ten. The proceeds of this loan are being used to support our research and development, primarily focusing on the search for new indications for plasmatic proteins, including the treatment of Alzheimer's disease, vascular disease, cardiovascular surgery and arterial thrombosis, amongst others.

On December 5, 2017, Grifols obtained a new long-term loan with the European Investment Bank totaling €85 million (the "2017 EIB Term Loan"). The financial terms of the loan include a fixed interest rate of 2.019% for a tenor of ten years and a two-year grace period before any payment of principal becomes due and payable. The proceeds of this loan are being used for research and development initiatives, notably the discovery and development of new products (plasma proteins), the finding of new therapeutic indications for existing plasma proteins and the improvement of manufacturing processes to increase yields, safety and efficiency.

On September 7, 2018, Grifols obtained a new long-term loan with the European Investment Bank totaling €85 million (the "2018 EIB Term Loan" and, together with the 2015 EIB Term Loan and the 2017 EIB Term Loan, the "EIB Term Loans"). The financial terms of the loan agreement include a fixed interest rate of 2.145% for a tenor of 10 years and a two-year grace period. The proceeds of this loan are being used for research and development initiatives, notably the discovery of new therapeutic indications for plasma-derived protein therapies.

The EIB Term Loans are secured by a perfected first priority security interest (subject to permitted liens, as defined in the documentation governing the EIB Term Loans) on the same collateral securing the First Lien Credit Facilities and the Secured Notes, each as described below (noting that the blood plasma inventory of GWWO located in Spain is not charged to secure the Secured Notes), subject to a customary pari passu intercreditor agreement entered into by and among Grifols, GWWO, certain subsidiaries of Grifols party thereto, the European Investment Bank, Bank of America, N.A., as collateral agent under the First Lien Credit Facilities and The Bank of New York Mellon, London branch, as collateral agent under the Secured Notes.

We entered into an amendment to the EIB Term Loans on August 13, 2021 to permit the consummation of the Biomat Transactions.

As of the date of this offering memorandum, we had €212.5 million in aggregate principal amount outstanding of EIB Term Loans.

The Unsecured Notes

On April 26, 2017, we issued €1.0 billion aggregate principal amount of senior unsecured notes (the "Unsecured Notes"), that will mature on May 1, 2025 and bear interest at 3.20% per annum. On May 2, 2017, the Unsecured Notes were listed on the Global Exchange Market of Euronext Dublin.

The Unsecured Notes pay interest semi-annually in arrears on May 1 and November 1, commencing on November 1, 2017. The Unsecured Notes are guaranteed on a senior unsecured basis by us and our subsidiaries that are guarantors and co-borrowers under the First Lien Credit Facilities. As of the date of this offering memorandum, the Unsecured Notes are guaranteed by Grifols Biologicals LLC, Grifols Shared Services North America, Inc., Grifols Therapeutics LLC, Instituto Grifols, S.A., Grifols USA, LLC, GWWO, Grifols Worldwide Operations USA, Biomat USA, Talecris and Grifols International S.A. From and after the Biomat Transactions Consummation Date, Biomat USA and Talecris will be released from their guarantees of the Unsecured Notes.

We may redeem the Unsecured Notes, in whole or in part at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, on the Unsecured Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on May 1 of the years indicated below:

Fiscal Year	Percentage
2021	100.800%
2022 and thereafter	100.000%

We are not required to make mandatory redemption or sinking fund payments with respect to the Unsecured Notes.

If we experience a change of control, we must give holders of the Unsecured Notes the opportunity to sell to us their Unsecured Notes at 101% of their principal amount, plus accrued and unpaid interest. In certain circumstances, if we sell certain assets we must offer to repurchase the Unsecured Notes at a price equal to 100.00% plus accrued and unpaid interest through the date of repurchase.

We and the guarantors of the Unsecured Notes may incur additional indebtedness if the fixed charge coverage ratio (as defined in the indenture governing the Unsecured Notes) for us and our restricted subsidiaries (as defined in the indenture governing the Unsecured Notes) on a consolidated basis for the most recently ended four full fiscal quarters immediately preceding the date on which such additional indebtedness is incurred would have been at least 2.00 to 1.00, determined on a pro forma basis.

The indenture governing the Unsecured Notes contains certain covenants limiting, subject to exceptions, carve-outs and qualifications, Grifols' ability and its restricted subsidiaries' ability to: (i) pay dividends or make certain other restricted payments or investments; (ii) incur additional indebtedness or provide guarantees of indebtedness and issue disqualified stock; (iii) create liens on assets; (iv) merge, consolidate, or sell all or substantially all of our and our restricted subsidiaries' assets; (v) enter into certain transactions with affiliates; (vi) create restrictions on dividends or other payments by our restricted subsidiaries; (vii) sell assets and (viii) provide guarantees of indebtedness by restricted subsidiaries. The indenture also contains certain customary events of default.

As of the date of this offering memorandum, we had €1.0 billion in aggregate principal amount outstanding of Unsecured Notes.

The Secured Notes

On November 15, 2019 we issued €905.0 million secured notes that will mature on February 15, 2025 and bear interest at 1.625% per annum (the "1.625% Notes") and €770.0 million senior secured notes that will mature on November 15, 2027 and bear interest at 2.250% per annum (the "2.250% Notes" and together with the 1.625% Notes, the "Secured Notes").

The Secured Notes are guaranteed on a senior secured basis by the wholly-owned subsidiaries of Grifols that are guarantors and co-borrowers under the First Lien Credit Facilities and the EIB Term Loans. As of the date of this offering memorandum, the Secured Notes are guaranteed by Grifols Biologicals LLC, Grifols Shared Services North America, Inc., Grifols Therapeutics LLC, Instituto Grifols, S.A., Grifols International S.A., Grifols USA, LLC, GWWO, Talecris, Biomat USA and Grifols Worldwide Operations USA. Subject to permitted liens, all obligations under the Secured Notes, and the guarantees of those obligations, are secured on a first-priority basis by the tangible and intangible assets of the domestic

guarantors, the blood plasma inventory of GWWO (with the exception of blood plasma inventory located in Spain) and pledges of equity of certain subsidiaries of Grifols (subject to certain exclusions and limitations). The collateral securing the Secured Notes also secures the First Lien Credit Facilities and the EIB Term Loans, subject to the Intercreditor Agreement. From and after the Biomat Transactions Consummation Date (as defined herein), Biomat USA and Talecris will be released from their guarantees of the Secured Notes and the corresponding collateral owned by each will be released from the liens securing the Secured Notes.

We are not required to make mandatory redemption or sinking fund payments with respect to the Secured Notes.

If we experience a change of control, we must give holders of the Secured Notes the opportunity to sell to us their Secured Notes at 101% of their principal amount, plus accrued and unpaid interest. In certain circumstances, if we sell certain assets we must offer to repurchase the Secured Notes at a price equal to 100.00% plus accrued and unpaid interest through the date of repurchase.

We and the guarantors of the Secured Notes may incur additional indebtedness if the fixed charge coverage ratio (as defined in the indenture governing the Secured Notes) for us and our restricted subsidiaries (as defined in the indenture governing the Secured Notes) on a consolidated basis for the most recently ended four full fiscal quarters immediately preceding the date on which such additional indebtedness is incurred would have been at least 2.00 to 1.00, determined on a pro forma basis.

The indenture governing the Secured Notes contains certain covenants limiting, subject to exceptions, carve-outs and qualifications, Grifols' ability and its restricted subsidiaries' ability to: (i) pay dividends or make certain other restricted payments or investments; (ii) incur additional indebtedness or provide guarantees of indebtedness and issue disqualified stock; (iii) create liens on assets; (iv) merge, consolidate, or sell all or substantially all of our and our restricted subsidiaries' assets; (v) enter into certain transactions with affiliates; (vi) create restrictions on dividends or other payments by our restricted subsidiaries; and (vii) create guarantees of indebtedness by restricted subsidiaries. The indenture also contains certain customary events of default.

On November 15, 2019 the Secured Notes were listed on the Global Exchange Market of Euronext Dublin.

The 1.625% Notes

The 1.625% Notes pay interest semi-annually in arrears on February 15 and August 15, commencing on February 15, 2020. Grifols may redeem the 1.625% Notes, in whole or in part, at any time on and after February 15, 2022 at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, on the 1.625% Notes redeemed, to the applicable redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on February 15 of the years indicated below:

Fiscal Year	Percentage
2022	100.8125%
2023	100.40625%
2024 and thereafter	100.000%

We may redeem up to 40% of the outstanding 1.625% Notes with money raised in one or more equity offerings by Grifols at any time (which may be more than once) prior to February 15, 2022, as long as at least 50% of the aggregate principal amount of the 1.625% Notes issued remains outstanding immediately following any such offerings (excluding 1.625% Notes held by Grifols and its subsidiaries).

We may redeem some or all of the 1.625% Notes at any time prior to February 15, 2022 upon not less than 15 nor more than 60 days prior notice at a price equal to 100% of the principal plus a premium as defined under the indenture (computed using a discount rate equal to the Bund rate as of such redemption date plus 0.50%), plus accrued and unpaid interest, if any.

As of the date of this offering memorandum, we had €905.0 million in aggregate principal amount outstanding of 1.625% Notes.

The 2.250% Notes

The 2.250% Notes pay interest semi-annually in arrears on May 15 and November 15, commencing on May 15, 2020. We may redeem the 2.250% Notes, in whole or in part, at any time on and after November 15, 2022 at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, on the 2.250% Notes redeemed, to the applicable redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on November 15 of the years indicated below:

Fiscal Year	Percentage
2022	101.125%
2023	100.5625%
2024 and thereafter	100.000%

We may redeem up to 40% of the outstanding 2.250% Notes with money raised in one or more equity offerings by Grifols at any time (which may be more than once) prior to November 15, 2022, as long as at least 50% of the aggregate principal amount of the 2.250% Notes issued remains outstanding immediately following any such offerings (excluding 2.250% Notes held by Grifols and its subsidiaries).

We may redeem some or all of the 2.250% Notes at any time prior to November 15, 2022 upon not less than 15 nor more than 60 days prior notice at a price equal to 100% of the principal plus a premium as defined under the indenture (computed using a discount rate equal to the Bund rate as of such redemption date plus 0.50%), plus accrued and unpaid interest, if any.

As of the date of this offering memorandum, we had €770.0 million in aggregate principal amount outstanding of 2.250% Notes.

Bridge Commitment

In connection with the Acquisition, we received a commitment letter from BofA DAC pursuant to which BofA DAC (or its designated affiliates) has agreed to provide the Bridge Commitment, an unsecured bridge facility in an amount of up to €2,000,000,000. The Bridge Commitment decreases dollar for dollar with the notes issued pursuant to this offering and terminates upon the issuance of €2,000,000,000 of notes. The Bridge Commitment has an outside date of September 24, 2022, if not terminated earlier in accordance with its terms.

Other Debt

Certain other credit facilities and lease obligations are in place with various lenders and consist of long-term and short-term indebtedness of both us and Grifols subsidiaries. As of June 30, 2021 and December 31, 2020, we had €41.4 and €105.0 million, respectively, of aggregate short-term credit under these facilities. The short-term credit facilities have maturity dates occurring in the next 12 months.

DESCRIPTION OF NOTES

General

Certain terms used in this description are defined under the subheading "—Certain Definitions." In this description, (i) the term "Grifols" or the "*Company*" refers only to Grifols S.A., a company organized under the laws of the Kingdom of Spain, and not to any of its Subsidiaries; (ii) the terms "we," "our" and "us" each refer to Grifols S.A only, or together with its consolidated Subsidiaries, as the context requires; (iii) the term "Escrow Issuer" refers to Grifols Escrow Issuer S.A.U., a newly formed company organized under the laws of the Kingdom of Spain; and (iv) the term "Issuer" refers to (a) prior to the Escrow Issuer Merger (as defined below), the Escrow Issuer, and (b) on and after the Escrow Issuer Merger, Grifols.

The Escrow Issuer will issue €1,400,000,000 of 3.875% Senior Notes due 2028 (the "*Euro Notes*") and $705,000,000 of 4.750% Senior Notes due 2028 (the "*Dollar Notes*" and together with the Euro Notes, the "*Notes*" and each a "series of Notes") under an indenture (the "*Initial Indenture*") between the Escrow Issuer and BNY Mellon Corporate Trustee Services Limited, a limited company organized under the laws of England and Wales and having its registered office at One Canada Square, London E14 5AL, as Trustee (the "*Trustee*"), and the registrar and other agents named party thereto,), in a private transaction that is not subject to the registration requirements of the Securities Act. The Euro Notes and the Dollar Notes will each be issued as a separate series, but except as otherwise provided below, will be treated as a single class for all purposes under the Indenture. Holders of the Notes of either series will not be entitled to any registration rights. See "Notice to Investors."

The offering of the Notes will be consummated prior to the consummation of the Transactions. Upon initial issuance of the Notes, the Notes will be obligations solely of the Escrow Issuer. The Escrow Issuer is a newly formed, wholly owned subsidiary of Grifols. Upon the consummation of the Acquisition, Grifols and each other Subsidiary Guarantor (as defined herein) will enter into a supplemental indenture (the "*Supplemental Indenture*" and together with the Initial Indenture, the "*Indenture*") with the Trustee, pursuant to which each of Grifols and the Subsidiary Guarantors will guarantee all obligations of the Escrow Issuer under the Notes. In addition, within 15 months from the Acquisition Escrow Release Date, the Escrow Issuer will merge with and into Grifols, with Grifols as the surviving entity (the "*Escrow Issuer Merger*") and pursuant to such merger the Escrow Issuer will cease to exist, and pursuant to a supplemental indenture with the Trustee, Grifols will assume all the obligations of the Escrow Issuer under the Notes and the Indenture. The terms of the Notes include those set forth in the Indenture. The Indenture will not be qualified under, and will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

Substantially concurrently with the closing of this offering of the Notes on the Issue Date, the Escrow Issuer will enter into an escrow agreement (the "*Escrow Agreement*") dated as of the Issue Date among the Escrow Issuer, the Trustee and The Bank of New York Mellon, as escrow agent (the "*Escrow Agent*"), pursuant to which (x) the gross proceeds of the offering of the Dollar Notes will be deposited (or caused to be deposited) by the Escrow Issuer into a segregated escrow account (the "*Dollar Escrow Account*") and (y) the gross proceeds of the offering of the Euro Notes will be deposited (or caused to be deposited) by the Escrow Issuer into a segregated escrow account (the "*Euro Escrow Account*" and, together with the Dollar Escrow Account, the "*Escrow Accounts*" and each an "*Escrow Account*").

If (i) the Acquisition Escrow Release Date has not occurred on or prior to September 17, 2022 (subject to extension up to three months by either Grifols or Tiancheng International Investment Limited pursuant to the Acquisition Agreement, the "*Escrow Outside Date*"), (ii) at any time prior to the Escrow Outside Date, the Acquisition Agreement is terminated in accordance with its terms without the closing of the Acquisition, or (iii) Grifols has determined, in its reasonable judgment, and notified the Trustee and Escrow Agent that the Escrow Release Conditions will not be satisfied by the Escrow Outside Date, each series of Notes will be subject to a Special Mandatory Redemption at a redemption price equal to 100.000% of the issue price of such series of Notes, plus accrued and unpaid interest, if any, from the Issue Date (or, if an interest payment has been made since the Issue Date, from, and including, the date of such interest payment) to, but excluding, the Special Mandatory Redemption Date. Additional cash in respect of interest that would accrue on each series of Notes from and after the issue date of the Notes will not be pre-funded into the applicable Escrow Account on the Issue Date of the Notes. Grifols will commit on or prior to the date of the consummation of this offering to, in the event of a Special Mandatory Redemption, capitalize the Escrow Issuer in an amount equal to the difference between the amounts in each Escrow Account that are available to be applied to redeem the applicable series of Notes pursuant to the Special Mandatory Redemption and the Special Mandatory Redemption Price. See "—Escrow of Proceeds; Special Mandatory Redemption."

Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("*Euronext Dublin*"), for the listing of each of the Euro Notes and the Dollar Notes. Application has also been made to Euronext Dublin for

each of the Euro Notes and the Dollar Notes to be admitted to the Official List and to be traded on the Global Exchange Market of Euronext Dublin.

The following description is only a summary of the material provisions of the Indenture, the Notes and the Escrow Agreement. We urge you to read the Indenture, the Notes and the Escrow Agreement because they, not this description, define your rights as Holders of a series of Notes. You may request copies of the Indenture, the Notes and the Escrow Agreement at our address set forth under the heading "Where You Can Find More Information."

Brief Description of the Notes and the Guarantees

The Notes

Prior to the Acquisition Escrow Release Date, the Notes will be secured by first priority liens on the Escrowed Property, including, without limitation, the gross proceeds from this offering of the Notes, and will not have the benefit of any Guarantees or any other credit support from Grifols or any of its Subsidiaries, except that Grifols will commit on or prior to the date of the consummation of this offering to, in the event of a Special Mandatory Redemption, capitalize the Escrow Issuer in an amount equal to the difference between the amounts in each Escrow Account that are available to be applied to redeem the applicable series of Notes pursuant to the Special Mandatory Redemption and the Special Mandatory Redemption Price. The Escrow Issuer is a newly formed, wholly owned subsidiary of Grifols and does not hold or otherwise have any interest in any material assets other than the Escrowed Property.

From and after the Acquisition Escrow Release Date, the Notes will be general unsecured obligations of the Escrow Issuer and will be unconditionally guaranteed by Grifols and each of Grifols's Restricted Subsidiaries that Guarantees the Obligations under the First Lien Credit Facilities (other than any Immaterial Subsidiary of Grifols, Holdings prior to the Transformation (as defined herein) and Biomat USA and Talecris, each of which will only become Guarantors of the Notes if the Biomat Transactions are not consummated), and Grifols World Wide Operations Limited, a private limited company validly incorporated and existing under the laws of Ireland, a co-borrower under the First Lien Credit Facility and a wholly owned Subsidiary of Grifols ("*GWWO*"), and Grifols Worldwide Operations USA, Inc. a co-borrower under the First Lien Credit Facilities and a wholly-owned subsidiary of GWWO ("*Grifols Worldwide Operations USA*")) and will be structurally subordinated in right of payment to all existing and future indebtedness, preferred stock and other liabilities (including trade payables) of any non-guarantor subsidiaries of Grifols, including from and after the Biomat Transactions Consummation Date, the Biomat Class B Equity Interests and prior to the Transformation, the Guarantee provided by Holdings with respect to our Secured Notes, Unsecured Notes, First Lien Credit Facilities and EIB Term Loans.

From and after the Escrow Issuer Merger, the Notes will be:

- general unsecured obligations of Grifols;
- senior in right of payment to all of Grifols's existing and any future Subordinated Indebtedness;
- *pari passu* in right of payment with all of Grifols's existing and any future unsecured Indebtedness that is not by its terms expressly subordinated to the Notes;
- effectively junior in right of payment to Grifols's existing and future secured Indebtedness, including Grifols's Obligations under the First Lien Credit Facilities, the Secured Notes and the EIB Term Loans, to the extent of the value of the collateral securing such Indebtedness;
- unconditionally guaranteed by Grifols's Restricted Subsidiaries that Guarantee the Obligations under the First Lien Credit Facilities (other than any Immaterial Subsidiary of Grifols, Holdings prior to the Transformation and Biomat USA and Talecris, each of which will only become Guarantors of the Notes if the Biomat Transactions are not consummated), GWWO and Grifols Worldwide Operations USA; and
- structurally subordinated in right of payment to all existing and future indebtedness, preferred stock and other liabilities (including trade payables) of any non-guarantor subsidiaries of Grifols, including from and after the Biomat Transactions Consummation Date, the Biomat Class B Equity Interests and prior to the Transformation, the Guarantee provided by Holdings with respect to our Secured Notes, Unsecured Notes, First Lien Credit Facilities and EIB Term Loans.

The Guarantees.

From and after the Acquisition Escrow Release Date, each Guarantee of the Notes will be:

- a senior unsecured obligation of each Guarantor;
- senior in right of payment to all existing and any future Subordinated Indebtedness of such Guarantor;
- *pari passu* in right of payment with all existing and any future Indebtedness of that Guarantor that is not by its terms expressly subordinated to its Guarantee of the Notes;
- effectively junior in right of payment to the existing and future secured Indebtedness of that Guarantor, including such Guarantor's obligations under the First Lien Credit Facilities, the Secured Notes and the EIB Term Loans, to the extent of the value of the collateral securing such Indebtedness; and
- structurally subordinated in right of payment to all existing and future indebtedness, preferred stock and other liabilities (including trade payables) of any non-guarantor subsidiaries of the Company, including from and after the Biomat Transactions Consummation Date, the Biomat Class B Equity Interests and prior to the Transformation, the Guarantee provided by Holdings with respect to our Secured Notes, Unsecured Notes, First Lien Credit Facilities and EIB Term Loans.

As of June 30, 2021, on a pro forma basis after giving effect to the Transactions and the use of proceeds therefrom as described under "Use of Proceeds," the Company and its subsidiaries on a consolidated basis would have had approximately €8.9 billion of indebtedness outstanding (including these Notes offered hereby), of which approximately €5.6 billion would have been secured indebtedness (excluding approximately €308 million undrawn revolving commitments under the First Lien Credit Facilities).

The Company's subsidiaries which are non-guarantors (including Biomat and Talecris) represented:

- €149.0 million, or 23.5% of our Published EBITDA and €54.2 million, or 17.9% of our profit after income tax from continuing operations and €842.4 million, or 33.2% of our total net revenue for the six-month period ended June 30, 2021,
- €409.3 million, or 30.9% of our Published EBITDA and €195.3 million, or 27.5% of our profit after income tax from continuing operations and €1,613.0 million, or 30.2% of our total net revenue for the year ended December 31, 2020,
- €7,265.1 million, or 44.8% of our total assets and €1,462.1 million, or 15.8% of our total liabilities at June 30, 2021, and
- €6,608.6 million, or 43.3% of our total assets and €1,462.0 million, or 17.1% of our total liabilities at December 31, 2020.

Upon completion of the Biomat Transactions, the Company will use $600 million of the net proceeds to repay revolving loans under the First Lien Credit Facilities, and the remainder will be used pro rata to (x) repay outstanding amounts under our Tranche B term loans under the First Lien Credit Facilities and (y) be offered to repurchase the Secured Notes and if not accepted by the Secured Notes, to make an offer to prepay the Tranche B term loan lenders and following such offers any remaining proceeds may be used for general corporate purposes. There can be no assurance that the Biomat Transactions will be completed.

Principal, Maturity and Interest

The Escrow Issuer will issue the Euro Notes initially in the aggregate principal amount of €1,400,000,000 and will issue the Dollar Notes initially in the aggregate principal amount of $705,000,000. The Euro Notes and the Dollar Notes will constitute separate series of Notes under the Indenture but, except as otherwise provided below, will be treated as a single class for all purposes under the Indenture. The Issuer may issue additional Notes of either series under the Indenture from time to time. Any offering of additional Notes of a series is subject to compliance with the covenant described below under the caption "Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock."

The Euro Notes offered hereby and any additional Euro Notes subsequently issued under the Indenture will be treated as a single class (except as otherwise provided) for all purposes under the Indenture, including waivers, amendments, redemptions and offers to purchase; *provided*, *however*, that a separate Common Code or ISIN will be issued for the additional Euro Notes, unless the Euro Notes and the additional Euro Note are treated as fungible for U.S. federal income tax purposes. The Dollar Notes offered hereby and any additional Dollar Notes subsequently issued under the Indenture will be treated as a single class (except as otherwise provided) for all purposes under the Indenture, including waivers, amendments, redemptions and offers to purchase; *provided*, *however*, that a separate CUSIP or ISIN will be issued for the additional Dollar Notes, unless the Dollar Notes and the additional Dollar Note are treated as fungible for U.S. federal income tax purposes. Unless the context requires otherwise, references to "Notes" for all purposes of the Indenture, the Guarantees and this "Description of Notes" include any additional Notes that are actually issued.

The Euro Notes will be issued in minimum denominations of €100,000 and any integral multiple of €1,000 in excess thereof. The Dollar Notes will be issued in minimum denominations of $200,000 and any integral multiple of $1,000 in excess thereof. The Euro Notes will mature on October 15, 2028 and the Dollar Notes will mature on October 15, 2028.

Interest on the Euro Notes will accrue at the rate of 3.875% per annum and will be payable semi-annually in cash in arrears on April 15 and October 15, commencing on April 15, 2022 to the Holders of record on the immediately preceding Business Day. Interest on the Dollar Notes will accrue at the rate of 4.750% per annum and will be payable semi-annually in cash in arrears on April 15 and October 15, commencing on April 15, 2022 to the Holders of record of the Dollar Notes on the immediately preceding April 1 and October 1.

Interest on each series of Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

Principal of, premium, if any, and interest on each series of Notes will be payable at the office or agency of the applicable Paying Agent maintained for such purpose as described under "—Paying Agents and Registrars for the Notes" or, at the option of the Issuer, payment of interest may be made by check mailed to the Holders at their respective addresses set forth in the register of Holders or by wire transfer; provided that all payments of principal, premium, if any, and interest with respect to (x) the Euro Notes represented by one or more global Notes registered in the name or held by the common depository of Euroclear and Clearstream or its nominee will be made in accordance with Euroclear's and/or Clearstream's applicable procedures, and (y) the Dollar Notes represented by one or more global Notes registered in the name of or held by DTC or its nominee will be made in accordance with DTC's applicable procedures. Until otherwise designated by the Issuer, the Issuer's office or agency will be the office of the Trustee maintained for such purpose. If any interest payment date, the maturity date or any earlier required repurchase or Redemption Date falls on a day that is not a Business Day, the required payment will be made on the next succeeding Business Day and no interest on such payment will accrue in respect of the delay.

Paying Agents and Registrars for the Notes

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Euro Notes and the Dollar Notes. The initial Paying Agent for the Euro Notes will be The Bank of New York Mellon, London Branch. The initial Paying Agent for the Dollar Notes will be The Bank of New York Mellon. The Paying Agents will make payments on the Notes on behalf of the Escrow Issuer prior to the Escrow Issuer Merger, and from and after the Escrow Issuer Merger, Grifols.

The Issuer will also maintain one or more registrars (each, a "*Registrar*") for the Euro Notes and the Dollar Notes. The initial Registrar for each series of Notes will be The Bank of New York Mellon SA/NV, Dublin Branch. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time and will make payments on and facilitate transfer of Notes on behalf of the Escrow Issuer prior to the Escrow Issuer Merger, and from and after the Escrow Issuer Merger, Grifols. For so long as the Euro Notes clear and settle through the facilities of Euroclear and Clearstream, Euro Notes will be represented by one or more global Notes registered in the name or held by the common depository of Euroclear and Clearstream or its nominee. For so long as the Dollar Notes clear and settle through the facilities of DTC, Dollar Notes represented by one or more global Notes will be registered in the name of or held by DTC or its nominee.

The Issuer may change the Paying Agents or the Registrars without prior notice to the Holders. The Company or any of its Subsidiaries may act as a Paying Agent or Registrar.

Guarantees

Prior to the Acquisition Escrow Release Date, the Notes will not be guaranteed. From and after the Acquisition Escrow Release Date, the obligations of the Escrow Issuer under the Notes and the Indenture will be, jointly and severally, irrevocably, fully and unconditionally guaranteed on a senior unsecured basis by Grifols and the Subsidiary Guarantors. After the Escrow Issuer Merger, Grifols will become the Issuer and the obligations of Grifols under the Notes and the Indenture will be, jointly and severally, irrevocably, fully and unconditionally guaranteed on a senior unsecured basis by the Subsidiary Guarantors (which will include Holdings from and after the Transformation). These Guarantees will be joint and several obligations of the Guarantors.

The obligations of each Guarantor under its Guarantee will be limited to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, financial assistance, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. If a Guarantee were to be rendered voidable, it could be subordinated by a court to all other debt, including Guarantees and contingent liabilities, of the applicable Guarantor and, depending on the amount of such debt, a Guarantor's liability in respect of its Guarantee could be reduced to zero. See "Risk Factors—The Guarantees of the Notes, along with any future guarantees of the Notes, will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability."

A Subsidiary Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than Grifols or another Subsidiary Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

(a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger (if other than a Guarantor) assumes all the obligations of that Guarantor under the Indenture and its Guarantee pursuant to a supplemental Indenture and other documents reasonably satisfactory to the Trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the provisions of the Indenture relating to Asset Sales.

The Guarantee of a Subsidiary Guarantor will be released:

(1) in connection with (a) any sale or other disposition of all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary of the Company, if the sale or other disposition complies with the provisions of the Indenture relating to Asset Sales or (b) any sale of all of the Capital Stock of a Guarantor to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary of the Company, if the sale complies with the provisions of the Indenture relating to Asset Sales, in each case as provided below under the caption "Repurchase at the Option of Holders—Asset Sales;"

(2) if the Company designates any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(3) upon Legal Defeasance or Covenant Defeasance as provided below under the heading "Legal Defeasance and Covenant Defeasance" and upon a discharge of the Indenture as provided under the heading "Satisfaction and Discharge;" or

(4) if such Guarantor does not borrow or Guarantee any Indebtedness under any Credit Facility, as applicable, (other than if such Guarantor no longer Guarantees any such Indebtedness as a result of payment, under any Guarantee or otherwise of any such Indebtedness by any Guarantor); *provided* that a Guarantor shall not be permitted to be released from its Guarantee pursuant to this clause (4) if it is an

obligor with respect to Indebtedness that would not, under "Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," be permitted to be incurred by a Restricted Subsidiary that is not a Guarantor (unless it is also designated as an Unrestricted Subsidiary).

The Guarantee provided by Grifols from and after the Acquisition Escrow Release Date may not be released other than in connection with the Escrow Issuer Merger.

For the avoidance of doubt, Grifols may merge with and into the Escrow Issuer to effectuate the Escrow Issuer Merger, provided that Grifols is the surviving company and assumes all obligations of the Escrow Issuer under the Notes and the Indenture pursuant to a supplemental indenture.

Escrow of Proceeds; Special Mandatory Redemption

The net proceeds of this offering will be used (i) in connection with the Transactions[1] as described under "Use of Proceeds", (ii) to pay interest due on the Notes on any interest payment date occurring prior to the Acquisition Escrow Release Date and (iii) to fund a Capped Redemption on or prior to the Acquisition Escrow Release Date (as defined herein). However, this offering will be consummated prior to the consummation of the Acquisition. Therefore, concurrently with the closing of this offering, the Escrow Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the Escrow Issuer will deposit (or cause to be deposited) with the Escrow Agent into (x) the Euro Escrow Account, an amount equal to the gross proceeds of this offering of the Euro Notes sold on the Issue Date and (y) the Dollar Escrow Account, an amount equal to the gross proceeds of this offering of the Dollar Notes sold on the Issue Date.

The initial funds deposited in the Euro Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Euro Escrow Account in connection with the Euro Notes (less any property and/or funds paid (including negative rate charges) in accordance with the Escrow Agreement) are referred to, collectively, as the "*Euro Escrowed Property*." The initial funds deposited in the Dollar Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Dollar Escrow Account in connection with the Dollar Notes (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "*Dollar Escrowed Property*," and together with the Euro Escrowed Property, the "*Escrowed Property*."

In order for the Company to cause the Escrow Agent to release Escrowed Property to the Company or the Trustee, as the case may be (a *"Release*"), the Escrow Agent and the Trustee shall have received from the Company an Officer's Certificate on or prior to the applicable record date with respect to an interest payment, and on or prior to the Escrow Outside Date with respect to the consummation of the Capped Redemption, the VTO or the Acquisition (the "*Escrow Release Officer's Certificate*"), upon which both the Escrow Agent and the Trustee shall be entitled to rely absolutely without further investigation, to the effect that (collectively the "*Escrow Release Conditions*"):

(A) in respect of an interest payment date:

(1) on the relevant interest payment date, (i) an interest payment falls due under the Euro Notes in an amount specified to the Escrow Agent and Trustee (the "*Euro Interest Payment*") and (ii) an interest payment falls due under the Dollar Notes in an amount specified to the Escrow Agent and Trustee (the "*Dollar Interest Payment*");

(2) on the Business Day prior to such interest payment date, the Escrow Agent is instructed to (i) release from the Euro Escrow Account the specified amount in euro representing the Euro Interest Payment in full, to the Trustee by wire transfer of immediately available funds and (ii) release from the Dollar Escrow Account the specified amount in U.S. dollars representing the Dollar Interest Payment in full, to the Trustee by wire transfer of immediately available funds;

(3) no default has occurred or is continuing under the Indenture;

(4) the commitment letter entered into by the Company in connection with the funding of the Special Mandatory Redemption Price has not been terminated, rescinded, modified or amended in any manner materially adverse to the holders of the Notes; and

(5) to its knowledge after due inquiry, the Company is not in default under any of its material obligations, including but not limited to the Secured Notes, Unsecured Notes or First Lien Credit Facilities;

(B) in respect of a Capped Redemption:

(1) on the relevant redemption date, (i) a specified aggregate principal amount of Euro Notes will be redeemed plus accrued and unpaid interest to, but not including, the date of redemption (the "*Euro Redemption Payment*") and/or (ii) a specified aggregate principal amount of Dollar Notes will be redeemed plus accrued and unpaid interest to, but not including, the date of redemption (the "*Dollar* Redemption *Payment*");

(2) the Escrow Issuer has complied with the terms of the indenture with respect to a redemption including the form and notice requirements;

(3) on the Business Day prior to such redemption date, the Escrow Agent is instructed to (i) release from the Euro Escrow Account the specified amount in euro representing the Euro Redemption Payment in full, to the Trustee by wire transfer of immediately available funds and (ii) release from the Dollar Escrow Account the specified amount in U.S. dollars representing the Dollar Redemption Payment in full, to the Trustee by wire transfer of immediately available funds;

(4) no default has occurred or is continuing under the Indenture;

(5) the commitment letter entered into by the Company in connection with the funding of the Special Mandatory Redemption Price has not been terminated, rescinded, modified or amended in any manner materially adverse to the holders of the Notes; and

(6) to its knowledge after due inquiry, the Company is not in default under any of its material obligations, including but not limited to the Secured Notes, Unsecured Notes or First Lien Credit Facilities;

(C) in respect of the consummation of the VTO:

(1) on the VTO Consummation Date an amount specified in euros will be used to consummate the VTO and all payments required in connection therewith (the "*VTO Payment*");

(2) the VTO will be consummated substantially concurrently with or promptly following and in connection with the release of the Escrowed Property for the VTO Payment, in accordance with the terms of the VTO as described in this offering memorandum, together with such amendments, modifications and waivers that are not, in the reasonable opinion of the Company, individually or in the aggregate, materially adverse to the Company and its Restricted Subsidiaries (after giving effect to the consummation of the Acquisition), taken as a whole, or to the Holders;

(3) no default has occurred or is continuing under the Indenture;

(4) the commitment letter entered into by the Company in connection with the funding of the Special Mandatory Redemption Price has not been terminated, rescinded, modified or amended in any manner materially adverse to the holders of the Notes; and

(5) to its knowledge after due inquiry, the Company is not in default under any of its material obligations, including but not limited to the Secured Notes, Unsecured Notes or First Lien Credit Facilities; and

(D) in respect of the consummation of the Acquisition:

(1) the Acquisition will be consummated substantially concurrently with or promptly following and in connection with the release of the Escrowed Property, in accordance with the Acquisition Agreement as in effect on the Issue Date, together with such amendments, modifications and waivers that are not, in the reasonable opinion of the Company, individually or in the aggregate, materially adverse to the

Company and its Restricted Subsidiaries (after giving effect to the consummation of the Acquisition), taken as a whole, or to the Holders;

(2) the Escrowed Property will be applied as described under "Use of Proceeds" in this offering memorandum; and

(3) The supplemental indenture by and among the Escrow Issuer, the Company as guarantor, the other guarantors party thereto and the Trustee has become effective or will become effective substantially concurrently with or promptly following the release of the Escrow Property from the Escrow Account.

Each Release will occur promptly following the receipt by the Escrow Agent of the Escrow Release Officer's Certificate (the date of the Release in respect of the consummation of the Acquisition, the "*Acquisition Escrow Release Date*"). Upon the Acquisition Escrow Release Date, the Escrow Account shall be reduced to zero and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

The Escrow Issuer will grant the Trustee, for the benefit of the Trustee, the Escrow Agent and the Holders of the Notes, a first priority security interest in the applicable Escrow Account and the Escrowed Property to secure the Obligations under the applicable series of Notes pending disbursement as described below; *provided*, *however*, that such liens and security interests shall automatically be released and terminated at such time as the Escrowed Property is released from the applicable Escrow Account on the Acquisition Escrow Release Date. For the avoidance of doubt, such liens and security interests will be permitted under the Indenture. Additional cash in respect of interest that would accrue on each series of Notes from and after the issue date of the Notes will not be pre-funded into the applicable Escrow Account on the Issue Date of the Notes. Grifols will commit on or prior to the date of the consummation of this offering to, in the event of a Special Mandatory Redemption, fund the difference between the amounts in each Escrow Account that are available to be applied to redeem the applicable series of Notes pursuant to the Special Mandatory Redemption and the Special Mandatory Redemption Price.

The Notes will be subject to a mandatory redemption (a "*Special Mandatory Redemption*") in the event that (i) the Acquisition Escrow Release Date has not occurred on or prior to the Escrow Outside Date, (ii) at any time prior to the Escrow Outside Date, the Acquisition Agreement is terminated in accordance with its terms without the closing of the Acquisition or (iii) on any date prior to the Escrow Outside Date if Grifols has determined, in its reasonable judgment, and notified the Escrow Issuer and Trustee that the Escrow Release Conditions will not be satisfied by the Escrow Outside Date (the date of any such event in clause (i), (ii) or (iii), the "*Special Termination Date*").

The Indenture will provide that notice of the Special Mandatory Redemption will be delivered by the Escrow Issuer, no later than three Business Days following the Special Termination Date, to the Trustee, each Paying Agent and the Escrow Agent, and will provide that each series of Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Escrow Issuer in accordance with the terms of the Escrow Agreement (the "*Special Mandatory Redemption Date*") or otherwise in accordance with the procedures of DTC or of Euroclear or Clearstream, as applicable. On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each Holder of the applicable series of Notes the applicable Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Issuer.

The redemption price (the "*Special Mandatory Redemption Price*") for any Special Mandatory Redemption will be equal to (x) with respect to the Euro Notes, 100.000% of the initial issue price of the Euro Notes, plus accrued but unpaid interest on the Euro Notes, if any, from the Issue Date (or, if an interest payment has been made since the Issue Date, from, and including, the date of such interest payment) to the Special Mandatory Redemption Date and (y) with respect to the Dollar Notes, 100.000% of the initial issue price of the Dollar Notes, plus accrued but unpaid interest on the Dollar Notes, if any, from the Issue Date (or, if an interest payment has been made since the Issue Date, from, and including, the date of such interest payment) to the Special Mandatory Redemption Date, in each case, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date.

Funds held in the Escrow Account, pending release for the uses set forth above, may be invested at the written direction of the Company in Eligible Escrow Investments or remain uninvested in cash, as provided in the Escrow Agreement; provided that such Eligible Escrow Investments shall be held in the Escrow Account. The Escrow Issuer shall not grant a Lien on the Escrowed Property to any Person (other than to the Trustee and the Holders).

Activities Prior to the Escrow Issuer Merger

Prior to the Escrow Issuer Merger, the Escrow Issuer's permitted activities shall be restricted to: (a) issuing the Notes, (b) issuing capital stock to, and receiving capital contributions or share premium from direct and indirect parent companies of the Escrow Issuer, (c) performing its obligations in respect of the Notes under the Indenture, (e) performing its obligations in respect of the Escrow Agreement including the release of the Escrowed Property and redeeming the Notes, if applicable, (f) consummating the Escrow Issuer Merger, and (g) conducting such other activities as are necessary, advisable or appropriate to carry out the activities described above or related to the Transactions. Prior to the Escrow Issuer Merger, the Escrow Issuer will not own, hold or otherwise have any interest in any assets other than the Escrowed Property and its rights under the Notes and the Indenture.

Prior to the Escrow Issuer Merger, the Escrow Issuer shall not engage in any activity or enter into any transaction or agreement (including, without limitation, making any restricted payment, making any investment (except for Eligible Escrow Investments), incurring any debt (except the Notes), incurring any Liens except in favor of the Escrow Agent, Trustee and the holders of the Notes, selling any assets, entering into any merger, consolidation or sale of all or substantially all of its assets (other than the Escrow Issuer Merger), or engaging in any transaction with its Affiliates (other than as expressly provided herein), except in the ordinary course of business or as necessary, advisable or appropriate to effectuate the Transactions substantially in accordance with the description of the Transactions set forth in this offering memorandum, together with such amendments, modifications and waivers that are not, individually or in the aggregate, materially adverse (after giving effect to the consummation of the Acquisition) to the holders of the Notes.

Prior to the Acquisition Escrow Release Date, none of Grifols or any of its Subsidiaries will be parties to the Indenture and will not be controlled by the Escrow Issuer; accordingly, prior to the Acquisition Escrow Release Date, none of Grifols or any of its Subsidiaries will be subject to the restrictions, agreements or covenants in the Indenture or the Escrow Agreement.

Optional Redemption

The Escrow Issuer will not be entitled to redeem the Notes at its option prior to the Escrow Issuer Merger other than in connection with a Capped Redemption.

Except as set forth above under the caption "Redemption of Notes for Taxation Reasons" below with respect to the Notes, or in the circumstances set forth under "—Repurchase at the Option of Holders—Change of Control," the Company will not be entitled to redeem the Notes at its option prior to October 15, 2024.

From and after the Escrow Issuer Merger, and prior to October 15, 2024, the Company may, at its option and on one or more occasions, upon notice as described under the heading "—Selection and Notice," on one or more occasions redeem (i) up to 40% of the aggregate principal amount of Euro Notes (including additional Euro Notes) issued under the Indenture at a redemption price (as calculated by the Company) equal to (x) 103.875% of the aggregate principal amount thereof, with an amount equal to or less than the net cash proceeds from one or more Qualified Equity Offerings plus (y) accrued and unpaid interest thereon, if any, to the applicable Redemption Date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling on or prior to the Redemption Date and (ii) up to 40% of the aggregate principal amount of Dollar Notes issued under the Indenture (including any additional Dollar Notes) at a redemption price (as calculated by the Company) equal to (x) 104.750% of the aggregate principal amount thereof, with an amount equal to or less than the net cash proceeds from one or more Qualified Equity Offerings plus (y) accrued and unpaid interest thereon, if any, to, but excluding, the applicable Redemption Date, subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling on or prior to the Redemption Date; *provided that*:

(a) in the case of the Euro Notes, at least 60% of the sum of (x) the aggregate principal amount of Euro Notes issued under the Indenture on the Issue Date and (y) the aggregate principal amount of any additional Euro Notes issued under the Indenture after the Issue Date remains outstanding immediately after the occurrence of each such redemption (in each case excluding Euro Notes held by the Company and its Subsidiaries);

(b) in the case of the Dollar Notes, at least 60% of the sum of (x) the aggregate principal amount of Dollar Notes issued under the Indenture on the Issue Date and (y) the aggregate principal amount of any additional Dollar Notes issued under the Indenture after the Issue Date remains outstanding immediately after the occurrence of each such redemption (in each case excluding Dollar Notes held by the Company and its Subsidiaries); and

(c) each such redemption occurs within 90 days of the date of closing of each such Qualified Equity Offering.

From and after the Escrow Issuer Merger, and prior to October 15, 2024, the Company may, at its option and on one or more occasions, redeem all or a part of a series of Notes, upon notice as described under the heading "—Selection and Notice," at a redemption price equal to 100% of the principal amount of the Notes of the applicable series redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the date of redemption (any applicable date of redemption hereunder, the "*Redemption Date*"), subject to the rights of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling on or prior to the Redemption Date.

On and after October 15, 2024, the Company may, at its option and on one or more occasions, redeem all or a part of the Euro Notes and/or the Dollar Notes, upon notice as described under the heading "—Selection and Notice," at the redemption prices (expressed as percentages of principal amount of the Euro Notes or Dollar Notes, as the case may be, to be redeemed) set forth below, plus accrued and unpaid interest thereon, if any, to, the applicable Redemption Date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling on or prior to the Redemption Date, if redeemed during the twelve-month period beginning on October 15 of each of the years indicated below:

Year	Euro Notes Redemption Price	Dollar Notes Redemption Price
2024	101.938%	102.375%
2025	100.969%	101.188%
2026 and thereafter	100.000%	100.000%

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the applicable Notes or portions of thereof called for redemption on the applicable redemption date.

The Notes to be redeemed shall be selected in the manner described under "—Selection and Notice."

The Notes of either such series may be optionally redeemed in full or in part pursuant to the optional redemption provisions of the Indenture before the Notes of the other series are optionally redeemed in full or in part.

Capped Redemption

On or prior to the Acquisition Escrow Release Date and following the expiration of all acceptance periods related to the VTO, the Escrow Issuer may, at its option, upon notice as described under the heading "—Selection and Notice," redeem an aggregate principal amount of Euro Notes amountand Dollar Notes, on a pro rata basis, in a total aggregate amount of Euro Notes plus Dollar Notes not to exceed the lesser of (i) (x) the product of the number of Biotest untendered preferred equity shares multiplied by a price per share of €37.00 per share plus (y) the product of the number of Biotest untendered ordinary shares multiplied by a price per share of €43.00 (in each case, other than those held by Holdings) and (ii) €500 million, at a redemption price equal to 100.000% of the principal amount of Dollar Notes and Euro Notes redeemed, plus accrued and unpaid interest thereon, if any, to the applicable Redemption Date subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date falling on or prior to the Redemption Date, *provided* that no less than $500 million Dollar Notes and no less than €500 million Euro Notes remain outstanding following any such redemption (such a redemption, the "*Capped Redemption*").

The Escrow Agent and the Trustee shall have no responsibility to monitor, determine or inquire as to whether a Capped Redemption is permitted or the amount or series of Notes that may be redeemed, as to which they will be entitled to receive and rely upon absolutely without further investigation the Escrow Release Officer's Certificate in respect of a Capped Redemption.

Redemption of Notes for Taxation Reasons

After the Acquisition Escrow Release Date, each of the Euro Notes and/or the Dollar Notes, as applicable, may be redeemed, at the option of the Issuer, as a whole but not in part, upon giving not less than 15 days' nor more than 60 days' notice to the relevant Holders (which notice will be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Taxing Jurisdiction affecting taxation; or

(2) any change in, or amendment to, an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which such jurisdiction becomes a Taxing Jurisdiction, and the Issuer or any Guarantor, as the case may be, is, or on the next interest payment date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the Issuer or any Guarantor, as the case may be, taking reasonable measures available to it; *provided* that for the avoidance of doubt, changing the jurisdiction of the Issuer or any Guarantor is not a reasonable measure for the purposes of this section; *provided*, *further*, that no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer or any Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the transmission of any notice of redemption of the Euro Notes and/or the Dollar Notes, as the case may be, pursuant to the foregoing, the Issuer will deliver to the Trustee (1) an officer's certificate stating that such change or amendment referred to in the prior paragraph has occurred, and describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it; and (2) an opinion of counsel of recognized international standing stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the Holders. Any Notes that are redeemed will be cancelled.

Mandatory Redemption

Except as described under "—Escrow of Proceeds; Special Mandatory Redemption," the Issuer is not required to redeem the Notes or make sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under the caption "—Repurchase at the Option of Holders."

Offers to Purchase; Open Market Purchases

The Company and its Subsidiaries may acquire Notes by means other than a redemption or required repurchase, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture. However, other existing or future agreements of the Company or its Subsidiaries may limit the ability of the Company or its Subsidiaries to purchase Notes prior to maturity.

Additional Amounts on the Notes

All payments made by the Escrow Issuer, the Company or any Subsidiary Guarantor that is not formed or incorporated under the laws of the United States or any State of the United States or the District of Columbia (each such Guarantor, a "*non-U.S. Guarantor*") under or with respect to the Notes or such non-U.S. Guarantor's Guarantee will be made free and clear of and without withholding or deduction for or on account of any present or future Taxes imposed or levied by or on behalf of any Taxing Authority of or within Spain, Ireland or any other jurisdiction in which the Escrow Issuer, the Company or such non-U.S. Guarantor is organized, resident or doing business for tax purposes or within or through which payment is made or any political subdivision or Taxing Authority or agency thereof or therein (any of the aforementioned being a "*Taxing Jurisdiction*"), unless the Escrow Issuer, the Company or such non-U.S. Guarantor is required to withhold or deduct Taxes by law or by the interpretation or administration thereof. If the Escrow Issuer, the Company or any non-U.S. Guarantor is required to withhold or deduct any amount for or on account of Taxes imposed by a Taxing Authority within Spain, Ireland, or any other Taxing Jurisdiction, from any payment made under or with respect to the Notes or the Guarantee of such non-U.S. Guarantor, the Escrow Issuer, the Company or such non-U.S. Guarantor will pay such additional amounts ("*Additional Amounts*") as may be necessary so that the net amount received by each Holder of Notes after such withholding or deduction (including any withholding or deduction in respect of the payment of Additional Amounts) will equal the amount the Holder would have received if such Taxes had not been withheld or deducted; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Tax imposed by the United States or by any political subdivision or Taxing Authority thereof or therein;

(2) any Taxes that would not have been so imposed, deducted or withheld but for the existence of any connection between the Holder or beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the Holder or beneficial owner of such Note, if the Holder or beneficial owner is an estate, nominee, trust, partnership or corporation) and the relevant Taxing Jurisdiction (other than the mere receipt of such payment or the ownership or holding of the execution, delivery, registration or enforcement of such Note);

(3) any estate, inheritance, gift, sales, excise, transfer or personal property Tax or similar Tax, assessment or governmental charge, subject to the second to last paragraph of this covenant;

(4) any Taxes payable other than by deduction or withholding from payments under or with respect to the Notes by the Escrow Issuer or the Company or under or with respect to the Guarantee by any non-U.S. Guarantor of such Note;

(5) any Taxes that would not have been so imposed, deducted or withheld if the Holder or beneficial owner of a Note or beneficial owner of any payment on the Note or the Guarantee of such Note had made a declaration of non-residence, or any other claim or filing for exemption, to which it is entitled or complied with any certification, identification, information, documentation or other reporting requirement with which it is entitled to comply concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of such Holder or beneficial owner of such Note or any payment on such Note (provided that (x) such declaration of non-residence or other claim or filing for exemption or such compliance is required by the applicable law of the Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of the imposition, deduction or withholding of, such Taxes) and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption or such compliance is required under the applicable law of the Taxing Jurisdiction, Holders at that time have been notified by the Issuer or such Guarantor or any other Person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption or such compliance is required to be made);

(6) any Taxes imposed, deducted or withheld due to the Escrow Issuer, the Company or the non-US Guarantors not receiving in a timely manner and in the legally prescribed form the information required under Section 44 of Royal Decree 1065/2007, of July 27 and any implementing legislation or regulation;

(7) any Taxes that would not have been so imposed, deducted or withheld if the beneficiary of the payment had presented the note for payment within 30 days after the date on which such payment or such note became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Holder would have been entitled to Additional Amounts had the note been presented on the last day of such 30 day period);

(8) any payment under or with respect to a Note to any Holder that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts, or to a reduced amount of Additional Amounts, had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note;

(9) any combination of items (1) through (8) above.

The foregoing provisions shall survive any termination or discharge of the Indenture and payment of the Notes and shall apply *mutatis mutandis* to any Taxing Jurisdiction with respect to any successor Person to the Escrow Issuer, the Company or a non-U.S. Guarantor.

The Escrow Issuer, the Company and each applicable non-U.S. Guarantor will also make any applicable withholding or deduction and remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Escrow Issuer, the Company and each applicable non-U.S. Guarantor will furnish to the Trustee, within 60 days after the date the payment of any Taxes deducted or withheld is due pursuant to applicable law, certified copies of tax receipts or, if such tax receipts are not reasonably available to the Escrow Issuer, the Company and such non-U.S. Guarantor, such other documentation that provides reasonable evidence of such payment by the Escrow Issuer, the Company or such non-U.S. Guarantor. Copies of such tax receipts or, if such tax receipts are not reasonably

available, such other documentation will be made available to the Holders or the paying agent, as applicable, upon request.

At least 30 days prior to each date on which any payment under or with respect to the Notes or any Guarantee is due and payable, if the Escrow Issuer, the Company or any non-U.S. Guarantor will be obligated to pay Additional Amounts with respect to such payment, the Escrow Issuer, the Company or such non-U.S. Guarantor will deliver to the Trustee and the paying agent an officer's certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable such Trustee and paying agent to pay such Additional Amounts to Holders of such Notes on the payment date, unless such obligation to pay Additional Amounts arises after the 30th day prior to such date, in which case it shall be promptly paid thereafter.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of principal, premium, if any, interest or of any other amount payable under or with respect to any Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Escrow Issuer, the Company and each non-U.S. Guarantor will pay any present or future stamp, court or documentary taxes or any other excise or property Taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery, enforcement or registration of their respective Obligations and Guarantees of the Notes, the Indenture or any other document or instrument in relation thereto, excluding all such Taxes, charges or similar levies imposed by any jurisdiction outside the United States in which the Escrow Issuer, the Company or any non-U.S. Guarantor or any successor Person is organized or resident for tax purposes or any jurisdiction in which a paying agent is located, and the Company and each non-U.S. Guarantor will agree to indemnify the Holders of the Notes for any such non-excluded taxes paid by such Holders.

The foregoing provisions of this section shall survive any termination or discharge of the Indenture and payment of the Notes and shall apply *mutatis mutandis* to any Taxing Jurisdiction with respect to any successor Person to the Escrow Issuer, the Company or a non-U.S. Guarantor.

Repurchase at the Option of Holders

Change of Control

Upon the occurrence of a Change of Control after the Acquisition Escrow Release Date, the Company shall be obligated to make an offer to purchase (a "*Change of Control Offer*") and each Holder of Notes will have the right to require the Company to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 with respect to the Euro Notes and equal to $200,000 or an integral multiple of $1,000 with respect to the Dollar Notes) of that Holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a Change of Control payment in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest, if any, on the Notes repurchased, to the date of purchase. The Company shall be required to purchase all Notes tendered pursuant to the Change of Control Offer and not withdrawn. Subject to compliance with the provisions of the third succeeding paragraph, within 30 days following any Change of Control or, at the Company's option, prior to any Change of Control, but after public announcement of the transaction that constitutes or may constitute the Change of Control, the Company will send a notice to the Trustee and each Holder describing the transaction or transactions that constitute or may constitute the Change of Control and offering to repurchase Notes on the Change of Control payment date specified in the notice, which date will be no earlier than 15 days and no later than 60 days from the date such notice is sent, pursuant to the procedures required by the Indenture and described in such notice. The notice will, if sent prior to the date of consummation of the Change of Control, state that the Change of Control Offer is conditioned on the Change of Control occurring on or prior to the applicable Change of Control payment date specified in the notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such conflict.

On the Change of Control payment date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes validly and properly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the applicable Paying Agent an amount equal to the Change of Control payment in respect of all Notes or portions of Notes validly and properly tendered and not withdrawn; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an officer's certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The applicable Paying Agent will promptly mail (or wire) to each Holder of Notes validly and properly tendered and not withdrawn the Change of Control payment for such Notes, provided that the Change of Control Payment with respect to (x) the Euro Notes represented by one or more global Notes registered in the name or held by the common depository of Euroclear and Clearstream or its nominee will be made in accordance with Euroclear's and/or Clearstream's applicable procedures, and (y) the Dollar Notes represented by one or more global Notes registered in the name of or held by DTC or its nominee will be made in accordance with DTC's applicable procedures. The Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that new Euro Notes will only be issued in denominations of €100,000 and any integral multiple of €1,000 in excess thereof and new Dollar Notes will be only issued in minimum denominations of $200,000 and any integral multiple of $1,000 in excess thereof. The Company will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control payment date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable, except as described below under "Legal Defeasance and Covenant Defeasance." Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization, spin-off or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (i) a third party (including the Escrow Issuer prior to the Escrow Issuer Merger) makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly and properly tendered and not withdrawn under the Change of Control Offer, (ii) notice of redemption of all of the Notes has been given pursuant to the Indenture as described above under the caption "Optional Redemption," unless and until there is a default in payment of the applicable redemption price, or (iii) in connection with or in contemplation of any Change of Control for which a definitive agreement is in place the Company or a third party (including the Escrow Issuer prior to the Escrow Issuer Merger) has made an offer to purchase (an "*Alternate Offer*") any and all Notes validly and properly tendered at a cash price equal to or higher than the Change of Control payment and has purchased all Notes validly and properly tendered and not withdrawn in accordance with the terms of such Alternate Offer; *provided* that the terms of such Alternate Offer shall not require Holders to irrevocably tender Notes and such Alternate Offer shall not close unless and until the Change of Control is actually consummated.

The provisions under the Indenture relative to the Company's obligation to make a Change of Control Offer may, prior to the occurrence of a Change of Control, be waived or modified with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes issued under the Indenture. Following the occurrence of a Change of Control, any change, amendment or modification in any material respect of the obligation of the Company to make and consummate a Change of Control Offer may only be effected with the consent of each Holder affected thereby.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes of any series validly tender and do not withdraw such Notes of such series in response to a Change of Control Offer and the Company, or any third party making the Change of Control Offer in lieu of the Company as described above, purchases all of the Notes of such series validly tendered and not withdrawn by such Holders, the Company or such third party will have the right, upon not less than 30 no more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at

a price in cash equal to 101% of the principal amount thereof plus accrued but unpaid interest to but not including the date of redemption set forth in such notice.

Asset Sales

The Company will not, and will not permit any of the Restricted Subsidiaries to, make any Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets sold, leased, transferred, conveyed or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash, Cash Equivalents or Replacement Assets, or a combination thereof.

For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities of the Company or any of the Restricted Subsidiaries, as shown on the Company's or such Restricted Subsidiary's most recent balance sheet (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee of the Notes), that are assumed by the transferee of any such assets and with respect to which the Company or such Restricted Subsidiary is released from further liability;

(b) any securities, Notes or other obligations received by the Company or such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash within 365 days of the consummation of such Asset Sale (subject to ordinary settlement periods), to the extent of the cash received in that conversion;

(c) any Voting Stock or assets referred to in clauses (2) and (3) of the following paragraph; and

(d) any Designated Non-Cash Consideration received by the Company or such Restricted Subsidiary in such Asset Sale having an aggregate fair market value (as determined in good faith by the Company's Board of Directors), taken together with all other Designated Non Cash Consideration received pursuant to this clause (d) that is at such time outstanding, not to exceed an amount equal to the greater of (x) €350 million and (y) 2.8% of Total Assets at the time of the receipt of such Designated Non-Cash Consideration, with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company or such Restricted Subsidiary may apply those Net Proceeds at the Company's option:

(1) to repay Indebtedness and other Obligations under any Credit Facility.

(2) to acquire all or substantially all of the assets of, or a majority of the Voting Stock of, any company or entity engaged in a Permitted Business;

(3) to make any capital expenditures or to acquire other long term assets that are used or useful in a Permitted Business; or

(4) any combination of the foregoing.

In the case of each of clauses (2), (3) and (4) above, the entry into a definitive agreement to acquire such assets within 365 days after the receipt of any Net Proceeds from an Asset Sale shall be treated as a permitted application of the Net Proceeds from the date of such agreement so long as the Company or such Restricted Subsidiary enters into such agreement with the good faith expectation that such Net Proceeds will be applied to satisfy such commitment within 180 days of such agreement and such Net Proceeds are actually so applied within such period. Pending the final application of any Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds.*" When the aggregate amount of Excess Proceeds exceeds €300 million, the Company will make an Asset Sale Offer to all Holders of Notes and all Holders of other Indebtedness of the Company or any Restricted Subsidiary that is *pari passu* with the Notes containing provisions similar to those set forth in the

Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness validly and properly tendered and not withdrawn into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee (or applicable depositary) will select the Notes and the Company or the Trustee, agent or other similar party with respect to such other *pari passu* Indebtedness will select such Indebtedness to be purchased as described below under "Selection and Notice." Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such compliance.

The Company's and the Restricted Subsidiaries' existing and future Indebtedness may contain limitations on certain events that would constitute a Change of Control or Asset Sale or require such Indebtedness to be repurchased upon a Change of Control or Asset Sale. Moreover, the exercise by Holders of Notes of their right to require the Company to repurchase such Notes could cause a default under the Company's and the Restricted Subsidiaries' existing or future Indebtedness, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such purchases on us. In the event that a Change of Control or Asset Sale occurs at a time when the Company is prohibited from purchasing Notes, the Company could seek the consent of the applicable lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will remain prohibited from purchasing Notes. In addition, the Company's ability to pay cash to Holders of Notes upon a repurchase may be limited by the Company's then existing financial resources. The Company cannot assure you that sufficient funds will be available when necessary to make any required repurchases. The Company's failure to repurchase Notes in connection with a Change of Control or Asset Sale would result in a default under the Indenture. Such a default may, in turn, constitute a default under the Company's other Indebtedness. The Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified at any time prior to the occurrence of such Change of Control with the written consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding. See "Amendment, Supplement and Waiver."

Selection and Notice

With respect to any partial redemption or purchase of either series of Notes made pursuant to the Indenture, selection of the Notes of such series for redemption or purchase will be made in accordance with the requirements of the applicable securities exchange, if any, on which the Notes of such series are listed, and in compliance with the applicable procedures of DTC or of Euroclear or Clearstream, as applicable; provided that no Euro Notes of less than €100,000 or Dollar Notes of less than $200,000 can be redeemed or repurchased in part.

Notices of redemption or purchase shall be delivered electronically, in accordance with procedures of DTC or of Euroclear or Clearstream, as applicable, in the case of global Notes, or mailed by first-class mail, postage prepaid, at least 15 days (or such shorter period as is specified solely in respect of any Special Mandatory Redemption), not more than 60 days before the purchase date or Redemption Date to each Holder at such Holder's registered address or otherwise in accordance with the procedures of DTC or of Euroclear or Clearstream, as applicable, except that redemption notices may be delivered or mailed more than 60 days prior to a Redemption Date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Any inadvertent defect in the notice of redemption, including an inadvertent failure to give notice, to any Holder of a series of Notes selected for redemption will not impair or affect the validity of the redemption of any other Note of any series redeemed in accordance with the provisions of the Indenture. If any Note is to be redeemed or purchased in part only, any notice of redemption or purchase that relates to such Note shall state the portion of the principal amount thereof that has been or is to be redeemed or purchased.

Notice of any redemption of the Notes of any series may, at the Company's discretion, be given prior to the completion of a transaction (including a Qualified Equity Offering, an incurrence of Indebtedness (including Disqualified Stock), a Change of Control or other transaction) and any redemption notice may, at the Company's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related transaction. If such redemption

or purchase is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Company's discretion, the redemption date may be delayed until such time (including more than 60 days after the date the notice of redemption was mailed or delivered, including by electronic transmission) as any or all such conditions shall be satisfied, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the payment of the redemption price and performance of the Company's obligations with respect to such redemption may be performed by another person.

Notes called for redemption become due on the date fixed for redemption. Notes held in certificated form must be surrendered to the paying agent in order to collect the redemption price. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

So long as the Notes are held by DTC, Euroclear or Clearstream, as applicable, the Trustee shall not be responsible or liable for any actions taken or not taken by DTC, Euroclear or Clearstream, as applicable.

Certain Covenants

Set forth below are summaries of certain covenants that will be contained in the Indenture, and that will apply to the Company and its Restricted Subsidiaries commencing on the Acquisition Escrow Release Date. If on any date following the Acquisition Escrow Release Date (i) the Notes of a series have an Investment Grade Rating from any two Rating Agencies, and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "*Covenant Suspension Event*"), then beginning on such date (the "*Suspension Date*") the Company and the Restricted Subsidiaries will not be subject to the following covenants with respect to such series of Notes (collectively, the "*Suspended Covenants*"):

"Repurchase at the Option of Holders—Asset Sales;"

"—Restricted Payments;"

"—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;"

clause (d) of the first paragraph of "—Merger, Consolidation or Sale of Assets;"

"—Transactions with Affiliates;"

"—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;" and

"—Designation of Restricted and Unrestricted Subsidiaries."

In the event that the Company and the Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "*Reversion Date*") one or more of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Notes below an Investment Grade Rating and as a result, less than two Rating Agencies maintain an Investment Grade Rating of the Notes, then the Company and the Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events.

The period of time between the Suspension Date and the Reversion Date is referred to in this description as the "*Suspension Period*." Additionally, upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from Net Proceeds shall be reset at zero. In the event of any such reinstatement of the Suspended Covenants, no action taken or omitted to be taken by the Company or any of the Restricted Subsidiaries prior to such reinstatement will give rise to a Default or Event of Default under the Indenture; provided that (1) with respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments made will be calculated as though the covenant described under the caption "—Restricted Payments" had been in effect prior to, but not during, the Suspension Period, provided that no Subsidiaries may be designated as Unrestricted Subsidiaries during the Suspension Period) and (2) all Indebtedness incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of "—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock."

There can be no assurance that the Notes of any series will ever achieve or maintain an Investment Grade Rating.

Financial Calculations for Limited Condition Acquisitions

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Company, be the date the definitive agreements for such Limited Condition Acquisition are entered into and such baskets or ratios shall be calculated by the Company giving Pro Forma Effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated Cash Flow of the Company or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; *provided further* that if the Company elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered into and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition.

Restricted Payments

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any Restricted Subsidiary) or to the direct or indirect holders of the Company's or any Restricted Subsidiaries' Equity Interests in their capacity as such (in each case other than dividends or distributions payable in the Company's Equity Interests (other than Disqualified Stock) or to the Company or any Restricted Subsidiary);

(2) purchase, redeem, defease or otherwise acquire or retire for value any of the Company's or the Restricted Subsidiaries' Equity Interests (in each case other than any of the Restricted Subsidiaries' Equity Interests owned by the Company or another Restricted Subsidiary or for consideration consisting solely of the Company's Equity Interests other than Disqualified Stock);

(3) make any payment on or with respect to, or purchase, redeem, repurchase, defease or otherwise acquire or retire for value any of the Company's or the Restricted Subsidiaries' Subordinated Indebtedness (other than Subordinated Indebtedness owed to the Company or any of the Restricted Subsidiaries), except (i) a payment of interest or principal at the Stated Maturity thereof, (ii) the purchase, repurchase or other acquisition of any such Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of such purchase, repurchase or other acquisition, or (iii) for consideration consisting solely of the Company's Equity Interests other than Disqualified Stock; or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of "—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;" and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and the Restricted Subsidiaries after the Issue Date (excluding Restricted Payments made pursuant to the next paragraph other than clauses (1), (7), (8), (12) and (13) of the next paragraph), is less than the sum, without duplication, of:

(A) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first full fiscal quarter of the Company commencing immediately prior to January 1, 2019 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), *plus*

(B) 100% of the aggregate net cash proceeds or the fair value (as determined in good faith by the Board of Directors) of property or assets received by the Company or a Restricted Subsidiary after January 1, 2019 as a contribution to the common equity capital of the Company or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests or Disqualified Stock or debt securities sold to a Subsidiary of the Company), together with the aggregate net cash and Cash Equivalents received by the Company or any Restricted Subsidiaries at the time of such conversion or exchange; *provided, however,* that this clause shall not include the proceeds from Excluded Contributions, *plus*

(C) to the extent that any Restricted Investment that was made after January 1, 2019 is sold for cash or otherwise liquidated or repaid for cash, the proceeds realized from the sale of such Restricted Investment and proceeds representing the return of the capital with respect to such Restricted Investment, in each case to the Company or any Restricted Subsidiary, less the cost of the disposition of such Restricted Investment, *plus*

(D) to the extent that any Unrestricted Subsidiary is redesignated as a Restricted Subsidiary after the Acquisition Escrow Release Date, the portion (proportionate to the Company's interest in such Unrestricted Subsidiary) of the fair market value of the net assets of the Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; *plus*

(E) 50% of any dividends received by the Company or any Restricted Subsidiary from any Unrestricted Subsidiary after Acquisition Escrow Release Date, to the extent the Company's or such Restricted Subsidiary's Investment in such Unrestricted Subsidiary was a Restricted Investment, and to the extent such dividends were not otherwise included in the Consolidated Net Income of the Company for such period.

The preceding provisions will not prohibit:

(1) the payment of any dividend (or other distribution) or the consummation of any irrevocable redemption within 90 days after the date of declaration of the dividend (or other distribution) or giving of the redemption notice, as the case may be, if at the date of declaration or notice the dividend (or other distribution) payment or redemption would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to any Restricted Subsidiary) of, the Company's Equity Interests (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized to make any such Restricted Payment will be excluded from clause (3)(B) of the preceding paragraph and shall not constitute Excluded Contributions;

(3) the purchase, defeasance, redemption, repurchase or other acquisition or retirement of Subordinated Indebtedness of the Company or any Restricted Subsidiary with (i) the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness or (ii) in exchange for, or out of the proceeds of a substantially concurrent Qualified Equity Offering;

(4) in the case of a Restricted Subsidiary, the payment of dividends (or in the case of any partnership or limited liability company, any similar distribution) to the holders of its Capital Stock on a pro rata basis;

(5) repurchases of Equity Interests deemed to occur upon the exercise of stock options, warrants or other convertible securities if such Equity Interests represent a portion of the exercise price thereof and repurchases of Equity Interests deemed to occur upon the withholding of a portion of the Equity Interests granted or awarded to an employee to pay for the taxes payable by such employee upon such grant or award, or the vesting thereof;

(6) cash payments, in lieu of issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Equity Interests of the Company or a Restricted Subsidiary;

(7) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness following a Change of Control or Asset Sale, as applicable, after the Company shall have complied with the provisions of the covenants described above under the captions "Repurchase at the Option of Holders—Change of Control" and "Asset Sales," including the payment of the applicable purchase price;

(8) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any preferred stock of any Restricted Subsidiary of the Company issued on or after the Acquisition Escrow Release Date in accordance with the Fixed Charge Coverage Ratio test described below under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;"

(9) payments made as disclosed under "Use of Proceeds;"

(10) the repurchase, redemption or other acquisition of the Equity Interests of the Company or any Restricted Subsidiary from Persons who are, or were formerly, employees, officers and directors of the Company and its Subsidiaries and their Affiliates, heirs and executors; *provided* that the aggregate amount of all such repurchases pursuant to this clause (10) shall not exceed $35 million in any twelve-month period;

(11) Restricted Payments that are made with Excluded Contributions received after the Acquisition Escrow Release Date;

(12) any Restricted Payments so long as the Leverage Ratio, at the time of each such Restricted Payment, after giving Pro Forma Effect to such Restricted Payment is no greater than 3.75 to 1.00; *provided, however*, that at the time of each such Restricted Payment, no Default shall have occurred and be continuing (or result therefrom);

(13) so long as no Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount since the Issue Date not to exceed the greater of (i) $350 million and (ii) 2.8% of Total Assets;

(14) from and after the Biomat Transactions Consummation Date, Biomat and Biomat Newco may make regularly scheduled dividend payments to the holders of the Biomat Class B Equity Interests issued on the Biomat Transaction Consummation Date in accordance with the terms of the Biomat Class B Equity Governing Documents; and

(15) from and after the Biomat Transactions Consummation Date, Biomat Newco and Biomat Holdco may redeem, retire or make a similar payment to purchase or otherwise acquire the Biomat Class B Equity Interests issued on the Biomat Transaction Consummation Date in accordance with the terms of the Biomat Class B Equity Governing Documents.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s), property or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or

securities that are required to be valued by this covenant will be determined by the Company's Board of Directors, whose resolutions with respect thereto will be delivered to the Trustee.

For purposes of determining compliance with this covenant, in the event that a proposed Restricted Payment (or a portion thereof) meets the criteria of more than one of the categories of Restricted Payments described in clauses (1) through (13) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company will be entitled to classify or re-classify (based on circumstances existing on the date of such reclassification) such Restricted Payment or a portion thereof in any manner that complies with this covenant and such Restricted Payment will be treated as having been made pursuant to only such clause or clauses or the first paragraph of this covenant.

Incurrence of Indebtedness and Issuance of Disqualified Stock

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of the Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and any of the Subsidiary Guarantors may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock if the Fixed Charge Coverage Ratio for the Company and the Restricted Subsidiaries on a consolidated basis for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued, as the case may be, would have been at least 2.00 to 1.00, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom including to refinance other Indebtedness), as if the additional Indebtedness had been incurred or the preferred stock or Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) Indebtedness incurred by the Company and the Restricted Subsidiaries pursuant to Credit Facilities (including the First Lien Credit Facilities) and any Qualified Securitization Financing in an amount outstanding at any time not to exceed the sum of (x) €4,500.0 million plus (y) €1,000.0 million.

(2) the incurrence by the Company and the Restricted Subsidiaries of (i) the Existing Indebtedness, (ii) the Secured Notes, and (iii) the Unsecured Notes;

(3) the incurrence by the Company and any Guarantor of Indebtedness represented by the Notes issued on the Issue Date and the Guarantees thereof;

(4) the incurrence by the Company or any Restricted Subsidiary of Indebtedness represented by Capital Lease Obligations, mortgage financings, purchase money obligations, industrial development or similar bonds, or tax-advantaged governmental or quasi-governmental financing, including without limitation the sale and leaseback arrangements described under clause (5) under the exclusions set forth under the definition of Asset Sale, in each case incurred for the purpose of financing all or any part of the purchase price or cost of design, development, construction, installation or improvement (including at any point subsequent to the purchase) of real or personal property, plant or equipment used in the business of the Company or such Restricted Subsidiary (whether through the direct acquisition or otherwise of such assets or the acquisition of Equity Interests of any Person owning such assets), in an aggregate principal amount, including all Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of (x) $500 million and (y) 4.0% of Total Assets, at any time outstanding;

(5) the incurrence by the Company or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge Indebtedness (other than intercompany Indebtedness) that was incurred under the first paragraph of this covenant or clauses (2), (3), (5) and (15) of this paragraph;

(6) the incurrence by the Company or any Restricted Subsidiary of intercompany Indebtedness owed to the Company or any Restricted Subsidiary; *provided*, *however*, that to the extent the aggregate amount of Indebtedness incurred in reliance on this clause (6) following the Acquisition Escrow Release Date exceeds $500 million:

(a) if the Company is the obligor on any such Indebtedness owed to any Restricted Subsidiary that is not a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes;

(b) if a Guarantor is the obligor on any such Indebtedness owed to any Restricted Subsidiary that is not the Company or a Guarantor, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to such Guarantor's Guarantee; and

(c) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness (other than the creation of a Permitted Lien upon such intercompany Indebtedness) to a Person that is not either the Company or a Restricted Subsidiary shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence by the Company or any Restricted Subsidiary of Hedging Obligations or entry into derivative transactions, in each case, so long as such obligations and transactions are not entered into for speculative purposes;

(8) the incurrence of Guarantees by the Company or any Guarantors of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be incurred by another provision of this covenant;

(9) the incurrence of Guarantees by any Restricted Subsidiary that is not a Guarantor of Indebtedness of a Restricted Subsidiary that is not a Guarantor that was permitted to be incurred by another provision of this covenant;

(10) the incurrence by the Company and the Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-retention or self-insurance obligations, unemployment insurance, performance, bid, release, appeal, surety and similar bonds and related reimbursement obligations and completion guarantees and letters of credit supporting the foregoing, in each case, provided or incurred by the Company and the Restricted Subsidiaries in the ordinary course of business, guarantees and letters of credit supporting the foregoing, in each case, for the account of suppliers in the ordinary course of business, and obligations in connection with participation in government reimbursement or other programs or other similar requirements;

(11) the incurrence by the Company and the Restricted Subsidiaries of Indebtedness arising from the Company's and the Restricted Subsidiaries' agreements providing for indemnification, contribution, earnout, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the sale of goods or acquisition or disposition of any business, assets or Capital Stock of a Restricted Subsidiary; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and the Restricted Subsidiaries in connection with such acquisition or disposition;

(12) the incurrence by the Company and the Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business, *provided*, *however*, that such Indebtedness is extinguished within five Business Days of incurrence;

(13) the incurrence by the Company or any Restricted Subsidiary of Indebtedness to the extent the net proceeds thereof are promptly deposited to defease the Notes as described below under the caption "Legal Defeasance and Covenant Defeasance;"

(14) the incurrence of Indebtedness consisting of (i) the financing of insurance premiums or (ii) take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business;

(15) the incurrence by the Company or any of its Restricted Subsidiaries of (i) Acquired Debt outstanding on the date on which such Person became a Restricted Subsidiary or was acquired by, or merged into, the Company or any Restricted Subsidiary or (ii) Indebtedness to finance all or a portion of any such transaction; provided that to the extent the aggregate amount of Indebtedness incurred in reliance on

this clause (15) following the Issue Date exceeds $400 million, then on a pro forma basis, either (a) the Company would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of this covenant or (b) the Fixed Charge Coverage Ratio would not be less than immediately prior to such transactions;

(16) Indebtedness of the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade Guarantees issued in the ordinary course of business to the extent that such letters of credit or trade Guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(17) Guarantees in the ordinary course of business of the obligations of suppliers, customers, franchisees and licensees of the Company or any Restricted Subsidiary;

(18) to the extent constituting Indebtedness, (i) deferred compensation to employees of the Company and the Restricted Subsidiaries in the ordinary course of business, (ii) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent that they are permitted to remain unfunded under applicable law, (iii) contingent liabilities arising out of endorsements of checks and other negotiable instruments for deposit or collection in the ordinary course of business and (iv) reserves established by the Company or any Restricted Subsidiary for litigation or tax contingencies;

(19) Indebtedness in an amount not to exceed $100 million issued in lieu of cash payments of Restricted Payments permitted by clause (5) of the covenant described under "—Restricted Payments;"

(20) unsecured Indebtedness of the Company or any of its Restricted Subsidiaries owed to the employees or non-employees (in either case who are individuals) of the Company or any of its Restricted Subsidiaries in the ordinary course of business in an aggregate amount since the Issue Date not to exceed €500.0 million;

(21) the incurrence by the Company or any Restricted Subsidiary of additional Indebtedness or the issuance by the Company of Disqualified Stock in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (21), not to exceed the greater of (i) $600 million and (ii) 5.0% of Total Assets; and

(22) from and after the Biomat Transactions Consummation Date, the Biomat Class B Equity Interests issued on the Biomat Transaction Consummation Date, to the extent they may be accounted for as Indebtedness or Disqualified Stock in accordance with IFRS (or GAAP to the extent required by applicable law).

For purposes of determining compliance with this covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (22) above as of the date of incurrence thereof or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company shall, in its sole discretion, (x) at the time the proposed Indebtedness is incurred, classify all or a portion of that item of Indebtedness on the date of its incurrence under either the first paragraph of this covenant or under such category of Permitted Debt, as the case may be, (y) reclassify at a later date all or a portion of that or any other item of Indebtedness as being or having been incurred in any manner that complies with this covenant (so long as the Indebtedness being reclassified could have been incurred under the first paragraph or under such category of Permitted Debt on the date of its incurrence) and (z) elect to comply with this covenant and the applicable definitions in any order, provided that all Indebtedness outstanding under the First Lien Credit Facilities on the Issue Date will be treated as incurred on the Issue Date under clause (1) of the preceding paragraph and may not be reclassified. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in the Company's Fixed Charges as accrued. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or the Restricted Subsidiaries may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The Company will not incur any Indebtedness that is contractually subordinate or junior in right of payment to any Indebtedness of the Company unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee on substantially identical terms; *provided*, *however*, that no Indebtedness of the Company will be deemed to be contractually subordinated in right of payment solely by virtue of being unsecured or secured by a junior Lien or by virtue of being structurally subordinated. No Guarantor will incur any Indebtedness that is subordinate or junior in right of payment to the Indebtedness of such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee on substantially identical terms; *provided*, *however*, that no Indebtedness of a Guarantor will be deemed to be contractually subordinated in right of payment solely by virtue of being unsecured or secured by a junior Lien.

The Company will not permit any Unrestricted Subsidiary to incur any Indebtedness other than Non-recourse Debt; *provided*, *however*, that if any such Indebtedness ceases to be Non-recourse Debt of an Unrestricted Subsidiary, such event shall be deemed to be an incurrence of Indebtedness by the obligors of such Indebtedness.

For purposes of determining compliance with any U.S. dollar- or Euro-denominated restriction on the incurrence of Indebtedness, the U.S. dollar- or Euro-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar- or Euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-or Euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing.

Liens

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness, Attributable Debt or trade payables on any property, asset, or any proceeds therefrom ("*Primary Lien*"), now owned or hereafter acquired, except Permitted Liens, unless:

(1) in the case of Liens securing Subordinated Indebtedness, the Notes and related Guarantees are secured by a Lien on such property (including Capital Stock of a Restricted Subsidiary) or assets that are senior in priority to such Liens; and

(2) in the case of Liens securing Indebtedness, the Notes and related Guarantees are equally and ratably secured by a Lien on such property (including Capital Stock of a Restricted Subsidiary) or assets.

Any Lien created for the benefit of the Holders of the Notes pursuant to the immediately preceding paragraph shall automatically and unconditionally be released and discharged upon the release and discharge of the Primary Lien, without any further action on the part of any Person.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "*Increased Amount*" of any Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(2) make any loans or advances to the Company or any other Restricted Subsidiary;

(3) transfer any of its properties or assets to the Company or any other Restricted Subsidiary; or

(4) guarantee the Company's or any Restricted Subsidiary's Indebtedness.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) any Credit Facility (including the First Lien Credit Facilities and the EIB Term Loans), the Secured Notes and any other agreements as in effect on the Issue Date or subsequent agreements relating to Indebtedness of the Company or any Restricted Subsidiary and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date unless in the good faith determination of the Board of Directors, such restrictions are not likely to result in the Company being unable to make scheduled payments of principal and interest on the Notes as they come due;

(2) the Indenture, the Notes and the Guarantees;

(3) applicable law, rules, regulations and orders;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any Restricted Subsidiary as in effect at the time of such acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(5) customary non assignment provisions in contracts, licenses and leases entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary or of all or substantially all of its assets that restricts distributions of assets by, or Equity Interests of, that Restricted Subsidiary pending its sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) Liens permitted to be incurred under the provisions of the "—Liens" covenant that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) restrictions on cash or other deposits or net worth imposed by customers (including governmental entities) under contracts entered into in the ordinary course of business;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale and leaseback transactions, stock sale agreements and other similar agreements entered into in the ordinary course of business or with the approval of the Company's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(12) any encumbrance or restriction on our ability or the ability of any Restricted Subsidiary to transfer its interest in any Investment not prohibited under "—Restricted Payments;"

(13) customary restrictions imposed on the transfer of, or in licenses related to, copyrights, patents or other intellectual property and contained in agreements entered into in the ordinary course of business;

(14) any other agreement governing Indebtedness or Disqualified Stock entered into after the Acquisition Escrow Release Date that contains encumbrances and restrictions that are not more restrictive than would be permitted by clause (1) of this paragraph;

(15) restrictions created in connection with any Qualified Securitization Financing that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable to effect such Qualified Securitization Financing;

(16) agreements pursuant to any tax sharing arrangement between the Company and any one or more of its direct or indirect Subsidiaries; and

(17) from and after the Biomat Transactions Consummation Date, agreements entered into in respect of and in connection with the Biomat Class B Equity Interests pursuant to the Biomat Transactions.

Merger, Consolidation or Sale of Assets

The Company may not, directly or indirectly:

(1) consolidate or merge with or into another Person (whether or not the Company is the surviving entity); or

(2) sell, assign, transfer, lease, convey (not including any conveyance, if any, resulting solely from the creation of any Lien, unless remedies are exercised in connection therewith) or otherwise dispose of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person or Persons; unless:

(a) either: (x) the Company is the surviving entity; or (y) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is a corporation, limited partnership or limited liability company organized or existing under the laws of any member state of the European Union as in effect on December 31, 2003, the United Kingdom, Switzerland, Canada, any state of the United States or the District of Columbia;

(b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all obligations of the Company under the Notes and the Indenture, pursuant to an agreement in a form reasonably satisfactory to the Trustee;

(c) immediately after such transaction no Default or Event of Default exists; and

(d) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, (i) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the "—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" covenant or (ii) the Company's Fixed Charge Coverage Ratio would not be less than the Company's Fixed Charge Coverage Ratio immediately prior to such transaction or series of transactions.

In addition, the Company and its Restricted Subsidiaries may not, directly or indirectly, lease all or substantially all of the Company's and its Restricted Subsidiaries' properties and assets, in one or more related transactions, to any other Person.

The Person formed by or surviving any consolidation or merger (if other than the Company) will succeed to, and be substituted for, and may exercise every right and power of the Company under the Indenture; *provided* that the Company shall not be released in the case of a lease of all or substantially all of its assets.

Clauses (c) and (d) of the first paragraph of this "Merger, Consolidation or Sale of Assets" covenant will not apply to:

(1) a merger of the Company with an Affiliate solely for the purpose of reincorporating the Company in another jurisdiction; or

(2) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Company and its Restricted Subsidiaries.

Notwithstanding the foregoing, the assumption, merger, amalgamation or other combination of the Escrow Issuer with Grifols pursuant to the Escrow Issuer Merger will be permitted under the Indenture with the only requirement under this covenant being that, Grifols expressly assumes all the obligations of Escrow Issuer under the Indenture and the Notes pursuant to a supplemental indenture concurrently with such merger amalgamation or other combination.

Designation of Restricted and Unrestricted Subsidiaries

The Company's Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Company and the Restricted Subsidiaries in the Subsidiary properly designated will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the first paragraph of the "—Restricted Payments" covenant or Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Company's Board of Directors may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if the redesignation would not cause a Default.

Transactions with Affiliates

The Company will not, and will not permit any of the Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of the Company's or the Restricted Subsidiaries' respective properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate involving aggregate payments of consideration in excess of $50 million (each, an "*Affiliate Transaction*"), unless:

(1) the Affiliate Transaction is on terms that taken as a whole are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) the Company delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $125 million, a resolution of the Board of Directors of the Company set forth in an officer's certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the Company's Board of Directors (and, if any, a majority of the disinterested members of the Company's Board of Directors with respect to such transaction).

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(3) any customary consulting or employment agreement or arrangement, benefit arrangement or plan, incentive compensation plan, stock option or stock ownership plan, employee benefit plan, severance or termination arrangements, expense reimbursement arrangements, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of the Restricted Subsidiaries for the benefit of their directors, officers, employees and consultants and payments and transactions pursuant thereto, in each case, in the ordinary course of business;

(4) transactions between or among the Company and/or the Restricted Subsidiaries;

(5) payment of reasonable directors compensation and indemnification costs permitted by the Company's and the Restricted Subsidiaries' organizational documents for the benefit of directors, officers and employees, in each case, in the ordinary course of business;

(6) Permitted Investments or Restricted Payments that are permitted by the "—Restricted Payments" covenant;

(7) any agreement (including any certificate of designations relating to Capital Stock) as in effect as of the Issue Date or any amendment thereto or any transaction contemplated thereby (including pursuant to any amendment thereto) in any replacement agreement thereto so long as any such amendment or replacement agreement is not more disadvantageous to the Holders in any material respect than the original agreement as in effect on the Issue Date;

(8) the granting or performance of customary registration rights in respect of restricted Equity Interests held or acquired by Affiliates;

(9) loans and advances to employees in the ordinary course of business not to exceed $50 million in the aggregate amount at any one time outstanding;

(10) the consummation of the Transactions and the payment of all fees, expenses and other amounts, and the performance of all obligations of the Company and the Restricted Subsidiaries, in connection therewith;

(11) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case, in the ordinary course of business and consistent with past practice and on terms that are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, determined in good faith by the Company, that those that could be obtained in a comparable arm's length transaction with a Person that is not an Affiliate of the Company;

(12) the issuance or repurchase of Equity Interests (other than Disqualified Stock) of the Company to any Affiliate of the Company;

(13) licenses of, or other grants of rights to use, intellectual property granted by the Company or any Restricted Subsidiary in the ordinary course of business; and

(14) any transactions disclosed under "Certain Relationships and Related Party Transactions."

Additional Guarantees

If the Company or any Restricted Subsidiary acquires or creates another Restricted Subsidiary (other than any Immaterial Subsidiary) after the Acquisition Escrow Release Date that guarantees any Obligations under any Credit Facility, then that newly acquired or created Restricted Subsidiary will execute and deliver to the Trustee a supplemental indenture providing for a Guarantee and deliver an opinion of counsel satisfactory to the Trustee as to the due authorization, execution and delivery and the enforceability of such Guarantee within 45 Business Days of the date on which it was acquired or created.

Each additional Guarantee will be limited as necessary to recognize certain defenses generally available to Guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

In the event the Biomat Transactions Consummation Date does not occur by March 15, 2022, the Company will cause each of Biomat Holdco and Biomat Newco to, no later than April 15, 2022, become Guarantors under the Indenture.

The Company will cause Holdings to be converted from a stock corporation (*Aktiengesellschaft*) to a company with limited liability (*Gesellschaft mit beschränkter Haftung*) and become a Guarantor of the Notes as soon as practicable after the Acquisition Escrow Release Date and no later than 180 days following such date (the "*Transformation*").

Maintenance of Listing

The Company will use its commercially reasonable efforts to maintain the listing of each of the Euro Notes and the Dollar Notes on the official list of the Irish Stock Exchange and trading on its Global Exchange Market for so long as such Notes are outstanding; *provided* that if at any time the Company determines that it will not maintain such listing, it

will obtain prior to the delisting of the Euro Notes or the Dollar Notes, as applicable, from the official list of the Irish Stock Exchange, and thereafter use its commercially reasonable efforts to maintain, a listing of such Euro Notes or Dollar Notes on another recognized stock exchange or exchange regulated market in western Europe. The Company will notify the Trustee in writing of any delisting or change in listing.

Corporate Existence

The Company will cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence, and the corporate, partnership or other existence of each of the Restricted Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Restricted Subsidiary and (ii) the rights (charter and statutory), licenses and franchises of the Company and the Restricted Subsidiaries; provided, however, that the Company will not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of the Restricted Subsidiaries, if the Board of Directors of the Company determines that the preservation thereof is no longer desirable in the conduct of the business of the Company and the Restricted Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

From and after the Biomat Transactions Consummation Date, notwithstanding anything herein to the contrary, this covenant will not apply to any amendment, restatement, supplement, waiver or other modification of the Class B Equity Governing Documents solely in connection with the Biomat Transactions; provided, that Company and its Subsidiaries will not agree to any material amendment, restatement, supplement or other modification to or waiver of any of Class B Equity Governing Documents which would be materially adverse to the Holders of the Notes.

Escrow Issuer Merger

The Escrow Issuer and Grifols will, no later than the 15 month anniversary of the Acquisition Escrow Release Date, consummate the Escrow Issuer Merger, pursuant to which the Escrow Issuer will merge with and into Grifols and following which Grifols will be the surviving entity and the Escrow Issuer will cease to exist and Grifols will assume pursuant to a supplemental indenture all obligations of the Escrow Issuer under the Notes and the Indenture.

Reports

Whether or not required by rules and regulations of the SEC, so long as any Notes are outstanding, the Issuer will furnish to the Holders of Notes:

within the time periods specified in the SEC's rules and regulations, all annual financial information that would be required to be contained in a filing with the SEC on Form 20-F if Grifols were required to file such Form pursuant to Section 13(a) or 15(d) of the Exchange Act or any successor provision thereto, including an "Operating and Financial Review and Prospects" and a report on Grifols' consolidated annual financial statements by Grifols' certified independent accountants; and

within 45 days of the first three fiscal quarters of each fiscal year of the Grifols, quarterly financial information prepared on a substantially consistent basis as the audited financial information referred to in clause (1) above, together with a narrative report describing the operations of Grifols and its Subsidiaries in the form prepared for presentation to senior management thereof for such fiscal quarter.

The Issuer will be deemed to have furnished such reports to the Trustee and the Holders if Grifols has filed such information or reports with the SEC via the EDGAR filing system and such information or reports are publicly available.

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of the covenants contained in the Indenture (as to which the Trustee will be entitled to conclusively rely upon an officer's certificate).

For so long as any Notes remain outstanding, if at any time Grifols is not required to file with the SEC the information and reports required by clauses (1) and (2) above, the Issuer will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Notwithstanding anything herein to the contrary, the Issuer will not be deemed to have failed to comply with any of its agreements hereunder for purposes of clause (4) under "—Events of Default and Remedies" until 120 days after the date any information or report hereunder is required to be furnished to Holders of Notes or filed with the SEC pursuant to this covenant.

Events of Default and Remedies

Each of the following is an "*Event of Default*" with respect to Notes of a series under the Indenture:

(1) default for 30 days in the payment when due of interest on the Notes of such series;

(2) default in payment when due of the principal of or premium, if any, on the Notes of such series;

(3) failure by the Company or any Restricted Subsidiary to comply with the "—Merger, Consolidation or Sale of Assets" covenant or with the provision described under the heading "Repurchase at the Option of Holders—Change of Control;"

(4) failure by the Company or any Restricted Subsidiary for 60 days after notice to comply with any other covenant or agreement in the Indenture or the Notes of a series after written notice thereof is given to the Company by the Trustee or to the Company and the Restricted Subsidiaries and to the Trustee by Holders of at least 25% in aggregate principal amount of the then outstanding Notes of such series voting as a single class;

(5) default under any agreement, bond, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Restricted Subsidiary (or the payment of which is guaranteed by the Company or any Restricted Subsidiary) whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

(a) is caused by a failure to pay any scheduled installment of principal on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $350 million or more; *provided*, *however*, where (i) neither the Company nor any Restricted Subsidiary has general liability with respect to such Indebtedness, and (ii) the creditor has agreed in writing that such creditor's recourse is solely to specified assets or Unrestricted Subsidiaries, the amount of such Indebtedness shall be deemed to be the lesser of (x) the principal amount of such Indebtedness, and (y) the fair market value of such specified assets to which the creditor has recourse;

(6) failure by the Company or any Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary to pay final and non-appealable judgments entered by a court or courts of competent jurisdiction aggregating in excess of $350 million (net of any amounts covered by insurance), which judgments are not paid, discharged or stayed for a period of 60 days;

(7) except as permitted by the Indenture, any Guarantee of a Significant Subsidiary, or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor that is a Significant Subsidiary, or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or any Person acting on behalf of any Guarantor that is a Significant Subsidiary, or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, shall deny or disaffirm in writing its obligations under its Guarantee;

(8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary;

(9) the failure by the Company to consummate the Special Mandatory Redemption, to the extent required, as described under "—Escrow of Proceeds; Special Mandatory Redemption;" *provided* that, to the extent that such failure is due to any action or inaction by the Escrow Agent (other than as a direct or indirect result of any action or inaction by the Issuer or an affiliate), such failure shall not constitute an Event of Default;

(10) failure by the Escrow Issuer to comply with the covenant described under "—Activities Prior to the Escrow Issuer Merger" or a failure by the Escrow Issuer and Grifols to consummate the Escrow Issuer Merger on or prior to the 15 month anniversary of the Acquisition Escrow Release Date; and

(11) failure by the Company to complete the Transformation.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes of a series may declare all the Notes of such series to be due and payable immediately.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Notes of a series may direct the Trustee in its exercise of any trust or power with respect to such series. The Trustee may withhold from Holders of the Notes of a series notice of any continuing Default or Event of Default with respect to such series if it determines that withholding notices is in their interest, except a Default or Event of Default relating to the payment of principal or interest.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Holders of Notes of a series unless such Holders have offered to the Trustee, indemnity or security, satisfactory to it, against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder of a Note of any series may pursue any remedy with respect to the Indenture or the Notes of such series unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes of such series have requested the Trustee to pursue the remedy;

(3) such Holders have offered, and, if requested, have provided, the Trustee security or indemnity reasonably satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) Holders of a majority in aggregate principal amount of the then outstanding Notes of such series have not given the Trustee a direction inconsistent with such request within such 60-day period.

The Holders of a majority in aggregate principal amount of the Notes of a series then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes of such series rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture with respect to such series except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes of such series.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Within 5 Business Days of an executive officer becoming actually aware of any Default or Event of Default, the Company is required to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, partner, manager, agent, member, incorporator (or Person forming any limited liability company) or stockholder of the Company or of any Guarantor, as such, will have any liability for any obligations of the Company or of the Guarantors under the Notes, the Indenture, the Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note and guarantee waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes and guarantees. The waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Legal Defeasance and Covenant Defeasance

From and after the Escrow Issuer Merger, the Company may, at its option and at any time, elect to have all of the Company's obligations discharged with respect to the outstanding Notes of any series and all obligations of the Guarantors with respect to such series discharged with respect to their Guarantees ("*Legal Defeasance*") except for:

(1) the rights of Holders of outstanding Notes of such series to receive payments in respect of the principal of, or interest or premium on, such Notes of such series when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the Notes of such series concerning issuing temporary Notes, mutilated, destroyed, lost or stolen Notes of such series and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and the Guarantors' obligations with respect to such series in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, from and after the Escrow Issuer Merger, the Company may, at its option and at any time, elect to have the Company's obligations and the obligations of the Guarantors released with respect to certain covenants (including the obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to such series of Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under the heading "— Events of Default and Remedies" will no longer constitute an Event of Default with respect to such series of the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, (x) in the case of Legal Defeasance or Covenant Defeasance with respect to the Euro Notes, cash in euros, Government Securities or a combination thereof for the benefit of the Holders of the Euro Notes and (y) in the case of Legal Defeasance or Covenant Defeasance with respect to the Dollar Notes, cash in U.S. dollars, Government Securities or a combination thereof for the benefit of the Holders of the Dollar Notes, in each case, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants as selected by the Company, to pay the principal of, or interest and premium on the outstanding Notes of such series on the Stated Maturity or on the applicable Redemption Date, as the case may be, and the Company must specify whether the Notes of such series are being defeased to maturity or to a particular Redemption Date;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of U.S. counsel reasonably acceptable to the Trustee (which opinion of counsel may be subject to customary assumptions and exclusions) confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of U.S. counsel will confirm that, the Holders of the outstanding Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an opinion of U.S. counsel reasonably acceptable to the Trustee (which opinion of counsel may be subject to customary assumptions and exclusions) confirming that the Holders of the outstanding Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (excluding the Indenture and any other material agreement or instrument that is being terminated concurrently) to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(6) the Company must deliver to the Trustee an officer's certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of Notes of such series over the Company's or any Restricted Subsidiary's other creditors with the intent of defeating, hindering, delaying or defrauding the Company's or any Restricted Subsidiary's creditors or others; and

(7) the Company must deliver to the Trustee an officer's certificate and a customary opinion of U.S. counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next three succeeding paragraphs, the Indenture or the Notes or the Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes or the Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that (x) if any such amendment, supplement or waiver will only affect one series of Notes (or less than all series of Notes) then outstanding under the Indenture, then only the consent of the Holders of a majority in principal amount of the Notes of such series then outstanding (including, in each case, consents obtained in connection with a tender offer or exchange offer for Notes) shall be required and (y) if any such amendment or waiver by its terms will affect a series of Notes in a manner different and materially adverse relative to the manner such amendment or waiver affects other series of Notes, then the consent of the Holders of a majority in principal amount of the Notes of such series then outstanding (including, in each case, consents obtained in connection with a purchase of or tender offer or exchange offer for Notes) shall be required.

Without the consent of each Holder of Notes of the applicable series of Notes adversely affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes of such series whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note of such series or alter the provisions with respect to the redemption of the Notes (other than the minimum notice provisions required with respect to redemption of the Notes);

(3) reduce the rate of or change the time for payment of interest on the Notes of such series (other than the minimum notice provisions required with respect to redemption of such series);

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium on the Notes of such series (except a rescission of acceleration of the Notes of such series by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes of such series and a waiver of the Payment Default that resulted from such acceleration);

(5) make any Note of such series payable in currency other than that stated in the Notes;

(6) impair the right of any Holder of such series to institute suit for the enforcement of any payment of principal of and interest on such Holder's Notes of such series on or after the due dates therefor;

(7) waive a redemption payment with respect to any Note of such series (other than a payment required by one of the covenants);

(8) make any change in the preceding amendment and waiver provisions;

(9) release all or substantially all of the Guarantors from their Guarantees, in each case, except in accordance with the Indenture; or

(10) make any change or amendment to the Escrow Agreement that would materially adversely affect the Holders.

Notwithstanding the preceding, without the consent of any Holder of Notes, the Company, the Guarantors and/or the Trustee, as applicable, may amend or supplement the Indenture, the Notes of any series, the Guarantees or the Escrow Agreement:

(1) to cure any ambiguity, mistake, defect or inconsistency;

(2) to provide for uncertificated Notes of such series in addition to or in place of certificated Notes;

(3) to provide for the assumption by a successor corporation of the Escrow Issuer's, the Company's or a Subsidiary Guarantor's obligations under the Notes, the Indenture and/or a Guarantee in the case of a merger or consolidation or sale of all or substantially all of the Escrow Issuer's, Company's or such Guarantor's assets;

(4) to make any change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights under the Indenture of any such Holder;

(5) [reserved];

(6) add covenants for the benefit of the Holders or to surrender any right or power conferred upon the Company or any Guarantor;

(7) to add a Guarantor under the Indenture;

(8) to conform the text of the Indenture, the Guarantees or the Notes to any provision of this "Description of Notes" to the extent that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, Guarantee or the Notes;

(9) to provide for the issuance of additional Notes of a series in accordance with the limitations as set forth in the Indenture;

(10) to provide for a successor Trustee in accordance with the terms of the Indenture, or to otherwise comply with any requirement of the Indenture; or

(11) to comply with the rules of any applicable securities depositary.

Where the consent of the Holders of the Notes of a series is required to approve an amendment, supplement, waiver or consent under the Indenture, it is not necessary for the consent of the Holders of Notes of such series to approve the particular form of any proposed amendment, supplement, waiver and consent, but it is sufficient if such consent approves the substance thereof. For the avoidance of doubt, no amendment to, or deletion of, any of the covenants described above under "Certain Covenants" shall be deemed to impair or affect any rights of Holders to receive payment of principal of, or premium, if any, or interest, if any, in respect of the Notes.

For the avoidance of doubt, the determination of whether any amendment, supplement or waiver has been consented to by holders of a series of Notes shall, where applicable, include any additional Notes of such series that have been issued under the Indenture at any time prior to, concurrently or contemporaneously with the time that such amendment, supplement or waiver becomes operative. The Trustee shall not be obligated to enter into any such amended or supplemented Indenture that affects its own rights, duties or immunities under such Indenture or otherwise.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes of a series issued thereunder, when:

(1) either:

(a) all Notes of such series that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes of such series for whose payment money has been deposited in trust, have been delivered to the Trustee for cancellation; or

(b) all Notes of such series that have not been delivered to the Trustee for cancellation have become due and payable by reason of the delivery of a notice of redemption or otherwise or will become due and payable within one year, and the Company has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely (x) in the case of a satisfaction and discharge of the Euro Notes, cash in euros, Government Securities or a combination thereof for the benefit of the Holders of Euro Notes, and (y) in the case of a satisfaction and discharge of the Dollar Notes, cash in U.S. dollars, Government Securities or a combination thereof for the benefit of the Holders of Dollar Notes, in each case, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes of such series not delivered to the Trustee for cancellation for principal, premium and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) the Company or any Guarantor has paid or caused to be paid all other sums payable by the Company under the Indenture with respect to such series of Notes; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money and/or non-callable Government Securities toward the payment of the Notes of such series at maturity or the Redemption Date, as the case may be.

In addition, the Company must deliver an officer's certificate and an opinion of counsel (which opinion of counsel may be subject to customary assumptions and exclusions) to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

The Indenture will provide that, except during the continuance of an Event of Default, the Trustee thereunder will perform only such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will exercise such rights and powers vested in it under the Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

If the Trustee becomes a creditor of the Escrow Issuer, the Company or of any Subsidiary Guarantor, the Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest, it must (i) eliminate such conflict within 90 days or (ii) resign.

The Holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee,

subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Judgment Currency

In respect of the Euro Notes and the Dollar Notes, any Guarantee thereof and the Indenture, the sole currency of account and payment for all sums payable by the Escrow Issuer, the Company or any Subsidiary Guarantor is Euro and U.S. Dollars, respectively. Any payment on account of an amount that is payable in Euro in respect of the Euro Notes or in U.S. Dollars in respect of the Dollar Notes, which is made to or for the account of any Holder or the Trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Escrow Issuer, the Company or any Subsidiary Guarantor, shall constitute a discharge of the Escrow Issuer, the Company or the Subsidiary Guarantor's obligation under the Indenture and the Notes or Guarantee and/or any supplemental indenture, as the case may be, only to the extent of the amount of Euro or U.S. Dollars, as the case may be, which can be purchased in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of Euro or U.S. Dollars, as the case may be, that could be so purchased is less than the amount of such currency originally due to such Holder or the Trustee, as the case may be, the Escrow Issuer, the Company and the Subsidiary Guarantors shall indemnify and hold harmless the Holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. The indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Listing

Application has been made to list each of the Euro Notes and the Dollar Notes on the official list of the Euronext Dublin and to admit the Euro Notes to trading on the Global Exchange Market of the Euronext Dublin.

Governing Law

The Indenture, the Notes and the Escrow Agreement will be governed by the laws of the State of New York, without regard to the principles of conflicts of law that would result in the application of the laws of another jurisdiction.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Escrow Issuer, the Company and each Subsidiary Guarantor will appoint Grifols Shared Services North America, Inc., with the address 2410 Lillyvale Ave., Los Angeles, CA 90032-3514 as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in federal or state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Since a substantial portion of the assets of the Escrow Issuer, the Company and the Subsidiary Guarantors are outside of the United States, any judgment obtained in the United States against the Escrow Issuer, the Company or any Subsidiary Guarantor may not be collectable within the United States.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Debt*" means, with respect to any specified Person:

Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Acquisition*" means the acquisition pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the Sale and Purchase Agreement dated as of September 17, 2021, by and among Tiancheng International Investment Limited and Grifols.

"*Acquisition Escrow Release Date*" has the meaning set forth under "—Escrow of Proceeds; Special Mandatory Redemption."

"*Additional Amounts*" has the meaning set forth under "—Additional Amounts on the Notes."

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Applicable Premium*" means, as determined by the Company, with respect to any Note on any Redemption Date, the greater of:

(1) 1.0% of the principal amount of such Note; and

(2) the excess, if any, of (a) the present value at such Redemption Date of (i) the redemption price of such Euro Note or Dollar Note, as applicable, at October 15, 2024 (such redemption price being set forth in the table appearing above under the fourth paragraph under the caption "Optional Redemption"), plus (ii) all required interest payments due on such Note through October 15, 2024 (excluding accrued but unpaid interest to the Redemption Date), computed using a discount rate at, in the case of the Dollar Notes, the Treasury Rate, or, in the case of the Euro Notes, the Bund Rate (or, if greater than such Treasury Rate or Bund Rate, zero), in each case as of such Redemption Date plus fifty (50) basis points, over (b) the principal amount of such Note.

"*Asset Sale*" means the sale, lease (as lessor), conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and the Restricted Subsidiaries taken as a whole or the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under "Repurchase at the Option of Holders—Change of Control" and/or the provisions described above under "Certain Covenants—Merger, Consolidation or Sale of Assets" and not by the provisions of "Repurchase at the Option of Holders—Asset Sales."

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) any single transaction or series of related transactions that involves assets or rights having a fair market value of less than $70 million;

(2) a transfer of assets or rights between or among the Company and the Restricted Subsidiaries or between or among the Restricted Subsidiaries;

(3) the sale, lease, conveyance or other disposition of equipment, inventory (including, but not limited to, raw materials, work-in-progress and finished goods) or other assets or rights in the ordinary course of business, or if excess, obsolete, damaged, worn-out, scrap or surplus or no longer used or useful in the conduct of business as then being conducted;

(4) a Restricted Payment that is permitted by "Certain Covenants—Restricted Payments" or a Permitted Investment;

(5) the sale, lease, conveyance or other disposition of property or assets acquired within the twelve month period prior to such sale, lease, conveyance or disposition in preparation for a sale and leaseback transaction relating to such property or assets;

(6) an issuance of Equity Interests by a Restricted Subsidiary to the Company or another Restricted Subsidiary;

(7) the sale or other disposition of cash or Cash Equivalents;

(8) the license or sub-license of, patents, trademarks, copyrights, know how, process technology or other intellectual property to third Persons by the Company or a Restricted Subsidiary, so long as the Company or such Restricted Subsidiary retain the right to use such licensed property;

(9) the granting or assumption of a Lien permitted by "Certain Covenants—Liens," including a Permitted Lien;

(10) any sale or disposition of Securitization Assets to a Securitization Subsidiary in connection with a Qualified Securitization Financing;

(11) the sale or disposition of accounts receivable in connection with the collection or compromise thereof in the ordinary course of business;

(12) Project Dispositions;

(13) the sale or disposition of real property and related assets in the ordinary course of business in connection with relocation activities for directors, officers, members of management, employees or consultants of the Company or any Restricted Subsidiary;

(14) the unwinding of Hedging Obligations;

(15) the disposition of Investments in joint ventures to the extent required by, or made pursuant to, buy/ sell arrangements between joint venture parties set forth in joint venture agreements or similar binding agreements; *provided* that such disposition is at fair market value (as determined in good faith by the Company's Board of Directors) and any cash or Cash Equivalents received in such disposition is applied in accordance with the covenant described under "Repurchase at the Option of Holders—Asset Sales;"

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any sale or disposition of Equity Interest in any joint ventures with respect to research and development companies in an aggregate amount for all such transactions not to exceed $150 million; and

(18) on or after the Biomat Transactions Consummation Date, any sale or other disposition of the Biomat Class B Equity Interests, the net cash proceeds of such transactions (determined as if such transaction were an Asset Sale) shall be used to (w) first repay outstanding revolving loans under the First Lien Credit Facilities up to an amount not to exceed $600,000,000, (x) second, the remainder of the net cash proceeds, on a pro rata basis, (i) repay outstanding term loans under the First Lien Credit Facilities and (ii) repurchase, retire or redeem Secured Notes through open market purchases at a purchase price greater than or equal to 100% of the principal amount thereof or by making an offer in accordance with the procedures for an Asset Sale Offer (as defined in the Secured Indenture) set forth in the Secured Indenture, (y) third, to the extent any net cash proceeds are remaining, to make an offer to prepay outstanding term loans under the First Lien Credit Facilities, (z) fourth, to the extent any net cash proceeds are remaining, and otherwise in compliance with the Debt Prepayment Provisions of Section 4.12(c) of the Secured Indenture.

"*Asset Sale Offer*" has the meaning assigned to that term under "– Repurchase at the Option of Holders – Asset Sales."

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS.

"*Biomat*" means Biomat USA, Inc., a Delaware corporation.

"*Biomat Class B Equity Governing Documents*" means the Certificate of Incorporation of Biomat, the bylaws of Biomat, the Certificate of Incorporation of Biomat Newco, the bylaws of Biomat Newco and each share certificate representing the shares of the Biomat Class B Equity Interests.

"*Biomat Class B Equity Interests*" means the Class B Common Stock issued by each of Biomat and Biomat Newco on the Biomat Transactions Consummation Date.

"*Biomat Holdco*" means Biomat Holdco Corp., a Delaware corporation, which will, after giving effect to the Biomat Intercompany Reorganization, own 100% of the Equity Interests in Biomat Newco.

"*Biomat Internal Reorganization*" means the taking of the following corporate actions by Grifols and its Subsidiaries prior to the issuance of the Biomat Class B Equity Interests, (i) the assumption by Biomat of certain intercompany debt in the aggregate principal amount of up to $521,000,000 owed by GSSNA to GWWO, (ii) the transfer of 100% of the Class B shares in Biomat from GSSNA to Biomat Newco, (iii) the transfer of 100% of the Equity Interests of Biomat Newco from GSSNA to Biomat Holdco, and (iv) the assumption by Biomat Newco of certain intercompany debt in the aggregate principal amount of up to $469,000,000 owed by GSSNA to GWWO, provided that such intercompany indebtedness assumed pursuant to items (i) and (iv) above shall be repaid by each of Biomat and Biomat Newco with the proceeds of the issuance of the Biomat Class B Equity Interests.

"*Biomat Newco*" means Biomat Newco Corp., a Delaware corporation which, after giving effect to the Biomat Internal Reorganization, owns 100% of the Class B shares in Biomat, which were held by GSSNA immediately prior to the Biomat Internal Reorganization.

"*Biomat Transactions*" means (i) the consummation of the Biomat Internal Reorganization, which may occur on or at any time prior to the Biomat Transactions Consummation Date, (ii) the transfer of 100% of the outstanding Series A (Common) Stock of Biomat from Instituto Grifols to Biomat Newco, (iii) the issuance of the Biomat Class B Equity Interests, (iv) the release of the Guaranty of each of Biomat and Talecris of all Indebtedness guaranteed, and (v) the performance by Grifols and its Restricted Subsidiaries of their obligations in connection with the above transactions.

"*Biomat Transactions Consummation Date*" means the date of satisfaction (or waiver) of the following:

(1) The trustees pursuant to the Secured Indenture and Unsecured Indenture shall have received a certificate signed by an Authorized Officer of Grifols, dated as of the Biomat Transactions Consummation Date, certifying that each of the conditions precedent specified in clauses (2), (3), (4) and (5) below have been satisfied and that the Biomat Internal Reorganization shall have occurred.

(2) No Default or Event of Default shall have occurred and be continuing on the Biomat Transactions Consummation Date.

(3) No default or event of default under the First Lien Credit Facilities, the EIB Term Loans, the Secured Notes, the Unsecured Notes or any other material indebtedness of Grifols or any of its subsidiaries shall have occurred and be continuing on the Biomat Transaction Consummation Date; and no default or event of default under the First Lien Credit Facilities, the EIB Term Loans, the Secured Notes, the Unsecured Notes or any other material indebtedness of the Company and its subsidiaries would reasonably be expected to result from the consummation of the Biomat Transactions.

(4) (i) The terms of the First Lien Credit Facilities, the EIB Term Loans and the Secured Notes and Unsecured Notes then in effect permit the consummation of the Biomat Transactions and the performance by Grifols and its Restricted Subsidiaries under the Biomat Transactions, (ii) Biomat and

Talecris have been released from their guaranty obligations thereunder, and (iii) any liens on (A) the equity of Biomat and Talecris and (B) the assets of Biomat and Talecris, that secure the obligations thereunder or any guaranty thereof, in each case, have been released.

(5) Each of the Class B Equity Governing Documents shall be reasonably acceptable to the administrative agent of the First Lien Credit Facilities and (ii) the Biomat Class B Equity Interests have been appropriately authorized and issued on terms reasonably satisfactory to the administrative agent of the First Lien Credit Facilities.

(6) The trustees pursuant to the Secured Indenture and Unsecured Indenture shall have received payment of all reasonable and documented out-of-pocket costs and expenses no later than three Business Days prior to the Biomat Transactions Consummation Date.

(7) The Biomat Transactions Consummation Date shall have occurred no later than March 15, 2022.

(8) The trustees pursuant to the Secured Indenture and Unsecured Indenture shall have received notice from Grifols of the concurrent prepayment of Grifols' revolving indebtedness and term loans pursuant to clause (18) under the definition of "Asset Sale" hereof and have received all required documentation to conduct an Asset Sale Offer to the Holders of the Secured Notes and Unsecured Notes.

"*Biotest AG*" means Biotest AG, a publicly held stock corporation incorporated in Germany and listed on the Frankfurt Stock Exchange.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board of directors;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Bund Rate*" means, as of any Redemption Date, the rate per annum equal to the equivalent yield to maturity as of such Redemption Date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(a) "*Comparable German Bund Issue*" means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such Redemption Date to October 15, 2024, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of Euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Euro Notes and of a maturity most nearly equal to October 15, 2024; *provided*, *however*, that, if the period from such Redemption Date to October 15, 2024 is less than one year, a fixed maturity of one year shall be used;

(b) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(c) "*Reference German Bund Dealer*" means any dealer of German *Bundesanleihe* securities appointed by the Company in good faith; and

(d) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Company of the bid and offered prices for the Euro Notes Comparable German Bund Issue (expressed in each case as a percentage of its principal amount)

quoted in writing to the Company by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day preceding the relevant date.

"*Business Day*" means any day other than a Saturday or Sunday, (i) which is not a day on which banking institutions in the City of New York or London are authorized or required by law, regulation or executive order to close and, (ii) in the event that any payment of the principal of, and premium, if any, and interest on, the Notes is to be made in Euro, on which the Trans-European Automated Real-Time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, is open.

"*Capital Lease Obligation*" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person in accordance with IFRS (or GAAP to the extent required by applicable law) and the amount of such obligations shall be the capitalized amount thereof required to be set forth on a balance sheet of such Person in accordance with IFRS (or GAAP to the extent required by applicable law).

"Capital Stock" means:

(1) in the case of a corporation, any and all shares, including common stock and preferred stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Capped Redemption*" shall have the meaning ascribed to it under "—Capped Redemption."

"Cash Equivalents" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union, the United Kingdom, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union, the United Kingdom or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the option of the Company or any of its Restricted Subsidiaries;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union, the United Kingdom or of the United States of America or any state thereof, Switzerland or Canada; provided that such bank or trust company has capital, surplus and undivided profits aggregating in excess of $400.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "A-1" or higher by Moody's or A+ or higher by S&P or the equivalent rating category of another internationally recognized Rating Agency;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"*Change of Control*" means the occurrence after the Acquisition Escrow Release Date of any of the following (excluding, for the avoidance of doubt, the Transactions):

(1) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the property and assets of the Company and the Restricted Subsidiaries, taken as a whole, to any Person or group of related Persons for purposes of Section 13(d) of the Exchange Act (a "Group"), together with any Affiliates thereof (whether or not otherwise in compliance with the provisions of the Indenture), other than to the Company or one or more Guarantors;

(2) the adoption of any plan or proposal for the liquidation or dissolution of the Company (whether or not otherwise in compliance with the provisions of the Indenture); or

(3) (a) any Person or Group (other than a Permitted Holder Group) shall be or become the owner, directly or indirectly, beneficially or of record, of shares representing more than 35% of the aggregate ordinary voting power represented by the Company's issued and outstanding Capital Stock or (b) the Permitted Holder Group becomes the owner, directly or indirectly, beneficially or of record, of shares representing more than 50% of the aggregate ordinary voting power represented by the Company's issued and outstanding Capital Stock.

"*Change of Control Offer*" has the meaning set forth under "—Change of Control."

"*Clearstream*" means Clearstream Banking, *société anonyme*, and any successor thereto.

"*Consolidated Cash Flow*" means (a) Consolidated Net Income of the Company and its Subsidiaries, *plus*, to the extent deducted in determining Consolidated Net Income of the Company and its Subsidiaries the sum, without duplication, of amounts for (i) all financial results including interest expense, amortization or write off of debt discount, other deferred financing costs, other fees and charges associated with Indebtedness, (ii) any losses on ordinary course hedging obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, (iii) any foreign currency translation, transaction or exchange losses (including currency remeasurements of Indebtedness and any losses resulting from ordinary course hedging obligations or other derivative instruments for currency exchange risk), (iv) any loss of any equity accounted investee in which the Company or any of its Subsidiaries has a joint or minority interest, (v) expenses for taxes based on income or gain, (vi) depreciation, (vii) amortization, write-offs, write-downs, and other non-cash charges, losses and expenses, (viii) impairment of intangibles, including, without limitation, goodwill, (ix) non-recurring items (as determined in accordance with IFRS) realized other than in the ordinary course of business, without duplication, resulting in a loss, (x) fees and expenses incurred in connection with the Transactions or, to the extent permitted hereunder, any Investment, Asset Sale, or incurrence of Indebtedness, in each case, whether or not consummated, including such fees and expenses related to any offering of any Permitted Refinancing Indebtedness, (xi) extraordinary, unusual, or non-recurring charges and expenses including transition, restructuring and "carveout" expenses, (xii) legal, accounting, consulting, and other costs and expenses relating to the Company's potential or actual issuance of Equity Interests, including without limitation an initial public offering of common stock and (xiii) the amount of cost savings, adjustments, operating expense reductions, operating improvements and synergies, in each case on a "run rate" basis and in connection with acquisitions, investments, restructurings, business optimization projects and other operational changes and initiatives ("*Run Rate Amounts*") that are identifiable and projected in good faith to result from actions that have been or are expected to be taken within twelve (12) months of such date of determination; *provided,* that (x) the Trustee shall have received a reasonably detailed statement or schedule of such Run Rate Amounts, (y) such amounts are reasonably identifiable, reasonably attributable to the actions specified and reasonably anticipated to result from such actions and (z) the benefits resulting therefrom are anticipated by the Company to be realized within twelve (12) months of the end of such date on which Consolidated Cash Flow is tested; *provided further,* that for any such period, the amount added back in calculating Consolidated Cash Flow pursuant to this clause (xiii) shall not, in the aggregate, exceed 10% of Consolidated Cash Flow for such period (determined prior to giving effect to such add-backs), *minus* (b) to the extent included in consolidated income from operations, (i) interest income, (ii) non-recurring gains (as determined in accordance with IFRS) realized other than in the ordinary course of business, (iii) income or gains on ordinary course hedging obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, (iv) foreign currency translation, transaction or exchange gains (including currency remeasurements of Indebtedness and any gains resulting from ordinary course hedging obligations or other derivative instruments for currency exchange risk), (v) any income of any equity-accounted investee in which the Company or any of its Subsidiaries has a joint or minority interest, except to the extent of the amount of dividends or other distributions actually paid to the Company or

any Subsidiary by such Person during such period, all calculated without duplication for the Company and its Subsidiaries on a consolidated basis.

For purposes of the maximum Leverage Ratio, the Secured Leverage Ratio and the Fixed Charge Coverage Ratio, Consolidated Cash Flow shall be calculated giving Pro Forma Effect to material acquisitions and disposals, such that Consolidated Cash Flow would be adjusted to (a) include net income before net interest expense, taxes, depreciation and amortization attributable to the acquired entity (or assets) prior to its becoming a Subsidiary of the Company during the relevant period, and (b) exclude net income before net interest expense, taxes, depreciation and amortization attributable to the disposed of entity (or assets) prior to its being disposed of by the Group during the relevant period.

"*Consolidated Net Income*" means, for any period (subject to the proviso to the definition of Limited Condition Acquisition), the total net income (or loss) attributable to the Company and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with IFRS (before any adjustment for profit and loss attributable to minority interests and capitalized interest) *minus* any after tax non-cash gains (or losses) attributable to Asset Sales or returned surplus assets of any Pension Plan.

"*Consolidated Net Total Debt*" means, as of any date of determination, the aggregate stated balance sheet amount of all funded Indebtedness (including Guarantees) of the Escrow Issuer, the Company and the Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS (exclusive of (i) any Contingent Liability in respect of any letter of credit and (ii) obligations in respect of derivative transactions that have not been terminated) *minus* the amount of unrestricted cash and Cash Equivalents of the Company and the Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS.

"*Consolidated Senior Secured Debt*" means, as of any date of determination, Consolidated Net Total Debt minus unsecured Indebtedness of the Escrow Issuer, the Company and the Restricted Subsidiaries on a consolidated basis.

"*Contingent Liability*" means any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable upon the Indebtedness of any other Person (other than by endorsements of instruments in the course of collection). The amount of any Person's obligation under any Contingent Liability shall (subject to any limitation with respect thereto) be deemed to be the outstanding principal amount of the Indebtedness guaranteed thereby.

"*Credit Facilities*" means one or more debt facilities or agreements (including, without limitation, the First Lien Credit Facilities) or commercial paper facilities or Indentures, in each case with banks or other institutional lenders providing for, or acting as initial purchasers of, revolving credit loans, term loans, Notes, debentures, securities, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether after or upon termination or otherwise), restructured, restated or refinanced (including any agreement to extend the maturity thereof and adding additional borrowers or guarantors and including by means of sales of debt securities to institutional investors) in whole or in part from time to time and including increasing the amount of available borrowings thereunder; *provided* that such increase is permitted under "Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock."

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value of non-cash consideration received by the Company or any Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Non-Cash Consideration pursuant to an officer's certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale, redemption or payment of, on or with respect to, such Designated Non-Cash Consideration.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company or any of its Restricted Subsidiaries to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale

will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company or such Restricted Subsidiary may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with "Certain Covenants—Restricted Payments." The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the Indenture will be the maximum amount that the Company and the Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"*Dollar Escrowed Property*" shall have the meaning ascribed to it under "—Escrow of Proceeds; Special Mandatory Redemption."

"*DTC*" means The Depository Trust Company and any successor thereto.

"*EIB Term Loans*" means Indebtedness of the Company and its Restricted Subsidiaries owed to the European Investment Bank.

"*Eligible Escrow Investments*" means short term liquid investments permissible in accordance with the Escrow Agreement.

"*Equity Interests*" means Capital Stock and all warrants, options, restricted stock units, performance units or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended from time to time, the regulations promulgated thereunder and any successor thereto.

"*Escrow Issuer Merger*" shall have the meaning ascribed to it under "—General."

"*Escrow Outside Date"* shall have the meaning ascribed to it under "—General."

"*Escrow Release Conditions*" shall have the meaning ascribed to it under "—Escrow of Proceeds; Special Mandatory Redemption."

"*Escrowed Property*" shall have the meaning ascribed to it under "—Escrow of Proceeds; Special Mandatory Redemption."

"*Euro Escrowed Property*" shall have the meaning ascribed to it under "—Escrow of Proceeds; Special Mandatory Redemption."

"*Euroclear*" means Euroclear Bank, S.A./N.V and any successor thereto.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Excluded Contribution*" means net cash proceeds or property or assets received by the Company after the Acquisition Escrow Release Date from

(1) capital contributions to the equity of the Company (other than through the issuance of Disqualified Stock), and

(2) the sale (other than to a Subsidiary of the Company or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of the Company) of Capital Stock (other than Disqualified Stock) of the Company, in each case designated as Excluded Contributions pursuant to an officer's certificate of the Company delivered to the Trustee.

"*Existing Indebtedness*" means Indebtedness of the Company and its Restricted Subsidiaries (without duplication) in existence on the Issue Date (other than Indebtedness in respect of the Notes and the First Lien Credit Facilities, the Secured Notes and the Unsecured Notes), until such amounts are repaid.

"*First Lien Credit Facilities*" means that certain credit and guaranty agreement of the Company and certain of its Subsidiaries with Bank of America, N.A., as administrative agent, and the other parties thereto, dated November 15, 2019, including any related notes, Guarantees, instruments and agreements executed in connection therewith, and, in each case, as amended, modified, renewed, refunded, replaced (whether after or upon termination or otherwise), restructured, restated or refinanced (including any agreement to extend the maturity thereof and adding additional borrowers or guarantors and including by means of sales of debt securities) in whole or in part under such agreement or agreements or any successor agreement or agreements from time to time under the same or any other agent, lender or group of lenders and including increasing the amount of available borrowings thereunder.

"*Fitch*" means Fitch Ratings Inc. and any successor to its rating agency business.

"*Fixed Charge Coverage Ratio*" means, with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving Pro Forma Effect to such incurrence, assumption, Guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom (including use on the Calculation Date) as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, *however*, that the Fixed Charges of such Person attributable to interest on any Indebtedness under a revolving credit facility computed on a Pro Forma Effect basis will be computed based on the average daily balance of such Indebtedness during the four-quarter reference period and using the interest rate in effect at the end of such period (taking into account any interest rate option, swap, cap or similar agreement applicable to such Indebtedness).

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates); plus

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(3) any interest actually paid on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; plus

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than (i) dividends on Equity Interests payable solely in Equity Interests of such Person (other than Disqualified Stock) or to such Person or one of its Restricted Subsidiaries and (ii) dividends on any series of preferred stock of such Person or any of its Restricted Subsidiaries where such dividends are also payable pro rata on common stock of such Person or any of its Restricted Subsidiaries, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with IFRS.

The Fixed Charges of the Escrow Issuer shall be included in the sum of the Company's Fixed Charges, whether or not it is a Restricted Subsidiary.

"*GAAP*" means generally accepted accounting principles in the United States or Spain, as applicable, which are in effect from time to time.

"*GDS*" means Grifols Diagnostic Solutions Inc., a Delaware corporation.

"*GDS Contributed Equity*" means the following Equity Interests of GDS owned by the Company: 40.0% of the issued and outstanding GDS Voting Equity Interests and 50.0% of the issued and outstanding GDS Non Voting Equity Interests.

"*GDS Equity Interest Contribution*" means the contribution by the Company to Shanghai RAAS of the GDS Contributed Equity.

"*GDS Non Voting Equity Interests*" means the Series B Common Stock in GDS, par value $0.0001 per share.

"*GDS Retained Equity*" means the following Equity Interests of GDS owned by the Company on the Issue Date: 60.0% of the issued and outstanding GDS Voting Equity Interests and 50.0% of the issued and outstanding GDS Non Voting Equity Interests that are not to be contributed to Shanghai RAAS in connection with the Shanghai RAAS Transactions.

"*GDS Voting Equity Interests*" means the Series A Common Stock in GDS, par value $0.0001 per share.

"*Government Securities*" means securities that are:

(1) (x) with respect to the Euro Notes, direct obligations (or certificates representing an interest in such obligations) of the government of a member state of the European Union, the United Kingdom, the United States of America or Switzerland for the timely payment of which its full faith and credit is pledged or (y) with respect to the Dollar Notes, direct obligations (or certificates representing an interest in such obligations) of, or obligations guaranteed by, of the United States; or

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of (x) with respect to the Euro Notes, the government of a member state of the European Union, the United Kingdom, the United States of America or Switzerland and the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the government of a member state of the European Union, the United Kingdom, the United States of America or Switzerland or (y) with respect to the Dollar Notes, the United States,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided, however*, that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"*Grifols Worldwide Operations USA*" means Grifols Worldwide Operations USA, Inc., a Delaware corporation, an indirect wholly owned Subsidiary of the Company.

"*GSSNA*" means Grifols Shared Services North America, Inc., a Virginia corporation, an indirect wholly owned Subsidiary of the Company.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

"*Guarantor*" means, (x) from and after the Acquisition Escrow Release Date until the Escrow Issuer Merger, Grifols and each Subsidiary Guarantor and (y) from and after the Escrow Issuer Merger, each Subsidiary Guarantor, until, in each case, such Person is released from the Guarantee of the Notes in accordance with the terms of the Indenture.

"*GWWO*" means Grifols Worldwide Operations Limited, a company incorporated and existing under the laws of Ireland, an indirect wholly owned Subsidiary of the Company.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) foreign exchange contracts, currency swap agreements or other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"*Holder*" means a Person in whose name a Note is registered.

"*Holdings*" means Tiancheng (Germany) Pharmaceutical Holdings AG.

"*IFRS*" means the International Financial Reporting Standards, as promulgated by the International Accounting Standards Board (or any successor board or agency), as in effect on the Issue Date.

"*Immaterial Subsidiary*" means, as of any date, any Restricted Subsidiary (i) whose total assets, as of that date, are less than $150 million and (ii) whose total revenues for the most recent 12-month period do not exceed $150 million; provided that a Restricted Subsidiary will not be considered to be an Immaterial Subsidiary if it, directly or indirectly, guarantees or otherwise provides direct credit support for any Indebtedness of the Company or any of its other Restricted Subsidiaries.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness (excluding accrued expenses or trade payables), of such Person, whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property due more than six months after such property is acquired, except any such balance that constitutes an accrued expense or trade payable; or

(6) representing the net amount of any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date will be (without duplication):

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, together with any interest on the Indebtedness that is more than 30 days past due, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(a) the fair market value of such assets that are subject to such Lien at the date of determination; and

(b) the amount of the Indebtedness of the other Person secured by such assets.

"*Intercreditor Agreement*" means the pari passu intercreditor agreement. dated November 15, 2019, among the Company, the other grantors party thereto, the Secured Notes collateral agent, the First Lien Credit Facilities collateral agent and European Investment Bank.

"*Instituto Grifols*" means Instituto Grifols, S.A., a *sociedad anónima* organized under the laws of the Kingdom of Spain, an indirect wholly owned Subsidiary of the Company.

"*Investment Grade Rating*" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's, BBB— (or the equivalent) by S&P or BBB— (or the equivalent) by Fitch, or an equivalent rating by any other Rating Agency.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS (or GAAP to the extent required by applicable law) (it being understood that capital expenditures shall not be deemed to be "Investments"). If the Company or any of its Restricted Subsidiaries sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of "Certain Covenants—Restricted Payments." The acquisition by the Company or any of its Restricted Subsidiaries of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the fair market value of the Investment held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of "Certain Covenants—Restricted Payments." Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment was made and without giving effect to subsequent changes in value.

"*Issue Date*" means October 5, 2021.

"*Leverage Ratio*" means the ratio as of the last day of any fiscal quarter of (a) Consolidated Net Total Debt as of such day to (b) Consolidated Cash Flow of the Company and the Restricted Subsidiaries on a consolidated basis for the four fiscal quarter period ending on such date.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Company or one or more of its Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing; *provided* that the Consolidated Net Income (and any other financial term derived therefrom), other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition, shall not include any Consolidated Net Income of or attributable to the target company or assets associated with any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"*Moody's*" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any Restricted Subsidiary in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (i) the direct costs directly attributable to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, (ii) taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, (iii) amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale, (iv) any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with IFRS (or GAAP to the extent required by applicable law) (unless such reserve is not used) against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment

benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations (whether fixed or contingent) associated with such Asset Sale.

"*Non-recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any of the Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise;

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of the Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of the Restricted Subsidiaries.

"*non U.S. Guarantor*" has the meaning set forth under "—Additional Amounts on the Notes."

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Pension Plan*" means any Employee Benefit Plan, other than a Multiemployer Plan, which is subject to Section 412 or Section 430 of the Internal Revenue Code or Section 302 or Section 303 of ERISA.

"*Permitted Business*" means healthcare products and services (including the lines of business conducted by the Company and the Restricted Subsidiaries on the date of the Indenture) and any businesses ancillary, complementary or reasonably related thereto.

"*Permitted Holder Group*" means any group comprised solely of the Grifols family, holding directly or indirectly (the "*Existing Holders*"), or (ii) a person or group of related persons for purposes of Section 13(d) of the Exchange Act that includes the Existing Holders where the Existing Holders control (whether through exercise of voting rights, by contract or otherwise) the Company.

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents and Investments that were Cash Equivalents when made;

(3) loans and advances to employees, officers, consultants and directors of the Company or a Restricted Subsidiary in the ordinary course of business for bona fide business purposes not in excess of $30 million at any one time outstanding;

(4) any Investment by the Company or a Restricted Subsidiary in a Person, if as a result of such Investment:

  (a) such Person becomes a Restricted Subsidiary; or

  (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary;

(5) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made after the Acquisition Escrow Release Date pursuant to and in compliance under "Repurchase at the Option of Holders—Asset Sales;"

(6) any acquisition of assets or Capital Stock solely in exchange for the issuance of the Company's Equity Interests (other than Disqualified Stock) after the Acquisition Escrow Release Date;

(7) any Investments received (A) in compromise of obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or the Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency or other reorganization of any trade creditor or customer or (B) in resolution of litigation, arbitration or other disputes or (C) as a result of foreclosure, perfection or enforcement of any Lien;

(8) Hedging Obligations;

(9) any Investments after the Acquisition Escrow Release Date in one or more Permitted Joint Ventures or Unrestricted Subsidiaries, in each case so long as the Leverage Ratio, at the time of each such Investment, after giving pro forma effect to such Investment, would not be greater than 4.0 to 1.00 plus an additional amount not to exceed $350 million ("Additional JV Investment Basket"), with respect to which the amount of such Investment shall be reduced by any amounts received in cash in respect of the sale, transfer or other disposition of Investments in Permitted Joint Ventures made pursuant to this Additional JV Investment Basket; provided however, that if any Investment pursuant to this clause (9) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall, thereafter, be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (9) for so long as such Person continues to be a Restricted Subsidiary;

(10) payroll, travel, moving and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(11) repurchases of the Notes;

(12) Notes, chattel paper and accounts receivable owing to the Company or the Restricted Subsidiaries created or acquired in the ordinary course of business (including concessionary trade terms the Company deems reasonable under the circumstances);

(13) Investments in existence or made pursuant to legally binding written commitments in existence on the Issue Date, and any extension, modification, replacement, refunding, refinancing or renewal thereof in whole or in part;

(14) Guarantees of Indebtedness issued in accordance with the covenant described under the heading "Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," and performance or completion Guarantees in the ordinary course of business;

(15) Investments of a Restricted Subsidiary acquired after the Acquisition Escrow Release Date, or of an entity acquired by, merged into, amalgamated with, or consolidated with a Restricted Subsidiary in a transaction that is not prohibited by the covenant described under the heading "Certain Covenants—Merger, Consolidation or Sale of Assets" after the Issue Date, to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(16) Investments consisting of purchases and acquisitions of inventory, supplies, material or equipment, including prepayments therefor;

(17) deposits, prepayments and other credits to suppliers in the ordinary course of business consistent with past practice;

(18) Investments representing amounts held for employees of the Company and the Restricted Subsidiaries under deferred compensation plans; provided that the amount of such Investments (excluding income earned thereon) shall not exceed the amount otherwise payable to such employees the payment of which was deferred under such plan and any amounts matched by the Company or the Restricted Subsidiaries under such plan;

(19) Investments consisting of the licensing or contribution of intellectual property pursuant to development, marketing or manufacturing agreements or arrangements or similar agreements or arrangements with other Persons in the ordinary course of business;

(20) any Investment in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company or a Restricted Subsidiary or an employee stock ownership plan or similar trust) of Capital Stock (other than Disqualified Stock) of the Company; provided that the amount of any net cash proceeds that are utilized for such Investment will be excluded from clause 3(B) of the second part of the first paragraph set forth under "Certain Covenants—Restricted Payments;"

(21) Investments consisting of advances or loans to Persons building, developing or overseeing the construction of plasma collection centers expected to supply principally the Company or the Restricted Subsidiaries in the ordinary course of business and consistent with past practice;

(22) Investments relating to any Securitization Subsidiary of the Company or any Restricted Subsidiary organized in connection with a Qualified Securitization Financing that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable to effect such Qualified Securitization Financing;

(23) Investments in the ordinary course of business consisting of UCC Article 3 endorsements for collection or deposit and UCC Article 4 customary trade arrangements with customers consistent with past practices;

(24) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (24) that are at the time outstanding, not to exceed the greater of (i) $400 million and (ii) 3.2% of Total Assets;

(25) Investments in the Company or a Restricted Subsidiary to consummate the Biomat Internal Reorganization at any time prior to the Biomat Transactions Consummation Date; and

(26) Investments by the Company in the Equity Interests of Shanghai RAAS (with par value RMB1.00) in exchange for all or any portion of GDS Retained Equity so long as the consideration received for such GDS Retained Equity shall be at least equal to the fair market value thereof as determined by the Company in good faith.

"*Permitted Joint Venture*" means any joint venture that the Company or any Restricted Subsidiary is a party to that is engaged in a Permitted Business.

"*Permitted Liens*" means:

(1) Liens to secure Obligations in respect of any Indebtedness incurred under clause (1) of the second paragraph of "Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;"

(2) Liens securing Indebtedness incurred under the first paragraph of "Certain Covenants—Indebtedness and Issuance of Disqualified Stock and Preferred Stock;" provided that at the time of incurrence and after giving pro forma effect to the incurrence of such Indebtedness and the application of the proceeds therefrom on such date, the Secured Leverage Ratio would not exceed 4.5 to 1.00;

(3) Liens in favor of the Company or any Restricted Subsidiary;

(4) Liens and deposits to secure the performance of bids, trade contracts, leases, statutory obligations, letters of credit or trade guarantees, surety or appeal bonds, performance bonds or other obligations of a like nature, in each case in the ordinary course of business;

(5) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of "Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" covering only the assets acquired, or financed, with such Indebtedness;

(6) (i) Liens existing on the date of the Indenture (other than Liens incurred in connection with the First Lien Credit Facilities or in connection with the Secured Notes) and (ii) liens to secure Obligations in respect of any Indebtedness incurred under clause (2)(ii) of the second paragraph of "Certain

Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;" or that are required to be issued pursuant to the Intercreditor Agreement, and in each case any extensions, renewals or replacements thereof;

(7) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; provided that any reserve or other appropriate provision as is required in conformity with IFRS (or GAAP to the extent required by applicable law) has been made therefor and Liens for taxes assessed on real estate assets that are not delinquent;

(8) Liens, pledges or deposits in the ordinary course of business to secure workers' compensation claims, self-retention or self-insurance obligations, unemployment insurance, performance, bid, release, appeal, surety and similar bonds and related reimbursement obligations and completion guarantees provided or incurred by the Company and the Restricted Subsidiaries in the ordinary course of business, lease obligations or non-delinquent obligations under social security laws and obligations in connection with participation in government insurance, benefits, reimbursement or other programs or other similar requirements, return of money bonds and other similar obligations, including obligations to secure health and safety and environmental obligations (exclusive of obligations for the payment of borrowed money or Indebtedness);

(9) Liens imposed by law, such as carrier's, supplier's, workmen's, warehousemen's, landlord's, materialmen's, repairmen's and mechanic's Liens and other similar Liens arising in the ordinary course of business or are being contested in good faith;

(10) easements, rights of way, restrictions and encroachments and other minor defects or irregularities in title (including matters indicated on a survey of an affected property), in each case, which do not interfere in any material respect with the use of the affected property by us and our Restricted Subsidiaries and that do not secure any monetary obligations which are not otherwise Liens permitted hereunder;

(11) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be incurred under the Indenture and is secured by the same property securing the Hedging Obligations;

(12) Liens securing Permitted Refinancing Indebtedness (other than Indebtedness secured pursuant to clauses (1), (26) and (31) of this definition), provided that such Liens do not extend to any property or assets other than the property or assets that secure the Indebtedness being refinanced;

(13) Liens created for the benefit of the Notes and guarantees;

(14) Liens arising from judgments in circumstances not constituting an Event of Default as described under the heading "Events of Default and Remedies;"

(15) Liens arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods in the ordinary course of business;

(16) Liens in favor of customs or revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(17) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts;

(18) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(19) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings in the ordinary course of business;

(20) Liens on accounts receivable and related assets of a Securitization Subsidiary incurred in connection with a Qualified Securitization Financing;

(21) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company or any of its Restricted Subsidiaries after the Acquisition Escrow Release Date; provided that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Company or such merger or consolidation, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company or any of its Restricted Subsidiaries;

(22) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under applicable jurisdiction) in connection with operating leases in the ordinary course of business;

(23) operating leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(24) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(25) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(26) Liens incurred by the Company or any Restricted Subsidiary with respect to obligations that do not exceed the greater of (i) $600 million and (ii) 5.0% of Total Assets at any one time outstanding;

(27) Liens on the assets of any Restricted Subsidiary (other than the Company or any Guarantor) to secure Indebtedness of such Restricted Subsidiary;

(28) Liens solely on cash earnest money deposits made by the Company or any Restricted Subsidiary in connection with any letter of intent or purchase agreement entered into in connection with any Investment permitted under the Indenture;

(29) any interest of a lessor or sublessor under any lease of real estate permitted hereunder and covering only the assets so leased and any Liens encumbering such lessor's or sublessor's interest or title;

(30) any zoning or similar law or right reserved or vested in any governmental office or agency to control or regulate the use of any real property not inconsistent with the present use or operation of the real property; and

(31) Liens incurred by the Company or any Restricted Subsidiary to secure Indebtedness or other obligations in an aggregate principal amount at the time of incurrence of such Indebtedness or other obligations not to exceed $10 million.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of the Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease, refund or discharge other Indebtedness of the Company or any of the Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased, refunded or discharged (plus all accrued interest on the Indebtedness and the amount of all fees, expenses and premiums incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased, refunded or discharged;

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased, refunded or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to, the Notes on terms at least as favorable to the Holders of Notes as

those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased, refunded or discharged; and

(4) such Indebtedness is incurred either by the Company, a Guarantor or by the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased, refunded or discharged.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Pro Forma Effect*" means:

(1) acquisitions that have been made or are, on the Calculation Date, being made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by (including acquisitions on the Calculation Date) the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including any increase in ownership of Restricted Subsidiaries, during the four quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect as if they had occurred on the first day of the four quarter reference period and Consolidated Cash Flow for such reference period will be calculated without giving effect to the deduction set forth in the definition of Consolidated Net Income;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded; and

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

provided that whenever *pro forma* effect is to be given to an acquisition or a disposition, the amount of income or earnings related thereto (including the incurrence of any Indebtedness and any *pro forma* expense and cost reductions that have occurred or are reasonably expected to occur, regardless of whether those expense and cost reductions could then be reflected in *pro forma* financial statements in accordance with Regulation S-X promulgated under the Securities Act or any regulation or policy of the SEC related thereto) shall be reasonably determined in good faith by one of the Company's responsible senior financial or accounting officers so long as such cost savings are actually expected to be achieved within 12 months of such acquisition or disposition; *provided further* that any Run Rate Amounts shall be determined in accordance with the determination set forth in the definition of Consolidated Cash Flow.

"*Project Disposition*" means any sale, assignment, conveyance, transfer or other disposition of facilities under construction of the Company and its Restricted Subsidiaries as of the Issue Date (including the real estate related thereto) which are intended by the Company upon completion of construction to be repurchased or leased by the Company or one of its Restricted Subsidiaries or any business related, ancillary or complementary thereto; *provided*, that the consideration received for such assets shall be cash in an amount at least equal to the book value.

"*Qualified Equity Offering*" means any public or any private offering of the Company's Capital Stock (excluding Disqualified Stock).

"*Qualified Securitization Financing*" means any transaction or series of transactions entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or such Restricted Subsidiary sells, conveys, contributes, assigns, grants an interest in or otherwise transfers to a Securitization Subsidiary, Securitization Assets (and/or grants a security interest in such Securitization Assets transferred or purported to be transferred to such Securitization Subsidiary), and which Securitization Subsidiary funds the acquisition of such Securitization Assets (a) with cash, (b) through the issuance to the Company's or such Seller's Retained Interests or an increase in the Company's or such Seller's Retained Interests, and/or (c) with proceeds from the sale, pledge or collection of Securitization Assets.

"*Rating Agencies*" means Fitch, Moody's and S&P.

"*Replacement Assets*" means any properties or assets used or useful in a Permitted Business.

"*Restricted Investment"* means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means, at any time, each direct and indirect Subsidiary of Grifols that is not then an Unrestricted Subsidiary; *provided*, *however*, that upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary shall be included in the definition of "Restricted Subsidiary." On the Acquisition Escrow Release Date, the Escrow Issuer will be a Restricted Subsidiary of Grifols.

"*S&P*" means S&P Global Ratings and any successor to its rating agency business.

"*SEC*" means the Securities and Exchange Commission.

"*Secured Indenture*" means the Indenture dated November 15, 2019, by and among Grifols, BNY Mellon Corporate Trustee Services Limited, as trustee, The Bank of New York Mellon, London Branch, as notes collateral agent, The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar, as amended from time to time.

"*Secured Leverage Ratio*" means the ratio as of the last day of any fiscal quarter of (a) Consolidated Senior Secured Debt as of such day to (b) Consolidated Cash Flow of the Company and the Restricted Subsidiaries on a consolidated basis for the four-fiscal quarter period ending on such date.

"*Secured Notes*" means Grifols' €905,000,000 aggregate principal amount of 1.625% Senior Secured Notes due 2025 and the €770,000,000 2.250% Senior Secured Notes Due 2027.

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Securitization Assets*" means any accounts receivable owed to the Company or any of its Subsidiaries (whether now existing or arising or acquired in the future) arising in the ordinary course of business from the sale of goods or services, all collateral securing such accounts receivable, all contracts and contract rights and all guarantees or other obligations in respect of such accounts receivable, all proceeds of such accounts receivable and other assets (including contract rights) which are of the type customarily transferred or in respect of which security interests are customarily granted in connection with securitizations of accounts receivable and which are sold, conveyed, contributed, assigned, pledged or otherwise transferred by such Company or any of its Subsidiaries to a Securitization Subsidiary.

"*Securitization Repurchase Obligation*" means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant with respect to such Securitization Assets, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off set, counterclaim or other dilution of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller, but in each case, not as a result of such receivable being or becoming uncollectible for credit reasons.

"*Securitization Subsidiary*" means a Restricted Subsidiary of the Company that engages in no activities other than in connection with the acquisition and/or financing of Securitization Assets, all proceeds thereof and all rights (contingent and other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (or a duly authorized committee thereof) or such other Person (as provided below) as a Securitization Subsidiary and (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any of its Subsidiaries, other than another Securitization Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Company or any of its Subsidiaries, other than another Securitization Subsidiary, in any way other than pursuant to Standard Securitization Undertakings or (iii) subjects any property or asset (other than Securitization Assets) of the Company or any of its Subsidiaries, other than another Securitization Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) with which none of the Company nor any of its Subsidiaries, other than another Securitization Subsidiary, has any material contract, agreement, arrangement or understanding other than (i) the applicable receivables purchase agreements and related agreements, in each case, having reasonably customary terms, or (ii) on terms which the Company reasonably believes to be no less favorable to the Company or the applicable Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company or any of its Subsidiaries and (c) to which neither the Company nor any of its Subsidiaries other than another Securitization Subsidiary, has any obligation to maintain or preserve such entity's financial condition

or cause such entity to achieve certain levels of operating results. Any such designation by the Board of Directors of the Company (or a duly authorized committee thereof) or such other Person shall be evidenced to the Trustee by delivery to the Trustee of a certified copy of the resolution of the board of directors of the Company or such other Person giving effect to such designation and a certificate executed by an authorized officer certifying that such designation complied with the foregoing conditions.

"*Seller's Retained Interests*" means the debt or equity interests held by the Company or any of its Subsidiaries in a Securitization Subsidiary to which Securitization Assets have been transferred, including any such debt or equity received as consideration for or as a portion of the purchase price for the Securitization Assets transferred, or any other instrument through the Company or such Subsidiary has rights to or receives distributions in respect of any residual or excess interest in the Securitization Assets.

"*Shanghai RAAS*" means Shanghai RAAS Blood Products Co., Ltd., a company limited by shares listed at the Shenzhen Stock Exchange with the approval of the China Securities Regulatory Commission under the stock code of 002252.

"*Shanghai RAAS Equity Interests*" means the issuance to the Issuer of RMB ordinary shares ("A" shares) with the par value of RMB1.00 per share of Shanghai RAAS in an amount equal to 26.2% of the fully diluted share capital of Shanghai RAAS.

"*Shanghai RAAS Strategic Allicance Agreement*" means that certain Exclusive Master Strategic Alliance Agreement, dated as of March 2019, by and among the Issuer, Shanghai RAAS, Creat Tiancheng Investment Holdings Co., Ltd. and Ningbo Creat Jinding Investment Partnership (Limited Partnership).

"*Shanghai RAAS Transaction*" means (a) the GDS Equity Interest Contribution, (b) the Investment by the Company in the Shanghai RAAS Equity Interests in exchange for the GDS Contributed Equity and (c) the performance by the Issuer and its Subsidiaries in connection with the above transaction and the Shanghai RAAS Strategic Alliance Agreement.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as in effect on the Issue Date.

"*Special Mandatory Redemption*" shall have the meaning ascribed to it under ""—Escrow of Proceeds; Special Mandatory Redemption."

"*Special Mandatory Redemption Date*" shall have the meaning ascribed to it under "—Escrow of Proceeds; Special Mandatory Redemption."

"*Special Mandatory Redemption Price*" shall have the meaning ascribed to it under "—Escrow of Proceeds; Special Mandatory Redemption."

"*Standard Securitization Undertakings*" means representations, warranties, covenants, Securitization Repurchase Obligations and indemnities entered into by the Company or any of its Subsidiaries that are reasonably customary in accounts receivable securitization transactions.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means all Indebtedness (whether outstanding on the Issue Date or thereafter incurred) that is subordinated or junior in right of payment to the Notes pursuant to a written agreement, executed by the Person to whom such Indebtedness is owed, to that effect.

"*Subsidiary*" means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which (x) any Person has the power to direct or cause the direction of the management or policies, or the dismissal or appointment of the management, of a Person, whether through the ability to exercise voting power, by contract or otherwise and the accounts of which are required to be consolidated with those of such Person in such Person's consolidated financial statements in accordance with IFRS or (y) more than 50.0% of the total voting power of shares of stock or other ownership interests entitled (without regard to the occurrence of any

contingency) to vote in the election of the Person or Persons (whether directors, managers, trustees or other Persons performing similar functions) having the power to direct or cause the direction of the management and policies thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof. Unless otherwise specified herein, all references to any "Subsidiary" shall refer to a Subsidiary of the Company.

"*Subsidiary Guarantor"* means, each subsidiary of the Company that executes a supplemental indenture as a Guarantor on the Acquisition Escrow Release Date and each other Restricted Subsidiary of the Company that thereafter Guarantees the Notes in accordance with the terms of the Indenture (including Holdings from and after the Transformation), until, in each case, such Person is released from the Guarantee of the Notes in accordance with the terms of the Indenture.

"*Talecris*" means Talecris Plasma Resources, Inc., a Delaware corporation.

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other liabilities related thereto).

"*Taxing Authority*" means any government or political subdivision or territory or possession of any government or any authority or agency therein or thereof having power to impose or collect any Tax.

"*Taxing Jurisdiction*" has the meaning set forth under "—Additional Amounts."

"*Total Assets*" means the total consolidated assets of the Company and the Restricted Subsidiaries, as shown on the most recent internal balance sheet of the Company prepared on a consolidated basis (excluding Unrestricted Subsidiaries) in accordance with IFRS.

"*Transactions*" means the Acquisition and the VTO.

"*Treasury Rate*" means, as obtained by the Company, as of any Redemption Date, the yield to maturity as of such Redemption Date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the applicable Redemption Date of the Notes (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such Redemption Date to October 15, 2024; provided, however, that if the period from such Redemption Date to October 15, 2024 is less than one year, the weekly average yield on actively traded U.S. Treasury securities adjusted to a constant maturity of one year will be used.

"*Unrestricted Subsidiary*" means any Subsidiary (or any successor to any of them) that is designated by the Company's Board of Directors as an Unrestricted Subsidiary pursuant to a board resolution, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-recourse Debt;

(2) except as permitted by the covenant described under the heading "Certain Covenants—Transactions with Affiliates," is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company and/or the Restricted Subsidiaries;

(3) is a Person with respect to which neither the Company nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests (provided however the Company or a Restricted Subsidiary may make Investments in Unrestricted Subsidiaries permitted by the terms of the Indenture) or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results;

(4) has not Guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any Restricted Subsidiary; and

(5) has at least one director on its Board of Directors that is not a director or executive officer of the Company or any Restricted Subsidiary and has at least one executive officer that is not a director or executive officer of the Company or any Restricted Subsidiary.

Any designation of a Subsidiary as an Unrestricted Subsidiary after the date of the Initial Indenture will be evidenced to the Trustee by filing with the Trustee a certified copy of the board resolution giving effect to such designation and an officer's certificate certifying that such designation complied with the preceding conditions and was permitted under "Certain Covenants—Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under "Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," the Company will be in default of such covenant. The Company's Board of Directors may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under "Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," calculated on a pro forma basis as if such designation had occurred at the beginning of the four quarter reference period; (2) no Default or Event of Default would be in existence following such designation and (3) such Subsidiary executes and delivers to the Trustee a supplemental Indenture providing for a Guarantee.

"*Unsecured Indenture*" means the Indenture dated April 26, 2017, by and among Grifols, BNY Mellon Corporate Trustee Services Limited, as trustee, and The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar, as amended from time to time.

"*Unsecured Notes*" means Grifols' €1,000,000,000 aggregate principal amount of 3.200% Senior Notes due 2025.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"VTO" means the voluntary takeover offer for all preferred shares and ordinary shares of Biotest conducted pursuant to German law in connection with the Acquisition.

"VTO Consummation Date" means the date upon which all conditions to the consummation of the VTO are satisfied including the payment of any amounts due thereunder.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

NOTICE TO INVESTORS

Because the following restrictions will apply unless we cause one or more registration statements with respect to the resale of the notes to be declared effective under the Securities Act, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of any of the notes. See "Description of Notes."

None of the notes have been (or will be) registered under the Securities Act and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only (A) to "qualified institutional buyers," or "QIBs" (as defined in Rule 144A promulgated under the Securities Act, or Rule 144A) in compliance with Rule 144A and (B) outside the United States to persons other than U.S. persons, or non-U.S. purchasers, which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust) in reliance upon Regulation S under the Securities Act, or Regulation S. As used herein, the terms "United States" and "U.S. person" have the meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed as follows:

1. It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a QIB and is aware that the sale to it is being made in reliance on Rule 144A or (B) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above).

2. It acknowledges that the notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

3. It agrees on its own behalf and on behalf of any investor account for which it is purchasing the notes, and each subsequent holder of the notes prior to the date (the "Resale Termination Date") that is one year (in the case of Rule 144A notes) or 40 days (in the case of Regulation S notes) after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates were the owner of such notes (or any predecessor thereto) only (i) the Issuer or the guarantors (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act or (iii) for so long as the notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S; or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer and the Holders' Representative's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) above to require the delivery of an opinion of counsel, certification and other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer is completed and delivered by the transferor to the Holders' Representative. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

4. It agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes.

5. It acknowledges that prior to any proposed transfer of notes in certificated form or of beneficial interests in a note in global form, or a global note (in each case other than pursuant to an effective registration statement) the holder of notes or the holder of beneficial interests in a global note, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Indenture.

6. It understands that all of the notes will bear a legend substantially to the following effect unless otherwise agreed by us and the holder thereof.

7. THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY

INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A")) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, WHICH IS IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF THE REGULATION S) IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATEST OF THE ORIGINAL ISSUE DATE HEREOF, AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), ONLY (A) TO THE ISSUER OR THE GUARANTORS, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE HOLDERS' REPRESENTATIVE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

8. It acknowledges that each purchaser and subsequent transferee of a note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the notes constitutes assets of any "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, or "ERISA") subject to Title I of ERISA, any plan, individual retirement account or other arrangement subject to Section 4975 of the Internal Revenue Code of 1986, as amended from time to time, including the regulations promulgated and the rules issued thereunder (the "Code") or provisions under any federal, state, local, non U.S. or regulations that are similar to such provisions of ERISA or the Internal Revenue Code (collectively, "Similar Law") or (ii) (A) all or a portion of the assets used by such purchaser or transferee to acquire and hold the notes constitutes assets of any such employee benefit plan, plan, account or other arrangement, (B) the acquisition, holding and disposition of the notes will not constitute or result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Law, and (C) (1) none of the Issuer, initial purchasers, the Trustee or other persons that provide marketing services, nor any of their affiliates, has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the applicable plan ("Plan Fiduciary"), has relied as a primary basis in connection with its decision to invest in the notes, and they are not otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to such investor or the Plan Fiduciary in connection with the investor's acquisition of the notes, and (2) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the notes.

9. It acknowledges that neither we nor the initial purchasers, nor any person representing us or the initial purchasers, has made any representation to you with respect to the offering or sale of any notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which are relying in making your investment decision with respect to the notes. It

acknowledges that neither the initial purchasers nor any person representing the initial purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum. It also has had access to such financial and other information concerning us and the notes have deemed necessary in connection with your decision to purchase any of the notes.

10. It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee that the restrictions set forth herein have been complied with.

11. It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify Grifols, the Escrow Issuer and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.

BOOK-ENTRY; DELIVERY AND FORM

General

Each series of notes issued to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A (the "Rule 144A notes") will in each case initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "144A global notes"). The 144A global notes representing the dollar note (the "dollar Rule 144A global note") will be deposited with a custodian for DTC, and registered in the name of Cede & Co., as nominee of DTC. The 144A global notes representing the euro notes (the "euro Rule 144A global notes") will be deposited with, or on behalf of, a common depositary (the "common depositary") for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Each series of notes issued to non-U.S. persons outside the Unites States in reliance on Regulation S under the Securities Act (the "Regulation S notes") will in each case initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "Regulation S global notes" and, together with the Rule 144A global notes, the "global notes"). The Regulation S global notes representing the dollar notes (the "dollar Regulation S global notes") will be registered in the name of Cede & Co., as nominee of DTC and deposited with a custodian for DTC, for credit to Euroclear and Clearstream, and the Regulation S global notes representing the euro notes (the "euro Regulation S global notes") will be deposited with, or on behalf of, the common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

The dollar Rule 144A global notes and the dollar Regulation S global notes are collectively referred to herein as the "dollar global notes." The euro Rule 144A global notes and the euro Regulation S global notes are collectively referred to herein as the "euro global notes."

The Dollar Global Notes

Book Entry, Delivery and Form

The dollar global notes will be deposited upon issuance with the Trustee as custodian for The Depository Trust Company ("DTC"), and registered in the name of DTC or its nominee, in each case for credit to an account of a participant (as defined below) or indirect participant (as defined below) in DTC as described below. The notes will be issued at the closing of this offering only against payment in immediately available funds. Except as set forth below, the dollar notes will be issued in registered, global form in minimum denominations of $200,000 and any integral multiple of $1,000 in excess thereof.

Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "Distribution Compliance Period"), beneficial interests in the dollar Regulation S global notes may be held only through Euroclear and Clearstream (each as defined below) (as indirect participants in DTC), unless transferred to a person that takes delivery through a dollar Rule 144A global note in accordance with the certification requirements described below.

Beneficial interests in the dollar Rule 144A global notes may not be exchanged for beneficial interests in the dollar Regulation S global notes at any time except in the limited circumstances described below. See "—Exchanges Among Dollar Global Notes."

Except as set forth below, the dollar global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the dollar global notes may not be dollar exchanged for dollar notes in certificated form ("certificated dollar notes") except in the limited circumstances described below. See "—Exchange of Dollar Global Notes for Certificated Dollar Notes." Except in the limited circumstances described below, owners of beneficial interests in the dollar global notes will not be entitled to receive physical delivery of notes in certificated form.

Dollar Rule 144A notes (including beneficial interests in the dollar Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Note to Investors." Dollar Regulation S notes will also be subject to certain restrictions on transfer and will also bear the legend as described under "Notice to Investors." In addition, transfers of beneficial interests in the dollar global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear or Clearstream), which may change from time to time.

Depositary Procedures

The following description of the operations and procedures of DTC is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Issuer takes no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations (collectively, the "participants") and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book-entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (collectively, the "indirect participants"). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised the Issuer that, pursuant to procedures established by it:

1. upon deposit of the dollar global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the dollar global notes; and

2. ownership of these interests in the dollar global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the dollar global notes).

Investors in the dollar Rule 144A global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the dollar Rule 144A global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Investors in the dollar Regulation S global notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants. After the expiration of the Distribution Compliance Period (but not earlier), investors may also hold interests in the dollar Regulation S global notes through participants in the DTC system other than Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the dollar Regulation S global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank SA/NV, as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a dollar global note may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a dollar global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, beneficial owners of an interest in the dollar global notes will not have dollar notes registered in their names, will not receive physical delivery of dollar notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture governing the dollar notes for any purpose.

Payments in respect of the principal of, and interest and premium, if any, on a dollar global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture governing the dollar notes. Under the terms of the indenture governing the dollar notes, the Issuer and the Trustee will treat the Persons in whose names the dollar notes, including the dollar global notes, are registered as the owners of such dollar notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer or the Trustee, nor any agent of the Issuer or the Trustee, has or will have any responsibility or liability for:

1. any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interests in the dollar global notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the dollar global notes; or

2. any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the dollar notes (including principal and interest), is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of dollar notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be the responsibility of DTC, the Trustee or the Issuer. Neither the Issuer nor the Trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the dollar notes, and the Issuer and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Notice to Investors," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of dollar notes only at the direction of one or more participants to whose account DTC has credited the interests in the dollar global notes and only in respect of such portion of the aggregate principal amount of the dollar notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the dollar notes, DTC reserves the right to exchange the dollar global notes for legended dollar notes in certificated form, and to distribute such dollar notes to its participants.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by their respective depositaries; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the dollar global notes among participants in DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued or changed at any time. Neither the Issuer nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchanges of Dollar Global Notes for Certificated Dollar Notes

A dollar global note is exchangeable for certificated dollar notes if:

1. DTC (a) notifies the Issuer that it is unwilling or unable to continue as depositary for the global notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in each case, a successor depositary is not appointed;

2. the Issuer, at its option, notifies the Trustee in writing that it elects to cause the issuance of the certificated dollar notes; or

3. there has occurred and is continuing a Default with respect to the dollar global notes.

In addition, beneficial interests in a dollar global note may be exchanged for certificated dollar notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the indenture governing the notes. In all cases, certificated dollar notes delivered in exchange for any dollar global note or beneficial interests in dollar global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Notice to Investors," unless that legend is not required by applicable law.

Exchange of Certificated Dollar Notes for Dollar Global Notes

Certificated dollar notes may not be exchanged for beneficial interests in any dollar global note unless the transferor first delivers to the Trustee a written certificate (in the form to be provided in each indenture governing the dollar notes) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such dollar notes. See "Notice to Investors."

Exchanges Among Dollar Global Notes

Prior to the expiration of the Distribution Compliance Period, beneficial interests in a dollar regulation S global note may be transferred only to non-U.S. persons under Regulation S, qualified institutional buyers under Rule 144A or institutional accredited investors. Beneficial interests in a dollar Regulation S global note may be exchanged for beneficial interests in a dollar Rule 144A global note only if:

1. such exchange occurs in connection with a transfer of the relevant notes pursuant to Rule 144A; and

2. the transferor first delivers to the Trustee a written certificate (in the form to be provided in the indenture governing the dollar notes) to the effect that the relevant notes are being transferred to a person:

   a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;

   b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

   c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a dollar Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the dollar regulation S global note, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in each indenture governing the notes) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests among the dollar Regulation S global notes and the dollar Rule 144A global notes will be effected in DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect the changes in the principal amounts of the dollar Regulation S global note and the dollar Rule 144A global note, as applicable. Any beneficial interest in one of the dollar global notes that is transferred to a person who takes delivery in the form of an interest in another dollar global note will, upon transfer, cease to be an interest in such dollar global note and will become an interest in such other dollar global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other dollar global note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S global note prior to the expiration of the Distribution Compliance Period.

Same Day Settlement and Payment

The Issuer will make payments in respect of the dollar notes represented by the dollar global notes (including principal, premium, if any, and interest) by wire transfer of immediately available funds to the accounts specified by the dollar global note holder. The Issuer will make all payments of principal, interest and premium, if any, with respect to certificated dollar notes by wire transfer of immediately available funds to the accounts specified by the holders of the certificated dollar notes or, if no such account is specified, by mailing a check to each such holder's registered address. The dollar notes represented by the dollar global notes are expected to be made eligible to trade in DTC's Same-Day

Funds Settlement System, and any permitted secondary market trading activity in such dollar notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated dollar notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a DTC participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream participant to a participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The Euro Global Notes

General

The euro global notes will be deposited, on the issue date, with the Common Depositary (as defined under the caption "Description of Notes") and registered in the name of the Common Depositary or a nominee of the Common Depositary for the account of Euroclear and Clearstream (each as defined under the caption "Description of Notes"). Except as set forth below, the euro global notes may be transferred, in whole and not in part, only to a Common Depositary for Clearstream and Euroclear or its nominee. No link is expected to be established among DTC and Clearstream or Euroclear in connection with the issuance of the euro notes.

Ownership of interests in the euro Rule 144A global note (the "euro Rule 144A book entry interests") and ownership of interests in the euro Regulation S global note (the "euro Regulation S book entry interests" and together with the euro Rule 144A book entry interests, the "euro book entry interests"), will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the euro global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, euro book entry interests will not be issued in definitive form.

Euro book entry interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain States of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge euro book entry interests. In addition, while the euro notes are in global form, holders of euro book entry interests will not be considered holders of euro notes for any purpose.

So long as the euro notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the euro global notes for all purposes under the indenture governing the euro notes (as defined under the caption "Description of Notes"). In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own euro book entry interests, to transfer their interests or to exercise any rights of holders of euro notes under the indenture governing the euro notes.

None of the Issuer, the Trustee or any paying agent will have any responsibility, or be liable, for any aspect of the records relating to the euro book entry interests, nor the action or inaction of Euroclear, Clearstream or any common depositary.

The Issuer has obtained the information in this section, "Book Entry, Delivery and Form," concerning Clearstream and Euroclear and the book-entry system and procedures from sourced that it believes to be reliable, but the Issuer takes no responsibility for the accuracy of this information.

Definitive Registered Euro Notes

Under the terms of the indenture governing the euro notes, owners of the euro book entry interests will receive euro notes in certificated form (the "definitive registered euro notes"), (1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary for the euro notes and a successor depositary is not appointed by the Issuer within 120 days, (2) if the Issuer, at its option, notifies the Trustee and the applicable paying

agent in writing that it elects to cause the issuance of definitive registered euro notes or (3) if the owner of a euro book entry interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default and commencement of enforcement action under the indenture governing the euro notes.

The Issuer understands that upon request by an owner of a Euro Book Entry Interest described in the immediately preceding clause (3), Euroclear's and Clearstream's current procedure would be to request that the Issuer issue or cause to be issued euro notes in definitive registered form to all owners of Euro Book Entry Interests.

In such an event, the Issuer will issue definitive registered euro notes, registered in the name or names and issued in any approved denominations requested by or on behalf of Euroclear, Clearstream or the Common Depositary, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of euro book entry interests), and such definitive registered euro notes will bear the restrictive legend as provided in the indenture governing the euro notes, unless that legend is not required by the indenture governing the euro notes or applicable law. Should definitive registered euro notes be issued to individual holders of the euro notes, a holder of euro notes who, as a result of trading or otherwise, holds a principal amount of euro notes that is less than the minimum denomination of the euro notes would be required to purchase an additional principal amount of euro notes such that its holding of euro notes amounts to the minimum specified denomination.

To the extent permitted by law, the Issuer, the Trustee and the applicable paying agent each shall be entitled to treat the registered holder of any euro global note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the euro global notes will be evidenced through registration from time to time at the registered office of the registrar, and such registration is a means of evidencing title to the notes.

The Issuer will not impose any fees or other charges in respect of the euro notes; however, owners of the euro book entry interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of the Euro Global Notes

In the event that any euro global note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the euro book entry interests in such euro global note from the amount received by them in respect of the redemption of such euro global note. The redemption price payable in connection with the redemption of such euro book entry interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such euro global note (or any portion thereof).

The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the euro notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate; provided, however, that no euro book entry interest of less than €100,000 principal amount may be redeemed in part.

Payments on Euro Global Notes

The Issuer will make payments of any amounts owing in respect of the euro global notes (including principal, premium, if any, interest and any Additional Amounts) to the applicable paying agent, and such paying agent will, in turn, make such payments to the Common Depositary or its nominee for Euroclear and Clearstream. The Common Depositary will distribute such payments to participants in accordance with their customary procedures. All payments of principal and interest on the euro notes by or on behalf of the Issuer will be made free and clear of and without withholding or deduction for or on account of any present or future tax, assessment or other governmental charge (and any interest, penalties and additions with respect thereto) unless required by applicable law or the official interpretation or administration thereof. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of euro book entry interests held through such participants.

Under the terms of the indenture governing the euro notes, the Issuer, the Trustee and any agent of the Issuer or the Trustee will treat the registered holders of the euro global notes (e.g., Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, any paying agent or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a euro book entry interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a euro book entry interest;

- Euroclear, Clearstream or any participant or indirect participant; or

- the records of the Common Depositary.

Payments by participants to owners of euro book entry interests held through participants are the responsibility of such participants.

Action by Owners of Book Entry Interests

The Issuer understands that Euroclear and Clearstream will take any action permitted to be taken by a holder of euro notes (including the presentation of euro notes for exchange as described above) only at the direction of one or more participants to whose account the euro book entry interests in the euro global notes are credited and only in respect of such portion of the aggregate principal amount of euro notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the euro global notes. However, if there is an Event of Default and commencement of enforcement action under the indenture governing the euro notes, Euroclear and Clearstream, at the request of the holders of the euro notes, reserve the right to exchange the euro global notes for definitive registered euro notes, and to distribute such definitive registered euro notes to their respective participants.

Transfers

The Issuer understands that transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of euro notes requires physical delivery of definitive registered euro notes for any reason, including to sell euro notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interests in the euro global notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the indenture governing the euro notes.

The euro notes will bear a legend to the effect set forth under the Transfer Restrictions provided in "Notice to Investors." Prior to the expiration of the Distribution Compliance Period, euro Regulation S book entry interests may be transferred only to non-U.S. persons under Regulation S, qualified institutional buyers under Rule 144A or institutional accredited investors. Book entry interests in the euro global notes will be subject to the restrictions on transfers and certification requirements discussed under "Notice to Investors." Transfers of euro book entry interests to persons wishing to take delivery of euro book entry interests will at all times be subject to such transfer restrictions.

Euro Rule 144A book entry interests may be transferred to a person who takes delivery in the form of a euro Regulation S book entry interest only upon delivery by the transferor of a written certification (in the form to be provided in the indenture governing the euro notes) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act or any other exemption (if available under the Securities Act).

Euro Regulation S book entry interests may be transferred to a person who takes delivery in the form of a euro Rule 144A book entry interest only upon delivery by the transferor of a written certification (in the form to be provided in the indenture governing the euro notes) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A under the Securities Act or otherwise in accordance with the transfer restrictions described under "Notice to Investors" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a euro Regulation S book entry interest for a euro Rule 144A book entry interest or an exchange of a euro Rule 144A book entry interest for a euro Regulation S book entry interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the euro Regulation S Global note or euro Rule 144A global note, as applicable, and a corresponding increase in the principal amount of the euro Rule 144A global note or euro Regulation S global note, as applicable.

Definitive registered euro notes may be transferred and exchanged for euro book entry interests in a euro global note only in accordance with the provisions of the indenture governing the euro notes, and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form to be provided in the indenture governing the euro notes) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such euro notes. See "Notice to Investors."

Any euro book entry interest is one of the euro global notes that is transferred to a person who takes delivery in the form of a euro book entry interest in any other euro global note will, upon transfer, cease to be a euro book entry interest in the first mentioned euro global note and become a euro book entry interest in such other euro global note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to euro book entry interests in such other euro global note for as long as it remains such a euro book entry interest.

Information Concerning Euroclear and Clearstream

All Euro Book Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. None of the Issuer, the Trustee, any paying agent or the initial purchasers is responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book entry changes in the accounts of such participants, thereby eliminating the need for physical movement of certificates. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge euro book entry interests. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the euro global notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book Entry System

The Issuer understands that transfers of interests in the euro global notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the euro global notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee or any paying agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the euro notes through Clearstream and Euroclear systems on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving Clearstream and Euroclear systems on the same business day as in the United States. U.S. investors who wish to transfer

their interests in the euro notes, or to make or receive a payment or delivery of the euro notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether the Clearstream or Euroclear system is used.

Initial Settlement

Initial settlement for the euro notes will be made in euros. Euro book entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Euro book entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders of notes on the Business Day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The euro book entry interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. The Issuer understands that, since the purchase determines the place of delivery, it is important to establish at the time of trading of any euro book entry interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement among the Escrow Issuer, as issuer of the notes, and BofA Securities Europe SA and BofA Securities, Inc., as the initial purchasers for the euro notes and dollar notes, respectively, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from the Escrow Issuer, the notes offered hereby.

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. Subject to the terms and conditions set forth in the purchase agreement, the fees payable to the initial purchasers will be paid upon the issuance of the notes offered hereby.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

Each series of notes are a new issue of securities with no established trading market. The initial purchasers have advised us that they presently intend to make a market in the notes as permitted by applicable law. The initial purchasers are not obligated, however, to make a market in the notes and any market making may be discontinued at any time at their sole discretion without notice. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

Application has been made to Euronext Dublin for the approval of these "Listing Particulars," for the notes to be admitted to the Official List and to be traded on the Global Exchange Market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of Regulation (EU) No 600/2014. The listing application for the notes will be subject to approval by Euronext Dublin.

Consummation of the offering of the euro notes is not contingent on the Issuer making an application for or obtaining such listing or admission to trading.

Commissions and Discounts

The initial purchasers propose initially to offer the notes at the offering prices set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The initial purchasers may offer and sell the notes through certain of their affiliates.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of Notes

Currently, there is no public market for either series of notes. Application has been made to Euronext Dublin for each series of the notes to be admitted to the Official List and to be traded on the Global Exchange Market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU.

Settlement

We expect that delivery of the notes will be made to investors on or about October 5, 2021, which will be the fifth (5^{th}) business day following the date of this offering memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Securities Exchange Act of 1934, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to

trade the notes prior to the delivery of the notes hereunder will be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that, we will not, for a period of 90 days after the date of this offering memorandum, without first obtaining the prior written consent of the initial purchasers, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes of a series in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes of a series. As a result, the price of the notes of a series may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

These stabilizing transactions, covering transactions and penalty bids, may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of this offering is made and, if commenced, may be discontinued at any time at the sole discretion of the initial purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date on which the Issuer received the proceeds of notes offered hereby and 60 days after the date of the allotment of the notes.

European Economic Area

This offering memorandum has been prepared on the basis that any offer of the notes referred to herein in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the notes. Accordingly any person making or intending to make an offer in a Member State of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, in each case, in relation to any such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Issuer or the initial purchasers to publish a prospectus for any such offer.

This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation or any legislation, regulations or rules of any Member State of the EEA implementing or supplementing the Prospectus Regulation, and has not been, and will not be, reviewed or approved by any competent or supervisory authority of any Member State of the EEA for the purposes of the Prospectus Regulation.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID, or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the notes or otherwise making them

available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Each of the initial purchasers has represented and agreed that it has not offered, sold, distributed or otherwise made available and will not offer, sell, distribute or otherwise make available any notes to any retail investor in the EEA. The expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

Notice to Prospective Investors in the United Kingdom

This offering memorandum has been prepared on the basis that any offer of the securities referred to herein in the United Kingdom will be made pursuant to an exemption under the U.K. Prospectus Regulation from the requirement to publish a prospectus for offers of the notes. Accordingly any person making or intending to make an offer in the United Kingdom of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the U.K. Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Issuer or the joint bookrunners to publish a prospectus for such offer. This paragraph is subject to the paragraph below.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the U.K. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the U.K. PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the U.K. has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the U.K. may be unlawful under the U.K. PRIIPs Regulation.

Each of the initial purchasers has represented and agreed that it has not offered, sold, distributed or otherwise made available and will not offer, sell, distribute or otherwise make available any notes to any retail investor in the U.K. The expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

Solely for the purposes of the product approval process of any relevant initial purchaser that considers itself a U.K. Manufacturer, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is only eligible counterparties, as defined in the COBS, and professional clients, as defined in U.K. MiFIR; and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "U.K. distributor") should take into consideration the U.K. manufacturers' target market assessment; however, a U.K. distributor subject to the U.K. MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the U.K. manufacturers' target market assessment) and determining appropriate distribution channels.

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each initial purchaser has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the

FSMA) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Spain

Neither the notes nor this offering memorandum have been, nor it is intended that they will be, registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore this offering memorandum is not intended for any public offer of the notes in Spain. Therefore, the notes may not be offered, sold, distributed, or subject to any subsequent resale in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Act, or without complying with all legal and regulatory requirements under Spanish securities laws.

This offering memorandum has not been registered with the Comisión Nacional del Mercado de Valores, or the CNMV, and therefore the notes may not be offered or sold or distributed in Spain except pursuant to an exemption from registration in accordance with article 1.4. of the Prospectus Regulation.

Notice to Prospective Investors in Ireland

The notes are not intended to be, and may not be, offered, sold, placed or underwritten in Ireland, and nothing may be done in Ireland in respect of the notes, otherwise than in conformity with the provisions of:

(i) the Prospectus Regulation, Commission Delegated Regulation (EU) 2019/980, Commission Delegated Regulation (EU) 2019/979 and any Central Bank of Ireland rules issued and / or in force pursuant to Section 1363 of the Irish Companies Act;

(ii) the Irish Companies Act;

(iii) the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) of Ireland and any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank of Ireland;

(iv) Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, the European Union (Market Abuse) Regulations 2016 of Ireland and any Central Bank of Ireland rules issued and / or in force pursuant to Section 1370 of the Irish Companies Act;

(v) the PRIIPs Regulation; and

(vi) the Central Bank Acts 1942 to 2018 of Ireland (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 of Ireland.

Notice to Prospective Investors in Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to Prospective Investors in Italy

The offering has not been cleared by the *Commissione Nazionale per le Societ'a e la Borsa* ("**CONSOB**") (the Italian securities exchange commission) pursuant to Italian securities legislation and will not be subject to formal review by CONSOB. Accordingly, no notes may be offered, sold or delivered, directly or indirectly nor may copies of this offering memorandum or of any other document relating to the notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as defined in Article 35, first paragraph, letter (d) of CONSOB Regulation No. 20307 of February 15, 2018, as amended ("**Regulation 20307**"), pursuant to Article 34-*ter*, first paragraph letter (b) of

CONSOB Regulation No. 11971 of May 14, 1999, as amended ("**Regulation 11971**"), implementing Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**"); and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and the implemented CONSOB regulations, including Regulation 11971.

For the purposes of this provision, the expression "**offer of notes to the public**" in Italy means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, including the placement through authorized intermediaries.

Any such offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes in the Republic of Italy must be in compliance with the selling restrictions under (a) and (b) above and must be:

(i) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Financial Act), to the extent duly authorized to engage in the placement or underwriting or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, Regulation 20307, as amended, Italian Legislative Decree No. 385 of September 1, 1993, as amended (the "Italian Banking Act"), Regulation 11971 and any other applicable laws and regulations;

(ii) in compliance with all relevant Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) or any other relevant Italian competent authorities; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

Any investor purchasing the notes is solely responsible for ensuring that any offer, sale, delivery or resale of the notes by such investor occurs in compliance with applicable Italian laws and regulations.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Other Relationships

Certain of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us, our affiliates or TIIL. They have received, or may in the future receive, customary fees and commissions for these transactions.

BofA Securities Europe SA and/or its affiliates is serving as financial advisor to TIIL in connection with the Acquisition, for which they will receive customary fees. For a description of certain related party arrangements between Grifols and its affiliates to be effective from and after the consummation of the Acquisition, see "Certain Relationships and Related Party Transactions." In addition, certain of the initial purchasers or their respective affiliates have also agreed to provide interim financing to the Issuer with respect to an unsecured bridge facility to finance a portion of the Acquisition under certain circumstances in the event that the offering of the notes is not consummated, for which these initial purchasers will be paid customary fees. These bridge commitments will be reduced by an amount equal to the aggregate gross proceeds of this offering. See "Description of Indebtedness."

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours, our affiliates or TIIL (including the notes). The initial purchasers and/or their affiliates may receive allocations of the notes (subject to customary closing conditions), which could affect future trading of the notes. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is organized in Spain, and the guarantors are incorporated, or organized, in the United States, Ireland and Spain. Grifols is a company (*sociedad anónima*) organized under the laws of Spain. The large majority of the Issuer's and guarantors' board members and senior management reside outside the United States. Many of the assets of the Issuer, the guarantors and those other persons are located outside the United States. Although we will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such persons within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws.

If a judgment is obtained in a U.S. court against the Issuer or any guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets, which may not be such investors' jurisdiction of domicile. In addition, Spanish counsel have informed us that it is questionable whether a Spanish court would accept jurisdiction and impose civil liability if proceedings were commenced in Spain predicated solely upon U.S. federal or state securities laws. If a judgment is obtained in a U.S. court against the Issuer, any guarantor, or any of their respective directors or senior management, investors will need to enforce such judgment in jurisdictions where the relevant company or individual has assets. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based on United States federal or state securities laws, would not be automatically enforceable in such countries. You should consult with your own advisers in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

The statute of limitations applicable to payment of interest and repayment of principal under New York law is six years.

Spain

Grifols is advised by its Spanish legal counsel, Osborne Clarke España S.L.P., that any final and binding judgment obtained against Grifols in the United States would be recognized and enforced by the courts of Spain in accordance with the Law of Civil Procedure (*Ley de Enjuiciamiento Civil*) if the appropriate order *(exequatur)* is obtained, for which prior to the time such judgment is introduced into a Spanish court for enforcement, there should be no material contradiction or incompatibility between the referred judgment with a judgment rendered or judicial proceedings outstanding in Spain, and (a) according to the provisions of any applicable treaty (there is none currently in existence with the United States), or (b) in the absence of any such treaty, if it could be proven that the judgment does not infringe any of the requirements set out by Spanish Act 29/2015 on International legal cooperation in civil matters (*Ley 29/2015, de 30 de julio, de cooperación jurídica internacional en materia civil*), to be recognized.

Pursuant to article 46 of Spanish Act 29/2015, the recognition (throughout the *exequatur*'s process) shall be refused: (1) if such recognition is manifestly contrary to public policy (*orden público*) in Spain; or (2) if the judgment or decision has been rendered in a procedure where the rights of the defendant have been violated, placing the defendant in a situation in which the defendant's due process rights are denied, or infringing the defendant's right to an effective judicial protection (it shall be deemed that the rights of the defendant have been violated if the defendant was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable the defendant to arrange for its defense); or (3) the judgment or decision must not have been rendered on matters falling within the exclusive jurisdiction of the Spanish courts or, with regard to other matters, if the jurisdiction of the court of origin does not obey any reasonable connection; or (4) if the judgment is irreconcilable with an earlier judgment given in Spain; or (5) if the judgment is irreconcilable with an earlier judgment given in another State, provided that the earlier judgment fulfills the conditions necessary for its recognition in Spain; or (6) if there is an ongoing litigation in Spain between the same parties and over the same matter.

Ireland

It may be difficult to effect service of process in the United States on GWWO or its respective directors and officers not resident in the United States or to enforce, in the Irish courts, judgments obtained against GWWO or its respective directors or officers in a U.S. court based on the civil liability provisions of U.S. federal or state laws. The United States and Ireland do not currently have a treaty providing for the recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters and accordingly, common law rules apply in order to determine whether a judgment of a U.S. is enforceable in Ireland.

Under common law rules, judgments of U.S courts are not directly enforceable in Ireland. However, a judgment of a U.S. court may be recognized and enforced by the courts of Ireland subject to first obtaining by way of a new action an order from the Irish courts which would be granted on proper proof of the relevant judgment of the U.S. court without retrial or examination of the merits of the case, provided that:

- the U.S. court was a court of competent jurisdiction in accordance with Irish conflicts of law rules;
- the U.S. judgment has not been obtained or alleged to have been obtained by fraud or trick;
- the decision of the U.S. court and the enforcement thereof was not and would not be contrary to natural or constitutional justice as understood by the Irish courts under the laws of Ireland;
- the U.S. judgment and the enforcement thereof would not be contrary to public policy as understood by the Irish courts, or constitute the enforcement of a judgment of a penal or revenue (tax) nature;
- the U.S. judgment is final and conclusive and is for a debt or definite sum of money;
- the procedural rules of the U.S. courts and the Irish courts have been observed;
- the judgment is not inconsistent with a judgment of the Irish courts in respect of the same matter;
- the Irish courts have, and in their discretion elect to exercise, jurisdiction over the matter;
- the enforcement proceedings are instituted in Ireland by way of new action within six years from the date of the U.S. judgment, or such other period as may be applicable pursuant to the Statute of Limitations 1957 of Ireland as amended; and
- there is a practical benefit to the party in whose favor the U.S. judgment is made in seeking to have the judgment enforced in Ireland.

TAXATION

Certain Material U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax considerations applicable to the acquisition, ownership and disposition of notes. This discussion is based on the United States Internal Revenue Code of 1986, as amended (the "Code"), the final, temporary and proposed Treasury regulations promulgated thereunder, judicial decisions and administrative pronouncements, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. Unless otherwise indicated, this summary deals only with holders who purchase the notes upon their initial issuance at their "issue price" (i.e., the first price at which a substantial amount of the issue is sold to purchasers other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) for cash and that will hold the notes as capital assets for U.S. federal income tax purposes (generally, property held for investment). The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of notes by particular investors, and does not address state, local, non-U.S. (except as provided in this offering memorandum) or other U.S. federal tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, U.S. Holders (defined below) whose functional currency is not the U.S. dollar or accrual method taxpayers that are required to recognize income for U.S. federal income tax purposes no later than when such income is taken into account in the taxpayer's applicable financial statements under Section 451 of the Code).

There is no assurance that the Internal Revenue Service ("IRS") will not disagree with any of the conclusions discussed herein, and the Issuer has not obtained, and does intend to obtain, a ruling from the IRS with respect to the matters discussed herein.

As used herein, the term "U.S. Holder" means a beneficial owner of notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or any other entity treated as a corporation) created or organized under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust (or for certain trusts formed prior to August 20, 1996, if such trust has a valid election in effect under U.S. law to be treated as a United States person).

The U.S. federal income tax treatment of a partner in a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that holds notes will depend on the status of the partner and the activities of the partnership (or other such entity). Prospective purchasers that are partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes) should consult their own tax advisors concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of notes by the partnership.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER FEDERAL TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Tax Consequences of Escrow Arrangement

The notes will be issued by the Escrow Issuer. If the escrow release conditions are satisfied, Grifols is expected to assume the Escrow Issuer's obligations under the notes. See the cover of this offering memorandum and "Description of Notes—General." We intend to take the position that Grifols will be treated as the Issuer of the notes for U.S. federal income purposes from the issue date of the notes. We also intend to take the position that the assumption of the notes by Grifols should not constitute a "significant modification" of the notes for U.S. federal income tax purposes and, therefore, should not have any U.S. federal income tax consequences to holders. If, contrary to our expectation, the IRS were to challenge our position, and such challenge were ultimately successful, the assumption of the notes by Grifols would likely be treated as a taxable exchange by a holder of its notes for new notes, as described below under "—U.S. Holders—Sale, Retirement, Redemption or Other Disposition of the Dollar Notes" and "—U.S. Holders—Sale,

Retirement, Redemption or Other Disposition of the Euro Notes." The "amount realized" for the "new" notes would equal the "issue price" of the "new" notes, which would be equal to (i) the fair market value of the "new" notes if the "new" notes or the old notes are treated as "publicly traded" for United States federal income tax purposes or (ii) the stated principal amount of the "new" notes if neither the "new" notes nor the old notes are "publicly traded" for U.S. federal income tax purposes. In addition, a holder could be treated as acquiring the "new" notes with original issue discount, and a holder's holding period for the "new" note would not include the holding period for old notes. Holders should consult with their own tax advisors regarding the tax consequences to them of Grifols's assumption of the Escrow Issuer's obligations under the notes. The remainder of this discussion assumes that the foregoing assumption will not result in a "significant modification" of the notes for U.S. federal income tax purposes.

Characterization of the Notes

In certain circumstances (see "Description of Notes"), the Issuer may be obligated to pay amounts on the notes that are in excess of stated interest or principal on the notes. Although the issue is not free from doubt, the Issuer intends to take the position that the possibility of such payments does not result in the notes being treated as contingent payment debt instruments under the applicable Treasury regulations. The Issuer's position is binding on a U.S. Holder unless such U.S. Holder discloses its contrary position in the manner required by applicable Treasury regulations. However, the Issuer's position is not binding on the IRS, and if the IRS were to take a contrary position, U.S. Holders may be required to treat any gain recognized on the sale or other disposition of the notes as ordinary income rather than as capital gain. Furthermore, U.S. Holders would be required to accrue interest income on a constant yield basis at an assumed yield determined at the time of issuance of the notes, with adjustments to such accruals when any contingent payments are made that differ from the payments calculated based on the assumed yield. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the notes of the contingent payment debt instrument rules and the consequences thereof. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments.

U.S. Holders

Euro Notes

Payments of Interest

It is expected, and this discussion assumes, that either the issue price of the euro notes will equal the stated principal amount of the euro notes or the euro notes will not be issued with more than a de minimis amount of original issue discount for U.S. federal income tax purposes. Accordingly, payments of stated interest on the euro notes, including any additional amounts and non-U.S. tax withheld on such payments, if any, will be taxable to a U.S. Holder as ordinary income at the time they are received or accrued in accordance with the U.S. Holder's method of accounting for tax purposes.

Interest received by a U.S. Holder will be treated as foreign source income and, for purposes of calculating that U.S. Holder's foreign tax credit limitation, generally will be considered passive category income. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

The amount of interest income recognized by a U.S. Holder that uses the cash basis method of accounting for U.S. federal income tax purposes will be the U.S. dollar value of the euro interest payment, based on the exchange rate in effect on the date of receipt of such interest payment, regardless of whether the payment is, in fact, converted into U.S. dollars. A U.S. Holder that uses the cash basis method of accounting for U.S. federal income tax purposes will not realize foreign currency exchange gain or loss on the receipt of stated interest income but may recognize exchange gain or loss attributable to the actual disposition of the euro received.

A U.S. Holder that uses the accrual basis method of accounting for U.S. federal income tax purposes may determine the amount of income recognized with respect to an interest payment denominated in euros using either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an interest accrual period that spans two taxable years, the average exchange rate for the portion of such period within the taxable year). Under the second method, a U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate on the last day of the accrual period (or, in the case of an interest accrual period that spans two taxable years, the exchange rate that is in effect on the last day of the part of such period within the taxable year). Additionally, if a payment of interest is actually received within five

business days of the last day of an interest accrual period, a U.S. Holder using the accrual method of accounting for U.S. federal income tax purposes, which elected to use the second method, may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day the payment is received. If a U.S. Holder elects the second method, the U.S. Holder must apply it consistently to all debt instruments held by such U.S. Holder at the beginning of the first taxable year to which the election applies and any debt instruments thereafter acquired by the U.S. Holder, and the U.S. Holder cannot revoke the election without the consent of the IRS. U.S. Holders should consult their own advisers as to the effect of such an election in their individual circumstances. A U.S. Holder that uses the accrual basis method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued euro denominated stated interest income on the date the interest payment is actually received. The amount of foreign currency exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the interest payment received (determined based on the exchange rate on the date the payment is received) in respect of the accrual period and the U.S. dollar value of stated interest income that has accrued during the accrual period (as determined above), regardless of whether the payment is, in fact, converted to U.S. dollars.

Sale, Retirement, Redemption or other Disposition of the Euro Notes

A U.S. Holder will generally recognize taxable gain or loss on the sale, retirement, redemption or other disposition of a euro note equal to the difference between the amount realized upon the disposition and the U.S. Holder's basis in the note. A U.S. Holder's basis in the Note will generally be the U.S. dollar cost (as defined below) of the note. The amount realized does not include the amount attributable to accrued but unpaid interest not previously included in income, which will be treated like a payment of interest as described above. Gain or loss that a U.S. Holder recognizes upon the taxable disposition of a euro note generally will be capital gain or loss and will be long term capital gain or loss if, at the time of disposition, the U.S. Holder's holding period for the euro note is more than one year. Long term capital gains of non-corporate taxpayers are generally subject to reduced rates of federal income taxation. The deductibility of capital losses by U.S. Holders is subject to limitations. Gain recognized by a U.S. Holder from the disposition of the euro notes generally will be treated as U.S. source income for foreign tax credit purposes.

The U.S. dollar cost of a euro note purchased with euros generally will be the U.S. dollar value of such euros on the date the U.S. Holder purchased the euro note or, if the euro notes are treated as traded on an established securities market and the U.S. Holder uses the cash basis method of accounting (or a U.S. Holder that uses the accrual basis method of accounting and so elects), the settlement date of the purchase of such euro note. The amount realized on a sale, retirement, redemption or other disposition of a euro note for an amount in euros will be the U.S. dollar value of this amount on the date of such disposition, or, if the euro notes are treated as traded on an established securities market and the U.S. Holder uses the cash basis method of accounting (or a U.S. Holder that uses the accrual basis method of accounting and so elects), the settlement date for such sale, retirement, redemption, or other disposition. A U.S. Holder that uses the accrual basis method of accounting and makes the election described in this paragraph must apply the election consistently to all debt instruments held by such U.S. Holder at the beginning of the first taxable year to which the election applies and any debt instruments thereafter acquired by such U.S. Holder, and the U.S. Holder cannot revoke the election without the consent of the IRS. If euro notes held by a U.S. Holder that uses the accrual basis method of accounting are not treated as traded on an established securities market for these purposes (or, if a euro note is so traded but the U.S. Holder has not made the settlement date election described above), the U.S. Holder will recognize foreign currency gain or loss, recognized as ordinary gain or loss, to the extent that the U.S. dollar value of the euros received on the settlement date differs from the U.S. dollar value of the amount realized on the date of the disposition. Gain or loss realized upon the sale, retirement, redemption or other disposition of a euro note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss not treated as interest income or expense and generally will be U.S. source gain or loss. Gain or loss attributable to fluctuations in currency exchange rates generally will equal the difference, if any, between (i) the U.S. dollar value of the purchase price for the euro note in euros, determined at the exchange rate on the date the euro note is disposed of, and (ii) the U.S. dollar value of the purchase price for the euro note in euros, determined at the exchange rate on the date the euro note was acquired. Any foreign currency exchange gain or loss (including with respect to accrued interest) will be recognized only to the extent of the total gain or loss realized by such U.S. Holder on the redemption, sale or other taxable disposition of the euro note.

Foreign Currency Loss

In general, any foreign currency loss claimed by a U.S. Holder from a sale, retirement, redemption or other disposition of a euro note or foreign currency received in respect of such euro note will be treated as a "reportable transaction" for U.S. federal income tax purposes to the extent that the amount of the loss equals or exceeds certain threshold amounts. U.S. Holders should consult their own tax advisors concerning the application of the reportable transaction regulations to their investment in the euro notes, including any requirement to file IRS Form 8886 with their tax return.

Disposition of Foreign Currency

If a U.S. Holder receives euros as interest on a euro note, or on the sale, retirement, redemption or other taxable disposition of a euro note, the U.S. Holder's tax basis in the euros will equal the U.S. dollar value of such euros when the interest is received or at the time of the sale, exchange, redemption, retirement or other disposition of a euro note. If the U.S. Holder exchanges such euros received into U.S. dollars, or sells or otherwise disposes of such euros received in a taxable transaction, including the use of such euros to purchase other property (including euro notes or other securities denominated in euros), any gain or loss recognized generally will be ordinary gain or loss.

Dollar Notes

Payments of Interest

It is expected, and this discussion assumes, that either the issue price of the dollar notes will equal the stated principal amount of the dollar notes or the dollar notes will not be issued with more than a de minimis amount of original issue discount for U.S. federal income tax purposes. Accordingly, payments of stated interest on the dollar notes, including any additional amounts and non-U.S. tax withheld on such payments, if any, will be taxable to a U.S. Holder as ordinary income at the time they are received or accrued in accordance with the U.S. Holder's method of accounting for tax purposes.

Interest received by a U.S. Holder will be treated as foreign source income and, for purposes of calculating that U.S. Holder's foreign tax credit limitation, generally will be considered passive category income. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

Sale, Retirement, Redemption or other Disposition of the Dollar Notes

Upon the sale or other taxable disposition of a dollar note (including a redemption, payment on maturity, or repurchase of a dollar note), a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized on the sale or other taxable disposition (less any amount attributable to accrued but unpaid interest, which generally will be taxable as interest in the manner described above to the extent not previously included in the U.S. Holder's gross income) and such U.S. Holder's adjusted tax basis in the dollar note. A U.S. Holder's adjusted tax basis in a dollar note generally will equal the amount such U.S. Holder paid to acquire such dollar note. Gain or loss in respect of a dollar note generally will be capital gain or loss, and will be long-term capital gain or loss if, at the time of sale or other taxable disposition, the U.S. Holder's holding period in the dollar note exceeds one year. The deductibility of capital losses by U.S. Holders is subject to limitations. Gain from the disposition of the dollar notes generally will be treated as U.S. source income for foreign tax credit purposes.

Disclosure of Information with Respect to Foreign Financial Assets

Certain U.S. persons who hold any interest in "specified foreign financial assets," including the notes, during the relevant taxable year must attach to their U.S. tax return for such year certain information with respect to each such asset if the aggregate value of all such assets exceeds $50,000 (or a higher dollar amount prescribed by the IRS), unless such notes are held in an account maintained by a U.S. payer, such as a U.S. financial institution or the U.S. branch of a foreign bank or insurer. For this purpose, a "specified foreign financial asset" includes any depositary, custodial or other financial account maintained by a foreign financial institution, and certain assets that are not held in an account maintained by a financial institution, including any stock or security issued by a person other than a U.S. person. A taxpayer subject to these rules who fails to furnish the required information may be subject to a penalty of $10,000, and an additional penalty may apply if the failure continues for more than 90 days after the taxpayer is notified of such failure by the IRS, unless the taxpayer demonstrates a reasonable cause for such failure to comply. An accuracy-related penalty of 40% is imposed for an underpayment of tax that is attributable to an "undisclosed foreign financial asset understatement," which, for this purpose, is the portion of the understatement of gross income for any taxable year that is attributable to any transaction involving an "undisclosed foreign financial asset," including any asset that is subject to information reporting requirements under these rules, which would include the notes if the dollar threshold described above were satisfied.

The applicable statute of limitations for assessment of U.S. federal income taxes is extended to six years if a taxpayer omits from gross income more than $5,000 and such omission is attributable to a foreign financial asset as to which reporting is required under the rules described in the preceding paragraph or would be so required if such rules

were applied without regard to the dollar threshold or any other exceptions specified by the IRS. In addition, the statute of limitations will be suspended if a taxpayer fails to provide in a timely manner information with respect to specified foreign financial assets required to be reported. U.S. Holders should consult their tax advisors regarding disclosure of information requirements relating to their ownership of the notes.

Medicare Contribution Tax on Unearned Income

An additional 3.8% tax is imposed on the "net investment income" of certain U.S. Holders who are citizens and resident aliens, and on the undistributed "net investment income" of certain estates and trusts. Among other items, "net investment income" generally includes interest on the notes and certain net gain from the sale, retirement, redemption or other taxable disposition of the notes, less certain deductions.

Information Reporting and Backup Withholding

Payments of principal and interest on and the proceeds from the sale, retirement, redemption or other taxable disposition (including exchange) of notes by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable Treasury regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest required to be shown on its U.S. federal income tax returns. U.S. Holders should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. The amount of any backup withholding imposed will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

U.S. Holders should consult their own tax advisors regarding whether they have any filing or reporting requirements as a result of acquiring, owning or disposing of notes.

Non-U.S. Holders

A "Non-U.S. Holder" is a beneficial owner of a note that is not a U.S. Holder. In general, payments on the notes to a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax. A Non-U.S. Holder's net income from the notes also will not be subject to U.S. federal income taxation unless the income is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business. Gain realized by a Non-U.S. Holder on its taxable disposition of the notes will not be subject to U.S. federal income tax unless (1) the gain is effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business or (2) the Non-U.S. Holder is an individual who is present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met. In addition, if such Non-U.S. Holder is a non-U.S. corporation, such interest or gain may be subject to a branch profits tax at a rate of 30% (or such lower rate as is provided by an applicable income tax treaty).

Spanish Taxation

The following is a general description of certain Spanish tax considerations relating to the notes. The information provided below does not purport to be a complete overview of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in the law, its interpretation and application, possibly with retroactive effect.

This taxation summary solely addresses the principal Spanish tax consequences, under the general taxation regime, deriving from the acquisition, the ownership and disposal of notes issued by the Issuer after the date hereof and held by a holder of notes. It is not intended to consider every aspect of taxation that may be relevant to a particular holder of notes; in particular it is not intended to cover special circumstances or special tax treatments applicable to specific categories of investors or available under applicable law or the application of special tax regimes by reason of territory, such as those in the Basque Country and Navarra. Where in this summary English terms and expressions are used to refer to Spanish concepts, the meaning of such terms and expressions shall be the meaning corresponding to the equivalent Spanish concepts under Spanish tax law. This summary assumes that each and every transaction with respect of the notes is at arm's length and that the notes will be admitted to trading on the Global Exchange Market of Euronext Dublin.

This overview is based on the law in effect on the date of this document and is subject to any change in law that may take effect after such date. References in this section to holders of notes include the beneficial owners of notes, where applicable. Any prospective investors should consult their own tax advisers who can provide them with

personalized advice based on their particular circumstances. Additionally, investors should consider the legislative changes which may occur in the future.

Introduction

This information has been prepared in accordance with the following Spanish tax legislation, all as currently in effect and all subject to change at any time, possibly with retroactive effect:

(a) of general application, Additional Provision One of Law 10/2014, of 26 June on the management, supervision and solvency of credit institutions (the "Law 10/2014"), as well as Royal Decree 1065/2007, of 27 July establishing information obligations in relation to preferential holdings and other debt instruments (the "Royal Decree 1065/2007");

(b) for individuals with tax residency in Spain who are liable to personal income tax (the "Personal Income Tax" or "PIT"), Law 35/2006, of 28 November on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax law (the "Personal Income Tax Law"), and the Royal Decree 439/2007, of 30 March promulgating the Personal Income Tax Regulations, as well as Law 19/1991, of 6 June on Wealth Tax and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax;

(c) for legal entities resident for tax purposes in Spain which are liable to corporate income tax (the "Corporate Income Tax" or "CIT"), Law 27/2014, of 27 November on Corporate Income Tax Law, and Royal Decree 634/2015, of 10 July 2015 promulgating the Corporate Income Tax Regulations (the "Corporate Income Tax Regulations"); and

(d) for individuals and legal entities who are not resident for tax purposes in Spain and are liable to non-resident income tax (the "Non-Resident Income Tax" or "NRIT"), Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations, as well as Law 19/1991, of 6 June on Wealth Tax and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax.

Regardless of the nature and residence of the beneficial owner, the acquisition and transfer of the notes will be exempt from indirect taxes in Spain, both from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of September 24, 1993 and from Value Added Tax, in accordance with Law 37/1992, of December 28, 1992 regulating such tax.

Individuals with Tax Residency in Spain

Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas).

Spanish individuals with tax residency in Spain are subject to PIT on a worldwide basis. Accordingly, income from the notes will be taxed in Spain when obtained by persons that are considered resident in Spain for tax purposes.

Both interest payments periodically received and income derived from the transfer, redemption or exchange of the notes constitute a return on investment obtained from the letting of a person's own capital to third parties in accordance with the provisions of Section 25 of the PIT Law, and therefore must be included in the investor's PIT savings taxable base pursuant to the provisions of the aforementioned law and taxed at the applicable rate (the savings base is currently subject to a rate of 19 percent. on the first €6,000, 21 percent. for taxable income between €6,001 and €50,000, 23 percent. for taxable income between €50,000 and €200,000 and 26 percent. for taxable income in excess of €200,000).

As a general rule, both types of income are subject to a withholding tax on account of Personal Income Tax at the rate of 19 percent. However, according to Section 44.5 of Royal Decree 1065/2007, of July 27, 2007, in the case of debt listed securities issued under Law 10/2014 and initially registered in a foreign clearing and settlement entity that is recognized under Spanish regulations or under those of another OECD member state (as the notes issued by Issuer), the Issuer will make interest payments to individual holders who are resident for tax purposes in Spain without withholding provided the paying agent complies in a timely manner with certain formalities described below (see "—Disclosure of Information in Connection with the Notes"). It is not necessary to provide the Issuer with the identity of the holders of

notes who are individuals resident in Spain for tax purposes or to indicate the amount of income attributable to such individuals.

Therefore, the Issuer understands that, according to Royal Decree 1065/2007, it has no obligation to withhold any amount on account of taxes on the interest paid on the notes corresponding to the holders of notes who are individuals with tax residency in Spain, provided the information procedures (which do not require identification of the holders of notes) are complied with.

Nevertheless, Spanish withholding tax at the applicable rate (currently, 19%) may have to be deducted by other entities (such as depositaries or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory. The amounts withheld, if any, may be credited by the relevant investors against their final PIT liability.

Net Wealth Tax (Impuesto sobre el Patrimonio)

Net Wealth Tax may be levied in Spain on resident individuals, on a worldwide basis. Each Autonomous Region in Spain has significant powers to regulate certain aspects of this tax, in particular as regards the tax rate or tax credits. Investors should, therefore, consult with their tax advisers on the particulars of their situation.

Individuals with tax residency in Spain are subject to Net Wealth Tax to the extent that their net worth exceeds a certain limit, currently set at €700,000. Therefore, they should take into account the value of the notes which they hold as of December 31 each year. The rates currently applicable range between 0.2 percent and 3.75 percent.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The effective tax rates currently may range between 7.65% and 34%. Relevant factors applied (such as previous net wealth, degree of kinship with transferor or applicable tax provisions approved by the Autonomous Regions) affect the final effective tax rate, which currently may range between 0% and 81.6%.

Legal Entities with Tax Residency in Spain

Corporate Income Tax (Impuesto sobre Sociedades)

Legal entities with tax residency in Spain are subject to CIT on a worldwide basis. Both interest received periodically and income derived from the transfer, redemption or repayment of the notes are subject to CIT (at the current general tax rate of 25 percent) in accordance with the rules for this tax.

Pursuant to Section 61.s of the Corporate Tax Regulations, there is no obligation to make a withholding on income obtained by taxpayers subject to Spanish CIT (which for the avoidance of doubt, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organized markets in OECD countries. However, in the case of notes held by a Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest and income deriving from the transfer may be subject to withholding tax by the depositary or custodian at the current rate of 19 percent, unless the notes comply with the exemption requirements specified in the ruling issued by the Spanish General Directorate of Taxes (*Dirección General de Tributos*) dated July 27, 2004. These exemptions requirements are: placement of the notes outside of Spain in another OECD country and admission to listing of the notes on an organized market in an OECD country other than Spain. The amounts withheld, if any, may be credited by the relevant investors against their final CIT liability.

Notwithstanding the above, according to Royal Decree 1065/2007, in the case of listed debt instruments issued under Law 10/2014 and initially registered in a foreign clearing and settlement entity that is recognized under Spanish regulations or under those of another OECD member state (such as the notes issued by the Issuer), no withholding on account of CIT will be imposed on interest or on income derived from the notes by a Spanish CIT taxpayer, provided the paying agent complies in a timely manner with certain formalities described below (see "—Disclosure of Information in Connection with the Notes").

Therefore, the Issuer considers that, pursuant to Royal Decree 1065/2007, it has no obligation to withhold any tax on interest paid on the notes in respect of holders who are liable to Spanish Corporate Income Tax, provided the information procedures are complied with.

Net Wealth Tax (Impuesto sobre el Patrimonio)

Legal entities resident in Spain for tax purposes are not subject to Net Wealth Tax.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones).

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the notes in their taxable income for Spanish CIT purposes.

Individuals and Legal Entities with no Tax Residency in Spain

Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)

(a) With permanent establishment in Spain

Should the notes be part of the assets of a permanent establishment in Spain belonging to a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such notes are, generally, the same as those previously set out for Spanish CIT taxpayers. See "—Legal Entities with Tax Residency in Spain—Corporate Income Tax (*Impuesto sobre Sociedades*)." Ownership of the notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

(b) With no permanent establishment in Spain

Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the notes, obtained by individuals or legal entities who are not residents of Spain for tax purposes and do not act, with respect to the notes, through a permanent establishment in Spain, are exempt from Non-Resident Income Tax on the same terms as income from Public Debt.

In order for such exemption to apply, it is necessary to comply with the information procedures described under "—Disclosure of Information in Connection with the Notes" as set out in section 44 of Royal Decree 1065/2007 (as amended by Royal Decree 1145/2011).

Investors who are not resident in Spain for tax purposes and are entitled to an exemption from Non-Resident Income Tax but, in respect of whose notes, have the Issuer has not received the information referred to in "—Disclosure of Information in Connection with the Notes" in a timely manner, would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, in accordance with the relevant procedures under Spanish Law.

Net Wealth Tax (Impuesto sobre el Patrimonio)

Provided that income derived from the notes is exempt from NRIT, individuals, non-resident in Spain for tax purposes and holding notes on the last day of the calendar year, will be exempt from Net Wealth Tax. Moreover, individuals resident in a country with which Spain has entered into a double tax treaty in relation to Net Wealth Tax would generally not be subject to such tax.

In all other cases, non-Spanish resident individuals whose properties and rights are located in Spain, or can be exercised in Spain and are in excess of a certain limit, currently set at €700,000 would be subject to Net Wealth Tax. In such event, they should take into account the value of the notes of which they hold on December 31 each year, the applicable rates ranging between 0.2 percent and 3.75 percent.

Holders of notes that are tax resident in a State of the European Union or of the EEA are entitled to apply the rules of the Autonomous Region where their most valuable assets are located or can be exercised.

Legal entities that do not reside in Spain for Spanish tax purposes are not subject to Net Wealth Tax.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Unless otherwise provided under an applicable double tax treaty in relation to Inheritance and Gift Tax, such tax may be levied in Spain on non-resident individuals and only on assets and rights that are located or that may be exercised on Spanish territory. The effective tax rates currently may range between 7.65% and 34%. Relevant factors applied (such as previous net wealth, degree of kinship with transferor or applicable tax laws approved by the Autonomous Regions) affect the final effective tax rate, which currently may range between 0% and 81.6%.

Generally, non-Spanish tax resident individuals are subject to Spanish Inheritance and Gift Tax according to the common rules applicable nationally. However, should the deceased, the heir or the donee be resident in an EU or EEA Member State, the applicable rules will be those corresponding to the relevant Autonomous Regions according to the law.

Non-Spanish resident corporations are not liable to the Spanish Inheritance and Gift Tax and income inherited or obtained by gift (*a título lucrativo*) will generally be subject to NRIT as capital gains, unless otherwise provided under an applicable double tax treaty.

Obligation to inform the Spanish tax authorities of the ownership of the notes

With effect from January 1, 2013, Law 7/2012, of October 29, 2012, as implemented by Royal Decree 1558/2012, of November 15, 2012 introduced annual reporting obligations applicable to Spanish residents (i.e. individuals, legal entities, permanent establishments in Spain of non-resident entities) in relation to certain foreign assets or rights.

Consequently, if the notes are deposited with or placed in the custody of a non-Spanish entity, holders of notes resident in Spain will be obliged, if certain thresholds are met as described below, to file a return before the Spanish Tax Authorities, between January 1 and March 31 every year, declaring the ownership of the notes held on December 31 of the immediately preceding year (e.g. the notes held on December 31, 2019 should be included in a filing made between January 1, 2020 and March 31, 2020).

This obligation would only need to be complied with where certain thresholds are met. Currently, the thresholds would be as follows: specifically, where the only rights and assets held abroad are the notes, this obligation would only apply, should the value of the notes together with other qualifying assets held on December 31, exceed €50,000 (the corresponding valuation should be made in accordance with Wealth Tax rules). Should this threshold be met, the filing would only be required in subsequent years where the value of the notes together with other qualifying assets increases by more than €20,000 as compared with the previous filing. Similarly, cancellation or extinguishment of the ownership of the notes before December 31, of the relevant year should be included in such filing, provided the ownership was included in previous filings.

Disclosure of Information in Connection with the Notes

According to Additional Provision One of Law 10/2014, the Issuer is subject to certain reporting obligations in relation to the notes.

In accordance with section 5 of Article 44 of RD 1065/2007 as amended by RD 1145/2011, and provided that the notes issued by the Issuer are initially registered for clearance and settlement in Euroclear and Clearstream, the paying agent would be obliged to provide the Issuer with a certificate (the form of which is set out in the Annex to the RD 1065/2007), which should include the following information:

(i) description of the notes (and date of payment of the interest income derived from such notes);

(ii) total amount of interest derived from the notes; and

(iii) total amount of interest allocated to each non-Spanish clearing and settlement entity involved.

According to section 6 of Article 44 of RD 1065/2007, the relevant certificate will have to be provided to the Issuer on the business day immediately preceding any payment of interest, principal or any amounts in respect of the early redemption of the notes. If this requirement is complied with, the Issuer will pay gross (without deduction of any withholding tax) all payments under the notes to all holders (irrespective of whether they are tax resident in Spain).

Should the paying agent fail to provide the information detailed above, according to section 7 of Article 44 of RD 1065/2007, the Issuer, or the paying agent acting on its behalf, could be required to withhold tax from the relevant payments at the general withholding tax rate (currently, 19 percent). If on or before the 10th calendar day of the month following the month in which the relevant payment has been made, the paying agent were to submit such information, the Issuer, or the paying agent acting on its behalf, would refund the total amount of taxes withheld.

Notwithstanding the above, the Issuer has agreed that in the event that withholding tax were required by law, the Issuer, would pay such additional amounts as may be necessary such that a holder of notes would receive the same amount that he would have received in the absence of any such withholding or deduction, except as provided in "Description of Notes."

The Proposed Financial Transactions Tax

On February 14, 2013, the European Commission published a proposal, (*the Commission's Proposal*), for a Directive for a common Proposed Financial Transactions Tax (the "FTT"), in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, (the Participating Member States). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a broad scope and could, if introduced, apply to certain dealings in notes (including secondary market transactions) in certain circumstances. The issuance and subscription of notes should, however, be exempt. Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument that is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate or certain participating Member States may decide to withdraw. Prospective holders of notes are advised to seek their own professional advice in relation to the FTT.

The Spanish Financial Transactions Tax (FTT)

Before a consensus was reached by the Participating Member States, the Spanish Parliament approved Law 5/2020 of 15 October, on the FTT (*Ley del Impuesto sobre las Transacciones Financieras*) which entered into force on 16 January 2021. The Spanish FTT applies on the acquisition of shares or depositary certificates representing such shares traded on a regulated market (whether Spanish or foreign) issued by a Spanish company with a market capitalization of more than EUR 1 billion at December 1st of the previous year. The tax rate is currently set at 0.2 per cent.

As a broad rule, only acquisitions of shares or depositary certificates representing such shares are in the scope of the tax. For other financial instruments (derivatives, bonds, etc.), they will only be subject to the tax when the execution or settlement of these financial instruments entails a delivery of shares (or depositary certificates). Therefore, in principle, the Spanish FTT does not affect transactions involving bonds or debt or similar instruments, such as preferred securities or derivatives. Prospective holders of notes are advised to seek their own professional advice in relation to the Financial Transactions Tax.

Certain Irish Tax Considerations

Introduction

The following is a general summary of the Irish withholding tax consequences in relation to payments of interest on the notes and payments in respect of the guarantees and of the Irish stamp duty consequences of the issue or transfer of the notes. This summary is based upon the laws of Ireland and the published practices of the Revenue Commissioners of Ireland in effect on the date of this prospectus supplement and is subject to any change in law or practice which may take effect after that date (including with retrospective effect).

Irish Withholding Tax

Payments of interest on the notes

Irish Withholding Tax: Interest payments on the notes made by the Escrow Issuer may be made without withholding Irish income tax provided that the notes do not have an "Irish source." Interest payments on the notes made by the Escrow Issuer would not generally be considered to have an Irish source where: (i) the Escrow Issuer is not resident in Ireland for the purposes of Irish tax; (ii) the Escrow Issuer does not operate in Ireland through a branch or agency with which the issue of the notes is connected; (iii) the funds for the payments do not come from Ireland and no interest payments will be made from Ireland; and (iv) no debt is secured on immovable property situated in Ireland. Accordingly, the Escrow Issuer or any paying agent acting on behalf of the Escrow Issuer should not be obliged to deduct Irish interest withholding taxes from payments made in connection with the notes.

Irish Encashment Tax: In certain circumstances, Irish tax will be required to be withheld at the rate of 25% from any interest paid in respect of the notes, where such interest is paid, collected or realized by a person in Ireland on behalf of any holder of the notes. Holders of the notes should therefore be aware that the appointment of an Irish collection agent or an Irish paying agent could result in the deduction of 25% encashment tax by such agent from interest payments on the notes. A holder of notes that is not resident in Ireland for tax purposes may claim an exemption from this withholding tax by submitting an appropriate declaration of non-Irish tax residency to the Irish agent. A holder of notes may also be exempt from encashment tax if such holder is within the charge to Irish corporation tax in respect of the interest payable on the notes.

Payments in respect of the guarantees

Depending on the correct analysis under Irish law of payments in respect of the guarantees, it is possible that such payments by companies which are resident in Ireland would be subject to withholding on account of Irish income tax at the standard rate (currently 20%), subject to such relief as may be available under the provisions of any applicable double tax treaty or any other exemption which may apply under domestic Irish law.

Irish Stamp Duty

No Irish stamp duty should be payable on the issue or transfer of the notes for so long as the transfer of the notes does not relate to: (i) immovable property situated in Ireland or any right over or interest in such property; or (ii) the stocks or marketable securities of a company registered in Ireland.

THE IRISH TAX CONSIDERATIONS SUMMARIZED ABOVE ARE FOR GENERAL INFORMATION ONLY. EACH HOLDER (OR PROSPECTIVE HOLDER) OF NOTES SHOULD CONSULT HIS OR HER TAX ADVISOR AS TO THE PARTICULAR CONSEQUENCES THAT MAY APPLY TO SUCH HOLDER.

LISTING AND GENERAL INFORMATION

Listing on Euronext Dublin

This offering memorandum comprises "Listing Particulars" for the purpose of the application to Euronext Dublin for the listing of the notes. Application has been made to Euronext Dublin for the approval of these "Listing Particulars," for the notes to be admitted to the Official List of Euronext Dublin and to be admitted to be traded on the Global Exchange Market of Euronext Dublin.

As long as any of the notes remain outstanding and listed on the official list of Euronext Dublin, copies of this offering memorandum will be made available for inspection by physical means at our office located at Grange Castle Business Park, Grange Caste, Clondalkin, Dublin 22, Ireland.

In addition, for as long as the notes remain listed on the official list of Euronext Dublin, copies of the following documents will be made available for inspection by physical means at our office located at Grange Castle Business Park, Grange Caste, Clondalkin, Dublin 22, Ireland:

- the memorandum and articles of association (estatutos) of the Issuer and the incorporation documentation of each of the guarantors;
- the indenture governing the notes;
- the notes and the guarantees;
- the two most recent audited financial statements, and any interim financial statements published by us; and
- any other material documents relating to the listing.

The total expenses related to the admission of the notes on the official list of the Irish Stock Exchange and to trading on the Global Exchange Market of the Euronext Dublin are expected to be approximately €7,500.

As of the date of this offering memorandum, our most recent available audited consolidated financial statements were as of and for the year ended December 31, 2020 and our most recent available consolidated interim financial statements subject to limited review were as of and for the six month period ended June 30, 2021. Except as disclosed in this offering memorandum, as of the date of this offering memorandum, there has been no significant adverse change in our consolidated financial or trading position since June 30, 2021. Except as disclosed in this offering memorandum, as of the date of this offering memorandum, there has been no material adverse change in our financial position or prospects, or the financial position or prospects of the guarantors, since December 31, 2020.

Clearing Information

The euro notes have been, or will be, accepted for clearance through the facilities of Euroclear and Clearstream and the dollar notes have been, or will be, accepted for clearance through DTC. Certain trading information with respect to the notes is set forth below.

Euro Notes	**ISIN**	**Common Code**
Rule 144A global notes	XS2393002519	239300251
Regulation S global notes	XS2393001891	239300189

Dollar Notes	**ISIN**	**CUSIP**
Rule 144A global notes	US39843UAA07	39843U AA0
Regulation S global notes	USE57009AA55	E57009 AA5

Issuer and Guarantor Information

The Escrow Issuer

The Escrow Issuer was incorporated in Spain in April 2021 under the name Tenser Trade, S.A. and changed its name to Grifols Escrow Issuer, S.A.U. in August 2021. It is registered with the Registro Mercantil de Barcelona at folio 40, volume 47801, page n° B-562627 and its Spanish tax ID number is A05347927. The Escrow Issuer's registered address is at Avinguda de la Generalitat, 152 158, Parc de Negocis Can Sant Joan, Sant Cugat del Vallès, 08174, Barcelona, Spain. The Escrow Issuer is a special-purpose vehicle.

The joint and several directors (*administradores solidarios*) of the Escrow Issuer are as follows:

Name	Title
Raimon Grifols Roura	Director
Victor Grifols Deu	Director
Alfredo Arroyo Guerra	Director
Daniel Segarra Alvarez	Director

The business address of Mr. Raimon Grifols, Mr. Victor Grifols and Mr. Daniel Segarra is the registered address of the Issuer, while the business address of Mr. Alfredo Arroyo is Grange Castle Business Park, Grange Caste, Clondalkin, Dublin 22, Ireland.

The Guarantors

Prior to the Acquisition Escrow Release Date, the notes will be secured by first priority liens on the Escrowed Property, including, without limitation, the gross proceeds from this offering of the notes, and will not have the benefit of any Guarantees or any other credit support from Grifols or any of its subsidiaries. The Escrow Issuer is a newly formed, wholly owned subsidiary of Grifols and does not hold or otherwise have any interest in any material assets other than the Escrowed Property.

From and after the Acquisition Escrow Release Date, the notes will be general unsecured obligations of the Escrow Issuer and will be unconditionally guaranteed by Grifols and Grifols's Restricted Subsidiaries that guarantee the obligations under the First Lien Credit Facilities (other than any Immaterial Subsidiary of Grifols, Holdings prior to the Transformation, and Biomat USA and Talecris, each of which will only become Guarantors of the notes if the Biomat Transactions are not consummated), GWWO and Grifols Worldwide Operations USA. In other words, from and after the Acquisition Escrow Release Date and prior to the Transformation, the notes will be guaranteed by Grifols, Grifols Biologicals LLC, Grifols Shared Services North America, Inc., Grifols Therapeutics LLC, Instituto Grifols, S.A., Grifols International S.A., Grifols USA, LLC, GWWO, and Grifols Worldwide Operations USA. Following the Transformation, which will occur no later than 180 days after the Acquisition Escrow Release Date, Holdings will also become a Guarantor of the notes.

From and after the Escrow Issuer Merger, the notes will be general unsecured obligations of Grifols and will be unconditionally guaranteed by Grifols's Restricted Subsidiaries that Guarantee the Obligations under the First Lien Credit Facilities (other than Holdings prior to the Transformation, and Biomat USA and Talecris, each of which will only become Guarantors of the notes if the Biomat Transactions are not consummated), GWWO and Grifols Worldwide Operations USA. In other words, from and after the Escrow Issuer Merger and prior to the Transformation (if the Transformation has not already occurred), the notes will be guaranteed by Grifols Biologicals LLC, Grifols Shared Services North America, Inc., Grifols Therapeutics LLC, Instituto Grifols, S.A., Grifols International S.A., Grifols USA, LLC, GWWO, and Grifols Worldwide Operations USA. Following the Transformation, Holdings will also become a Guarantor of the notes.

The registered office of Grifols, S.A. is c/Jesús y María, 6, Barcelona, Spain, while its principal address is Avinguda de la Generalitat, 152 Parque Empresarial Can Sant Joan, 08174 Sant Cugat del Vallès, Barcelona, Spain. Grifols, S.A. is a *sociedad anónima* incorporated under the laws of the Kingdom of Spain on June 22, 1987, registered with the Registro Mercantil de Barcelona at folio 154, volume 39951, page n° B-92799, with Spanish tax ID number A58389123, and is involved in the manufacture, sale and distribution of plasma derivatives and related products. The registered office and principal address of Grifols Biologicals LLC is 5555 Valley Boulevard, Los Angeles, California, United States. Grifols Biologicals LLC is a limited liability company converted from a corporation under the laws of State of Delaware effective December 31, 2017, with registration number 3658768, and is a company involved in plasma fractioning and the production of haemoderivatives. The registered office and principal address of Grifols Shared

Services North America, Inc. is 2410 Lillyvale Avenue, Los Angeles, California, United States. Grifols Shared Services North America, Inc. is a corporation incorporated under the laws of State of Virginia on June 14, 2010, with registration number 07244395, and is a holding company of companies involved in support services for the collection of plasma and manufacture, sale and distribution of plasma derivatives and related products. The registered office and principal address for Grifols Therapeutics LLC is 4101 Research Commons, 79 T.W. Alexander Drive, Research Triangle Park, North Carolina, United States. Grifols Therapeutics LLC is a limited liability company converted from a corporation under the laws of the State of Delaware effective December 1, 2017, with registration number 3893562, and is a company involved in plasma fractioning and the production of haemoderivatives. The registered office and principal address for Instituto Grifols, S.A. is Poligono Levante, Calle Can Guasch s/n, Parets del Vallès, Barcelona, Spain. Instituto Grifols, S.A. is a *sociedad anónima* incorporated under the laws of the Kingdom of Spain on September 21, 1987, registered with the Registro Mercantil de Barcelona at folio 87, volume 46343, page n° B-110367, with Spanish tax ID number A58419326, and is a company involved in plasma fractioning and the production of haemoderivatives. The registered office and principal address for Grifols International, S.A. is Poligono Levante, calle Can Guasch s/n, Parets del Valles, Barcelona, Spain. Grifols International, S.A. is a *sociedad anónima* incorporated under the laws of the Kingdom of Spain on June 4, 1997, registered with the Registro Mercantil de Barcelona at folio 190, volume 44824, page n° B-167921, with Spanish tax ID number A61411500, and is a company involved in the coordination of the marketing, sales and logistics for all the group's subsidiaries operating in other countries. The registered office and principal address for Grifols USA, LLC is 2410 Lillyvale Avenue, Los Angeles, California, United States. Grifols USA, LLC is a limited liability company organized under the laws of the state of Florida with registration number L05000117575 as the surviving entity pursuant to Articles of Merger filed on December 21, 2005, and is a company involved with the commercial sales operations for the Grifols entities in the United States. The registered office and principal address for GWWO is Grange Castle Business Park, Grange Castle, Clondalkin, Dublin 22, Ireland. GWWO is a private limited liability company incorporated under the laws of Ireland on November 8, 2012 with registration number 519799, and is a company involved in packaging, labeling, quality, warehousing, distribution, research and development, final release and sale of pharmaceutical products and the provision of financial services to group companies in relation thereto. The registered office and principal address of Grifols Worldwide Operations USA is 13111 Temple Avenue, City of Industry, California, United States. Grifols Worldwide Operations USA is a corporation incorporated under the laws of the State of Delaware on January 27, 2014, with registration number 5472186, and is a company involved with the manufacture, warehousing and logistical support for biological products. The registered office and principal address of Holdings (Tiancheng (Germany) Pharmaceutical Holdings AG) is Maximilianstraße 11, c/o Kirkland & Ellis International LLP, 80539 München, Germany. Holdings is a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany on March 3, 2017, with registration number 2376390, and, upon the Transformation, it will become a limited liability company (*Gesellschaft mit beschränkter Haftung*). Holdings is a holding company of companies involved in the manufacture, sale and distribution of plasma derivatives and related products.

All Guarantors mentioned above are wholly-owned subsidiaries of Grifols (except for Holdings, which will become a wholly-owned subsidiary of Grifols upon consummation of the Transactions).

Neither the Escrow Issuer nor the Guarantors have been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Escrow Issuer or the Guarantors are aware) during the 12 months before the date of this offering memorandum which may have, or have had in the recent past, significant effects on the Escrow Issuer's or the Guarantors' financial position or profitability.

There are no potential conflicts of interest between the management, administrative and supervisory bodies of the Escrow Issuer or any Guarantor and their private interests or other duties.

Entity	Published EBITDA	Percentage of total Published EBITDA	Total Assets	Percentage of Total Assets	Total Liabilities	Percentage of Total Liabilities
	(in millions of euros, except percentages)					
Guarantors	914.7	69%	8,666.1	57%	(7,092.7)	83%
Non-guarantors	409.3	31%	6,608.6	43%	(1,462.0)	17%
Issuer	—	—	—	—	—	—
Grifols Worldwide Operations Limited	305.2	23%	2,468.7	16%	(134.1)	2%
Grifols Therapeutics LLC	282.5	21%	3,361.3	22%	(273.9)	3%

The Published EBITDA, total assets and total liabilities set out in the table above are as of and for the year ended December 31, 2020 and are derived from the audited consolidated annual accounts of Grifols and its subsidiaries as of and for such period. All audited consolidated financial information of Grifols and its subsidiaries presented in this offering memorandum includes information from both guarantor and non-guarantor subsidiaries of Grifols.

Risk Factors in respect of Grifols Worldwide Operations Limited

Other than the risk factors outlined in "Risk Factors," there are no material risk factors specific to GWWO.

Risk Factors in respect of Grifols Therapeutics LLC

Other than the risk factors outlined in "Risk Factors," there are no material risk factors specific to Grifols Therapeutics LLC.

Encumbrances on the assets of Grifols Worldwide Operations Limited

GWWO has granted certain security interests over (i) all of its inventory and goods consisting of blood and blood plasma (whether finished goods, works in progress or raw materials for such finished goods) and located in the United States, and all books and records pertaining thereto, (ii) certain equity interests in Grifols Worldwide Operations USA owned by GWWO, and all books and records pertaining thereto and (iii) all proceeds, products, accessions, rents and profits of or in respect of any of the foregoing, pursuant to the following agreements (as amended and/or restated from time to time):

1. U.S. Pledge and Security Agreement, dated as of November 15, 2019, in support of the First Lien Credit Facilities;

2. U.S. Pledge and Security Agreement, dated as of November 15, 2019, in support of the 2015 EIB Term Loan;

3. U.S. Pledge and Security Agreement, dated as of November 15, 2019, in support of the 2017 EIB Term Loan; and

4. U.S. Pledge and Security Agreement, dated as of November 15, 2019, in support of the 2018 EIB Term Loan.

5. U.S. Pledge and Security Agreement, dated as of November 15, 2019, in support of the Secured Notes.

GWWO has also granted a first ranking real right of non possessory pledge over certain blood plasma finished goods, pursuant to Spanish law governed deeds of non possessory pledge dated November 15, 2019.

Encumbrances on the assets of Grifols Therapeutics LLC

Grifols Therapeutics LLC has granted certain security interests over (i) accounts, (ii) Chattel Paper, (iii) Documents, (iv) general intangibles, (v) goods (including, without limitation, inventory and equipment), (vi) instruments, (vii) insurance, (viii) intellectual property, (ix) investment related property (including, without limitation, deposit accounts), (x) certain letter of credit rights, (xi) cash, (xii) receivables and receivable records, (xiii) commercial tort claims, (xiv) to the extent not otherwise included above, all other personal property of any kind and all collateral records, support and supporting obligations relating to any of the foregoing; and (xv) all proceeds, products, accessions, rents and profits of or in respect of any of the foregoing, pursuant to the following agreements (as amended and/or restated from time to time):

1. U.S. Pledge and Security Agreement, dated as of November 15, 2019, in support of the First Lien Credit Facilities;

2. U.S. Pledge and Security Agreement, dated as of November 15, 2019, in support of the 2015 EIB Term Loan;

3. U.S. Pledge and Security Agreement, dated as of November 15, 2019, in support of the 2017 EIB Term Loan; and

4. U.S. Pledge and Security Agreement, dated as of November 15, 2019, in support of the 2018 EIB Term Loan.

5. U.S. Pledge and Security Agreement, dated as of November 15, 2019, in support of the Secured Notes.

6. Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing, dated as of July 1, 2020, in support of the First Lien Credit Facilities.

7. Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing, dated as of July 1, 2020, in support of the Secured Notes;

8. Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing, dated as of July 1, 2020, in support of the EIB Term Loans.

Resolutions, Authorizations and Approvals by Virtue of Which the Notes Have Been Issued

The Escrow Issuer and the Guarantors have obtained all necessary consents, approvals and authorizations (if any) in connection with the issuance of the notes. The issuance of the notes was approved by resolutions of the joint and several directors (*administradores solidarios*) of the Escrow Issuer passed on September 22, 2021.

LEGAL MATTERS

Certain legal matters in connection with the offering of the notes will be passed upon for us by Proskauer Rose LLP as to matters of U.S. law, by Osborne Clarke España S.L.P. as to matters of Spanish law, and by Matheson as to matters of Irish law.

Certain legal matters in connection with the offering of the notes will be passed upon for the initial purchasers by Milbank LLP as to matters of U.S. law.

INDEPENDENT AUDITORS

The original Spanish language consolidated annual accounts of Grifols and its subsidiaries as of and for each of the years ended as of December 31, 2020, 2019 and 2018, English translations of which are included herein, have been audited by KPMG Auditores, S.L., independent auditors, as stated in their reports, English translations of which are included herein. KPMG Auditores, S.L., with its address at Paseo de la Castellana 259 C, 28046 Madrid (Spain), is registered with the Madrid Commercial Register under volume 11,961 and sheet M-188007, and registered with the Official Registry of Accounting Auditors (ROAC) under number S0702.

With respect to the original Spanish language unaudited condensed consolidated interim financial statements as of and for each of the six-month periods ended June 30, 2021 and 2020, English translations of which are included herein, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, an English translation of their separate report included herein, states that they did not audit and they do not express an opinion on such unaudited condensed consolidated interim financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

MANAGEMENT INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's Report on Internal Control over Financial Reporting

Our management, under the supervision of our Chief Executive Officer and our Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance as to the reliability of financial reporting and the preparation of the published financial statements under generally accepted accounting principles. For Grifols, "generally accepted accounting principles" means IFRS as issued by IASB.

Our internal control over the financial reporting system includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of our company are being made only in accordance with authorizations of management and directors of our company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our company assets that could have a material effect on the financial statements.

Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by EU. Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

Our Class B ADSs are listed on The NASDAQ Global Select Market under the symbol “GRFS.”

Our ordinary shares are listed on the Spanish Stock Exchanges and quoted on the Automated Quotation System under the symbol “GRF.” You may read copies of our annual and quarterly reports, accounts and other financial information and offering documents at the offices of the CNMV, Paseo de la Castellana, 19, Madrid. Some of our CNMV filings are also available at the website maintained by the Spanish securities commission at www.cnmv.es. You may also access information about us through the website we maintain, which is www.grifols.com. In addition, you can obtain any of these documents at no cost, by writing or calling us at the following address:

Grifols, S.A.
Avinguda de la Generalitat, 152-158
Parc de Negocis Can Sant Joan
08174 Sant Cugat del Vallès, 08174, Barcelona, Spain
Attention: Investor Relations
Telephone: (+34) 935-710-500

GLOSSARY

"AAT" means alpha1-antitrypsin, a protein that protects the lungs.

"ACA" refers to the Affordable Care Act, a U.S. regulation.

"AlphaID" is a free cheek swab to test for alpha-1 deficiency in patients.

"AEMPS" refers to the Spanish Agency of Medicines and Medical Products.

"AMP" means the average manufacturer price of certain outpatient drugs covered by Medicaid, as defined under the Medicaid drug rebate program, and is used to help calculate rebates paid by certain drug manufacturers that are shared by the U.S. and state governments.

"Alzheimer's disease" is the most common form of dementia. This incurable, degenerative, and terminal disease was first described by German psychiatrist and neuropathologist Alois Alzheimer in 1906 and was named after him.

"Albumin" is the most abundant blood plasma protein and is produced in the liver and forms a large proportion of all plasma. Albumin normally constitutes about 60% of human plasma. It is important in regulating blood volume by maintaining the oncotic pressure of the blood compartment.

"ASP" means the average sales price of certain outpatient drugs covered by Medicare Part B, and is used to help calculate reimbursement of such drugs.

"Assays" are systems designed to detect antibodies, antigens or the nucleic acid of an infectious agent. For instance, the WNV assay detects the presence of the West Nile virus in blood donations. The main types of assay used for blood screening are Immunoassays and Nucleic acid technology, or NAT assays.

"**ATIII**" means intramuscular (hyperimmune) immunoglobulins.

"A1PI" means alpha-1 proteinase inhibitor.

"BLA" (Biologics License Application) is a biological license application issued by the FDA, and serves as a U.S. marketing authorization for certain biological drug products.

"BlisPack" a blister handling machine.

"BLOODchip" blood group genotyping tests manufactured by Progenika, a company in which Grifols has a majority stake.

"Brexit" refers to the withdrawal of the United Kingdom (U.K.) from the European Union (EU).

"CCPR" refers to the California Consumer Protection act, a regulation passed by the U.S. state of California.

"CFIUS" refers to the Committee on Foreign Investment in the United States.

"cGMP" means current Good Manufacturing Practice.

"CIDP" means chronic inflammatory demyelinating polyneuropathy, a neurological disease resulting in weakness, numbness, pain and difficulty in walking.

"Cirrhosis" is a medical condition which is a result of advanced liver disease. It is characterized by the replacement of liver tissue by fibrosis (scar tissue) and regenerative nodules (lumps that occur due to attempted repair of damaged tissue).

"Congenital Alpha-1 Antitrypsin Deficiency" is an inherited disease characterized by reduced levels in the blood of the substance Alpha-1 Antitrypsin, or AAT. This substance is a protein that is normally made by the liver and reaches other organs (such as the lungs) after being released into the blood circulation.

"CMS" refers to the U.S. Centers for Medicare & Medicaid Services.

"CNMV" means the Comisión Nacional del Mercado de Valores.

"CPI-U" means the Consumer Price Index For All Urban Consumers, which measures the changes in the price of a basket of goods and services purchased by urban consumers.

"CPP" is the certificate of pharmaceutical product, a certificate issued in the format recommended by the WHO, which establishes the status of a pharmaceutical product and of the applicant for a certificate in the relevant exporting country.

"CSRC" refers to the Chinese Securities Regulatory Commission.

"DHPR" means dihydropyridine receptors.

"Diabetes" is a metabolic disease in which a person has high blood sugar, either because the pancreas does not produce enough insulin, or because cells do not respond to the insulin that is produced.

"DOJ" refers to the United States Department of Justice.

"ELISA" means enzyme-linked immunosorbent assay.

"EMA" refers to the European Medicines Agency.

"Erytra Eflexis" a fully automated, mid-size analyzer that performs pretransfusion compatibility testing using DG Gel technology.

"Factor VIII" or "FVIII" is an essential blood clotting factor also known as anti-haemophilic factor, or AHF. In humans, Factor VIII is encoded by the F8 gene. Defects in this gene results in hemophilia A, which is a sex-linked disease and occurs predominantly in males. FVIII concentrated from donated blood plasma, or alternatively recombinant FVIII, or rFVIII, can be given to hemophiliacs to restore hemostasis.

"Factor IX" is an important blood clotting factor also known as Christmas factor or plasma thromboplastin component, or PTC. It is one of the serine proteases of the coagulation system and belongs to the peptidase family S1. In humans, a deficiency of this protein causes haemophilia B, which is a sex-linked disease and occurs predominantly in males.

"FDA" is the U.S. Food and Drug Administration.

"Fibrin Sealant" is surgical adhesive material that is utilized in a variety of surgical situations.

"Fractionation" is the process of fractionating plasma, or separating it into its different components or plasma derivatives.

"FSS" refers to the Federal Supply Schedule, a schedule managed by the U.S. Department of Veterans Affairs, which includes discounted drug pricing for certain U.S. government agency programs.

"GMP" means good manufacturing practices.

"GPO" means group purchasing organization.

"GDPR" refers to the General Data Protection Regulation, an EU regulation.

"Gri-fill System" is a process for the sterile filling of flexible material bags.

"Hematology" is the study of blood, blood-forming organs, and blood diseases.

"Hemoderivative" is a substance obtained by fractionation of human blood plasma.

"Hemophilia A" is a genetic deficiency in clotting Factor VIII, which causes increased bleeding (usually affects males).

"Hemostasis" is a complex process which causes the bleeding process to stop. It refers to the process of keeping blood within a damaged blood vessel (the opposite of hemostasis is hemorrhage). Most of the time this includes the changing of blood from a fluid to a solid state. Intact blood vessels are central to moderating blood's tendency to clot. Hemostasis has three major steps: 1) vasoconstriction, 2) temporary blockage of a break by a platelet plug, and 3) blood coagulation, or formation of a clot that seals the hole until tissue are repaired.

"HHS" refers to the U.S. Department of Health and Human Services.

"HIPAA" refers to the Health Insurance Portability and Accountability Act of 1996, as amended, a U.S. regulation.

"HIV" refers to the human immunodeficiency virus.

"IFX" means infliximab, a medication used to treat Crohn's Disease and Ulcerative Colitis.

"IG" means immune globulin, which contains the pooled IgG (immunoglobulin (antibody) G) extracted from plasma.

"Immunohematology" is a branch of hematology relating to the study of antigens and antibodies and their effects on blood and the relationships between disorders of the blood and the immune system.

"Immunology" is a broad branch of biomedical science that covers the study of all aspects of the immune system in organisms. It deals with the physiological functioning of the immune system in states of both health and disease; malfunctions of the immune system in immunological disorders (autoimmune diseases, hypersensitivities, immune deficiency, transplant rejection); the physical, chemical and physiological characteristics of the components of the immune system in vitro, in situ, and in vivo.

"IND" means investigational new drug application, which is an application that must be accepted by the FDA and in effect prior to certain drug sponsors commencing clinical trials involving human subjects.

"IRB" refers to institutional review boards, oversight committees that approve and monitor clinical trials to protect the rights and welfare of human subjects.

"ITP" means idiopathic thrombocytopenic purpura.

"IVIG" means intravenous immune globulin, which is a blood product administered intravenously. It contains the pooled IgG (immunoglobulin (antibody) G) extracted from plasma. It is mainly used as treatment in four major categories: (i) immune deficiencies, (ii) inflammatory and autoimmune diseases, (iii) neurological diseases and (iv) acute infections.

"Kawasaki disease" is a rare autoimmune disease that mostly affects children and causes inflammation of vessels, fever and rashes. This disease can be treated with IVIG.

"Koate-DVI" is a medication is used to control and prevent bleeding episodes in people with low levels of factor VIII (hemophilia A).

"Medicaid" is a social healthcare program in the United States for individuals with low income and resources.

"Medicare" is a national insurance program in the United States, primarily for persons 65 years old and over and certain younger persons with disabilities.

"Medicare Part B" is a portion of the Medicare program which includes, in part, reimbursement based on ASP for certain physician-administered drugs and drugs provided in the hospital outpatient setting.

"Medicare Part D" is a portion of the Medicare program which includes certain coverage for prescription drugs generally dispensed to patients by retail pharmacies.

"MRB" refers to the Market Research Bureau, Inc., an independent market research firm which supplies blood and plasma products industry data on a global level.

"NAT" means nucleic acid testing.

"NVD" means the share and asset agreement, executed with Novartis Vaccines and Diagnostics, Inc.

"OIG" is the HHS Office of the Inspector General, which is charged with protecting the integrity of HSS programs, including the Medicare and Medicaid programs.

"Orphan drug" is a pharmaceutical agent that has been developed specifically to treat a rare medical condition, the condition itself being referred to as an orphan disease. The assignment of orphan status to a disease and to any drugs developed to treat it is a matter of public policy in many countries, and has resulted in medical breakthroughs that may not have otherwise been achieved due to the economics of drug research and development The Orphan Drug Act (ODA) of January 1983, passed in the United States, with lobbying from the National Organization for Rare Disorders, is meant to encourage pharmaceutical companies to develop drugs for diseases that have a small market. Under the law, companies that develop such a drug (a drug for a disorder affecting fewer than 200,000 people in the United States) may sell it without competition for seven to ten years, and may get clinical trial tax incentives.

"Open Payments Program" imposes new reporting and disclosure requirements for pharmaceutical and medical device manufacturers with regard to payments or other transfers of value made to certain U.S. healthcare practitioners, such as physicians and academic medical centers, and with regard to certain ownership interests held by physicians in reporting entities.

"PDUFA" is the Prescription Drug User Fee Act, which levies a user fee on certain human drug applications.

"Plasma" is the liquid part of the blood. The majority of plasma is composed of water. The remainder is essential proteins and antibodies that help sustain our body's vital functions. A shortage of any one of these plasma proteins, such as albumin or immunoglobulins, can give rise to one of many life-threatening illnesses.

"Plasmapheresis" is a technique which separates plasma from other blood components, such as red blood cells, platelets, and other cells. These unused blood components are suspended in saline solution and immediately re-injected back into the donor while the plasma collection process is taking place. Because the donor is only providing plasma and not whole blood, the recovery process is faster and better tolerated, and the donor is therefore able to make donations more frequently. Plasmapheresis was developed by Jose Antonio Grifols Lucas in the year 1951. It is the only procedure that is capable of obtaining sufficient quantities of plasma to cover the needs of manufacturing our many different plasma protein therapies.

"Plasma derivatives" are proteins found in human plasma, which once isolated and purified, have therapeutic value.

"PTC" means plasma thromboplastin component.

"Prolastin" is a concentrated form of alpha1-antitrypsin, or AAT, produced by Grifols and derived from human plasma and approved only for chronic, or ongoing, replacement therapy in people with emphysema caused by genetic AAT deficiency. Given as prescribed, Prolastin raises the levels of AAT in the blood and lungs. Raising the AAT level may help reduce the damage to the lungs caused by destructive enzymes.

"Promonitor" Highly specific ELISA kits for quantification of serum drug levels and anti-drug antibodies of various biological drugs

"**Q-Coagulometer, Q-Smart Q-Next and Q-Expert analyzers"** Fully automated hemostasis analyzers that use reagents to measure blood coagulation levels.

"**RFID**" means Radio-Frequency Identification.

"**SCIG**" means subcutaneous immune globulin, which is a blood product administered subcutaneously. It contains the pooled IgG (immunoglobulin (antibody) G) extracted from plasma and is mainly used as treatment in four major categories: (i) immune deficiencies, (ii) inflammatory and autoimmune diseases, (iii) neurological diseases and (iv) acute infections.

"SME" means small and medium-sized enterprises.

"SYK-inhibitor" a new group of small molecule inhibitors which have been proposed as a therapy for both lymphoma and chronic lymphocytic leukemia.

"TMA" transcription mediated amplification, a technology that allows a clinical laboratory to perform assays for blood screening with fewer steps, less processing time, and faster results. It is used in molecular biology, forensics, and medicine for the rapid identification and diagnosis of pathogenic organisms.

"Triturus analyzers" Open and fully automated analyzer for ELISA (enzyme-linked immunoabsorbent assay), tests with multi-test/multi-batch capability.

"Von Willebrand Disease" is the most common hereditary coagulation abnormality described in humans, although it can also be acquired as a result of other medical conditions. It arises from a qualitative or quantitative deficiency of von Willebrand factor, a multimeric protein that is required for platelet adhesion.

"WADiana/Erytra analyzers" Automated immunohematology analyzers that use gel agglutination technology to enable automatic processing of DG Gel® blood determination cards.

"WHO" refers to the World Health Organization.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

GRIFOLS, S.A. AND SUBSIDIARIES

Grifols, S.A. and Subsidiaries
Condensed Consolidated Interim Financial Statements
30 June 2021

Interim Consolidated Directors' Report
30 June 2021
(With Limited Review Report thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Limited Review Report on Grifols, S.A. and subsidiaries

(Together with the condensed consolidated interim financial statements and the consolidated interim Directors' Report of Grifols, S.A. for the six-month period ended 30 June 2021

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Limited Review Report on the Condensed Consolidated Interim Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Grifols, S.A. commissioned by the Directors

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of Grifols, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the balance sheet at 30 June 2021, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the explanatory notes for the six-month period then ended (all condensed and consolidated). Pursuant to article 12 of Royal Decree 1362/2007 the Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2021 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Emphasis of Matter

We draw your attention to note 2 to the accompanying interim financial statements, which states that these interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2020. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2021 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the consolidated interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the consolidated interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2021. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Grifols, S.A. and subsidiaries.

Paragraph on Other Matters

This report has been prepared at the request of the Company's directors in relation to the publication of the six-monthly financial report required by article 119 of the Revised Securities Market Law, approved by Legislative Royal Decree 4/2015 of 23 October 2015 and enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

(*Signed on original in Spanish*)

David Hernanz Sayans

29 July 2021

GRIFOLS, S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2021

CONTENTS

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
at 30 June 2021 and 31 December 2020

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Assets	30/06/2021	31/12/2020
	(unaudited)	
Non-current assets		
Goodwill (note 6)	5,988,765	5,332,271
Other intangible assets (note 7)	1,570,576	1,557,650
Rights of use (note 7 and 8)	719,165	678,696
Property, plant and equipment (note 7)	2,415,934	2,324,107
Investments in equity accounted investees (note 9)	1,904,321	1,869,020
Non-current financial assets (note 10)		
Non-current financial assets measured at fair value	1,947	3,008
Non-current financial assets not measured at fair value	230,696	195,149
Deferred tax assets	142,145	149,921
Total non-current assets	**12,973,549**	**12,109,822**
Current assets		
Inventories	2,124,393	2,002,281
Trade and other receivables		
Trade receivables (note 11)	531,782	383,233
Other receivables (note 11)	79,782	72,360
Current income tax assets	33,134	64,565
Trade and other receivables	644,698	520,158
Other current financial assets (note 10)		
Current financial assets not measured at fair value	9,681	11,118
Other current assets	62,864	51,750
Cash and cash equivalents	397,864	579,647
Total current assets	**3,239,500**	**3,164,954**
Total assets	**16,213,049**	**15,274,776**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
at 30 June 2021 and 31 December 2020

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Equity and liabilities	30/06/2021	31/12/2020
	(unaudited)	
Equity		
Share capital (note 12)	119,604	119,604
Share premium	910,728	910,728
Reserves (note 12)	4,138,199	3,776,932
Treasury stock (note 12)	(164,189)	(43,734)
Profit attributable to the Parent	266,815	618,546
Total	5,271,157	5,382,076
Other comprehensive Income	(1,155)	(1,155)
Translation differences	(101,836)	(272,529)
Other comprehensive expenses	(102,991)	(273,684)
Equity attributable to the Parent	**5,168,166**	**5,108,392**
Non-controlling interests	1,768,925	1,611,663
Total equity	**6,937,091**	**6,720,055**
Liabilities		
Non-current liabilities		
Grants	16,933	17,008
Provisions	25,761	27,271
Non-current financial liabilities (note 13)	6,715,482	6,602,100
Other non-current liablities	16,767	16,391
Deferred tax liabilities	579,537	556,813
Total non-current liabilities	**7,354,480**	**7,219,583**
Current liabilities		
Provisions	11,840	11,175
Current financial liabilities (note 13)	940,906	424,612
Trade and other payables		
Suppliers	580,247	601,618
Other payables	177,321	141,089
Current income tax liabilities	29,535	3,482
Total trade and other payables	787,103	746,189
Other current liabilities	181,629	153,162
Total current liabilities	**1,921,478**	**1,335,138**
Total liabilities	**9,275,958**	**8,554,721**
Total equity and liabilities	**16,213,049**	**15,274,776**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Profit and Loss
for each of the three-and six-month periods ended 30 June 2021 and 2020
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Six-Months Ended		Three-Months Ended	
	30/06/2021	**30/06/2020**	**30/06/2021**	**30/06/2020**
	(unaudited)	(unaudited)	(unaudited)/ (not reviewed)	(unaudited)/ (not reviewed)
Continuing Operations				
Net revenues (note 5)	2,536,632	2,677,341	1,351,898	1,384,022
Cost of sales	(1,422,509)	(1,638,723)	(771,102)	(936,638)
Gross Margin	**1,114,123**	**1,038,618**	**580,796**	**447,384**
Research and Development	(158,542)	(142,113)	(86,732)	(74,248)
Selling, general and administration expenses	(507,002)	(484,367)	(249,861)	(233,781)
Operating Expenses	**(665,544)**	**(626,480)**	**(336,593)**	**(308,029)**
Profit/(loss) of equity accounted investees with similar activity to that of the Group	14,971	9,558	6,394	8,769
Operating Results	**463,550**	**421,696**	**250,597**	**148,124**
Finance income	4,949	4,580	1,804	1,982
Finance costs	(119,698)	(126,280)	(61,061)	(61,726)
Change in fair value of financial instruments	555	56,526	--	--
Exchange differences	(5,243)	(10,755)	(1,480)	661
Finance Result (note 15)	**(119,437)**	**(75,929)**	**(60,737)**	**(59,083)**
Share of income/(losses) of equity accounted investees	34,122	(18,622)	(359)	(13,172)
Profit before income tax from continuing operations	**378,235**	**327,145**	**189,501**	**75,869**
Income tax expense (note 16)	(75,647)	(65,469)	(37,900)	(17,733)
Profit after income tax from continuing operations	**302,588**	**261,676**	**151,601**	**58,136**
Consolidated profit for the period	**302,588**	**261,676**	**151,601**	**58,136**
Profit attributable to the Parent	266,815	218,247	136,880	31,867
Profit attributable to non-controlling interest	35,773	43,429	14,721	26,269
Basic earnings per share (Euros)	0.39	0.32	0.20	0.05
Diluted earnings per share (Euros)	0.39	0.32	0.20	0.05

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income
for each of the three-and six-month periods ended 30 June 2021 and 2020

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Six-Months' Ended		Three-Months' Ended	
	30/06/2021	**30/06/2020**	**30/06/2021**	**30/06/2020**
	(unaudited)	(unaudited)	(unaudited)/ (not reviewed)	(unaudited)/ (not reviewed)
Consolidated profit for the period	**302,588**	**261,676**	**151,601**	**58,136**
Items for reclassification to profit or loss				
Translation differences	260,304	(54,982)	(54,373)	(221,154)
Equity accounted investees / Translation differences (note 9)	39,110	(17,214)	4,486	(19,235)
Other comprehensive income for the period, after tax	**299,414**	**(72,196)**	**(49,887)**	**(240,389)**
Total comprehensive income for the period	**602,002**	**189,480**	**101,714**	**(182,253)**
Total comprehensive income attributable to the Parent	437,508	139,448	99,145	(190,130)
Total comprehensive income attributable to non-controlling interests	164,494	50,032	2,569	7,877
Total comprehensive income for the period	**602,002**	**189,480**	**101,714**	**(182,253)**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
for each of the six-month periods ended 30 June 2021 and 2020

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	30/06/2021	30/06/2020
	(unaudited)	
Cash flows from operating activities		
Profit before tax	**378,235**	**327,145**
Adjustments for:	**223,279**	**211,419**
Amortisation and depreciation (note 14)	166,754	158,216
Other adjustments:	56,525	53,203
(Profit)/Losses on equity accounted investments	(49,093)	9,064
Impairment of assets and net provision changes	562	(16,947)
Losses on disposal of fixed assets	172	32
Government grants taken to income	(773)	(663)
Finance cost	116,368	57,069
Other adjustments	(10,711)	4,648
Changes operating assets and liabilities	**(179,678)**	**87,025**
Change in inventories	(65,878)	250,879
Change in trade and other receivables	(146,904)	(72,081)
Change in current financial assets and other current assets	4,565	(11,729)
Change in current trade and other payables	28,539	(80,044)
Other cash flows used in operating activities	**(82,534)**	**(84,879)**
Interest paid	(71,286)	(74,981)
Interest recovered	186	2,155
Income tax paid	(9,679)	(11,236)
Other amounts paid	(1,755)	(817)
Net cash from operating activities	**339,302**	**540,710**
Cash flows from investing activities		
Payments for investments	**(625,152)**	**(223,323)**
Group companies and business combinations	(492,249)	(21,802)
Property, plant and equipment and intangible assets	(132,621)	(183,038)
Property, plant and equipment	(103,522)	(135,939)
Intangible assets	(29,099)	(47,099)
Other financial assets	(282)	(18,483)
Proceeds from	**1,790**	**260**
Property, plant and equipment and intangible assets	299	260
Other financial assets	1,491	0
Net cash used in investing activities	**(623,362)**	**(223,063)**
Cash flows from financing activities		
Proceeds from and payments for equity instruments	(125,703)	0
Acquisition of treasury stock	(125,703)	0
Proceeds from and payments for financial liability intruments	467,002	(171,810)
Issue	675,760	108,116
Redemption and repayment	(208,758)	(279,926)
Dividends and interest on other equity instruments paid and received	(256,539)	1,790
Dividends paid	(258,945)	0
Dividends received	2,406	1,790
Other cash flows from financing activities	350	830
Financing costs included on the amortised costs of the debt	0	(9,227)
Net cash from (used in) financing activities	**85,110**	**(178,417)**
Effect of exchange rate fluctuations on cash and cash equivalents	**17,167**	**(2,806)**
Net increase/(decrease) in cash and cash equivalents	**(181,783)**	**136,424**
Cash and cash equivalents at beginning of the period	**579,647**	**741,982**
Cash and cash equivalents at end of period	**397,864**	**878,406**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Equity
for each of the six-month periods ended 30 June 2021 and 2020
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Attributable to equity holders of the Parent										
							Accumulated other comprehensive income				
	Share capital	Share premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury stock	Translation differences	Other comprehensive income	Equity attributable to Parent	Non-controlling interests	**Equity**
Balances at 31 December 2019	**119,604**	**910,728**	**3,009,599**	**625,146**	**(136,828)**	**(49,584)**	**344,357**	**(903)**	**4,822,119**	**2,023,649**	**6,845,768**
Translation differences	--	--	--	--	--	--	(78,799)	--	(78,799)	6,603	(72,196)
Other comprehensive income for the period	0	0	0	0	0	0	(78,799)	0	(78,799)	6,603	(72,196)
Profit/(loss) for the period	--	--	--	218,247	--	--	--	--	218,247	43,429	261,676
Total comprehensive income for the period	0	0	0	218,247	0	0	(78,799)	0	139,448	50,032	189,480
Net change in treasury stock	--	--	--	--	--	5,814	--	--	5,814	--	5,814
Acquisition of non-controlling interests	--	--	408,675	--	--	--	--	--	408,675	(408,675)	0
Other changes	--	--	(11,115)	--	--	--	--	--	(11,115)	10,829	(286)
Distribution of 2019 profit											
Reserves	--	--	625,146	(625,146)	--	--	--	--	0	--	0
Dividends	--	--	--	--	--	--	--	--	0	--	0
Interim dividend	--	--	--	--	--	--	--	--	0	--	0
Operations with equity holders or owners	0	0	1,022,706	(625,146)	0	5,814	0	0	403,374	(397,846)	5,528
Balances at 30 June 2020 (unaudited)	**119,604**	**910,728**	**4,032,305**	**218,247**	**(136,828)**	**(43,770)**	**265,558**	**(903)**	**5,364,941**	**1,675,835**	**7,040,776**
Balances at 31 December 2020	**119,604**	**910,728**	**3,776,932**	**618,546**	**0**	**(43,734)**	**(272,529)**	**(1,155)**	**5,108,392**	**1,611,663**	**6,720,055**
Translation differences	--	--	--	--	--	--	170,693	--	170,693	128,721	299,414
Other comprehensive income for the period	0	0	0	0	0	0	170,693	0	170,693	128,721	299,414
Profit/(loss) for the period	--	--	--	266,815	--	--	--	--	266,815	35,773	302,588
Total comprehensive income for the period	0	0	0	266,815	0	0	170,693	0	437,508	164,494	602,002
Net change in treasury stock	--	--	--	--	--	(120,455)	--	--	(120,455)	--	(120,455)
Acquisition of non-controlling interests	--	--	838	--	--	--	--	--	838	(843)	(5)
Other changes	--	--	(5,674)	--	--	--	--	--	(5,674)	113	(5,561)
Distribution of 2020 profit											
Reserves	--	--	618,546	(618,546)	--	--	--	--	0	--	0
Dividends	--	--	(252,443)	--	--	--	--	--	(252,443)	(6,502)	(258,945)
Interim dividend	--	--	--	--	--	--	--	--	0	--	0
Operations with equity holders or owners	0	0	361,267	(618,546)	0	(120,455)	0	0	(377,734)	(7,232)	(384,966)
Balances at 30 June 2021 (unaudited)	**119,604**	**910,728**	**4,138,199**	**266,815**	**0**	**(164,189)**	**(101,836)**	**(1,155)**	**5,168,166**	**1,768,925**	**6,937,091**

GRIFOLS, S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2021

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

(1) General Information

Grifols, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law on 22 June 1987. Its registered and tax offices are in Barcelona. The Company's statutory activity consists of providing corporate and business administrative, management and control services, as well as investing in assets and property. Its principal activity involves rendering administrative, management and control services to its subsidiaries.

On 17 May 2006 the Company completed its flotation on the Spanish securities market, which was conducted through the public offering of 71,000,000 ordinary shares of Euros 0.50 par value each and a share premium of Euros 3.90 per share. The total capital increase (including the share premium) amounted to Euros 312.4 million, equivalent to a price of Euros 4.40 per share.

The Company's shares were floated on the Spanish stock exchange IBEX-35 index on 2 January 2008.

All of the Company's shares are listed on the Barcelona, Madrid, Valencia and Bilbao securities markets and on the Spanish Automated Quotation System (SIBE/Continuous Market). On 2 June 2011, Class B non-voting shares were listed on the NASDAQ (USA) and on the Spanish Automated Quotation System (SIBE/Continuous Market).

Grifols, S.A. is the Parent of the subsidiaries listed in Appendix I of the notes to the consolidated annual accounts for the year ended 31 December 2020.

Grifols, S.A. and subsidiaries (hereinafter the Group) act on an integrated basis and under common management and their principal activity is the procurement, manufacture, preparation and sale of therapeutic products, especially hemoderivatives.

The main factory locations of the Group's Spanish companies are in Parets del Vallés (Barcelona) and Torres de Cotilla (Murcia), while the US companies are located in Los Angeles (California), Clayton (North Carolina), Emeryville (California), and San Diego (California).

(2) Basis of Presentation and Accounting Principles Applied

These condensed consolidated interim financial statements for the six-month period ended 30 June 2021 have been prepared under International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and specifically, with that provided by the guidelines of International Accounting Standard (hereinafter IAS) 34 on Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020.

The Board of Directors of Grifols, S.A. authorized these condensed consolidated interim financial statements for issue at their meeting held on 28 July 2021.

Amounts contained in these condensed consolidated interim financial statements are expressed in thousands of Euros.

The condensed consolidated interim financial statements of Grifols for the six-month period ended 30 June 2021 have been prepared based on the accounting records maintained by the Group. We also have included for information purposes the three-month period ended 30 June 2021.

Accounting principles and basis of consolidation applied

Except as noted below, the accounting principles and basis of consolidation applied in the preparation of these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual accounts as at and for the year ended 31 December 2020.

In addition, in 2021 the following standards issued by the IASB and the IFRS Interpretations Committee, and adopted by the European Union for their application in Europe have become effective and, accordingly, have been taken into account for the preparation of these condensed consolidated interim financial statements:

		Mandatory application for annual periods beginning on or after:	
Standards		EU effective date	IASB effective date
IFRS 4	Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (issued on 25 June 2020)	1 January 2021	1 January 2021
Various	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 (issued on 27 August 2020)	1 January 2021	1 January 2021

The application of these standards and interpretations has not had any significant impacts on these condensed consolidated interim financial statements.

At the date these condensed consolidated interim financial statements were authorized for issue, the following IFRS standards, amendments and IFRIC interpretations have been issued by the European Union but their application is not mandatory until future periods as described below:

Standards		Mandatory application for annual periods beginning on or after: EU effective date	IASB effective date
IFRS 17	Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	pending	1 January 2023
IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities asCurrent or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively).	pending	1 January 2023
IAS 1	Amendments issued 12 February 2021 to: - IAS 1 Presentation of Financial Statements ; - IFRS Practice Statement 2: Disclosure of Accounting policies	pending	1 January 2023
IAS 8	Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estitmates (issued on 12 February 2021)	pending	1 January 2023
IFRS 16	Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	pending	1 April 2021
IAS 12	Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)	pending	1 January 2023
Various	Amendments issued 14 May 2020 to: - IFRS 3 Business Combinations: references to the Conceptual Framework; - IAS 16 Property, Plant and Equipment: Proceeds before Intended Use; - IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract ; and - Annual Improvements to IFRSs 2018-2020: IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022	1 January 2022

The Group has not applied any of the standards or interpretations issued prior to their effective date.

Responsibility regarding information, estimates, and relevant judgments in the application of accounting policies

The information contained in these condensed consolidated interim financial statements for the six-month period ended 30 June 2021 is the responsibility of the Directors of the Company. The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of Group accounting policies. The following notes include a summary of the relevant accounting estimates and judgements used to apply accounting policies which have the most significant effect on the amounts recognized in these condensed consolidated interim financial statements.

- Assumptions used to test non-current assets and goodwill for impairment. Relevant cash generating units are tested annually for impairment or when there is evidence that impairment could exist. These are based on risk-adjusted future cash flows discounted using appropriate interest rates. Assumptions

relating to risk-adjusted future cash flows and discount rates are based on business forecasts and are therefore inherently subjective. Future events could cause a change in business forecasts, with a consequent adverse effect on the future results of the Group. To the extent considered that a reasonably possible change in key assumptions could result in impairment of goodwill, a sensitivity analysis has been disclosed in note 6.

- Determination of the fair value of assets, liabilities and contingent liabilities related to business combinations.

- Evaluation of the capitalization of development costs. The key assumption is related to the estimation of sufficient future economic benefits of the projects.

- Evaluation of provisions and contingencies. Key assumptions relate to the evaluation of the likelihood of an outflow of resources due to a past event, as well as to the evaluation of the best estimate of the likely outcome. These estimates take into account the specific circumstances of each dispute and relevant external advice and therefore are inherently subjective and could change substantially over time as new facts arise and each dispute progresses. Details of the status of various uncertainties involved in significant unresolved disputes are set out in note 18.

- The calculation of the income tax expense requires tax legislation interpretations in the jurisdictions where Grifols operates. The decision as to whether the taxation authorities will accept a given uncertain tax treatment and the expected outcome of outstanding litigation requires significant estimates and judgements. Likewise, Grifols recognizes deferred tax assets, mainly from deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which they can be utilized, based on management estimates on amount and payments of future taxable profits (see notes 4(s) and 28 to the consolidated financial statements as at and for the year ended 31 December 2020).

- Determination of chargebacks made to certain customers in the United States (see note 4 r in the consolidated annual accounts for the year ended 31 December 2020).

No changes have been made to prior year judgements relating to existing uncertainties.

The Group is also exposed to interest rate and currency risks.

Grifols' management does not consider that there are any assumptions or causes for uncertainty in the estimates which could imply a significant risk of material adjustments arising in the next financial year.

The estimates and relevant judgments used in the preparation of these condensed consolidated interim financial statements do not significantly differ from those applied in the preparation of the consolidated financial statements as at and for the year ended 31 December 2020.

Seasonality of transactions during this period

Given the nature of the activities conducted by the Group, there are no factors that determine any significant seasonality in the Group's operations that could affect the interpretation of these condensed consolidated interim financial statements for the six-month period ended 30 June 2021 in comparison with the financial statements for a full fiscal year.

Relative importance

When determining the information to be disclosed in these Notes, in accordance with IAS 34, the relative importance in relation to these condensed consolidated interim financial statements has been taken into account.

(3) Changes in the Composition of the Group

For the preparation of its condensed consolidated interim financial statements, the Group has included its investments in all subsidiaries, associates and joint ventures. Appendix I of the consolidated financial statements as at 31 December 2020 lists the subsidiaries, associates and joint ventures in which Grifols, S.A. holds a direct or indirect stake and that were included in the scope of consolidation at that date.

The main changes in the scope of consolidation during the interim period ended 30 June 2021 are detailed below:

- BPL Plasma, Inc.

On 28 February 2021, Biomat USA, Inc., an american subsidiary of the Group, has acquired 25 plasma donation centers in the United States from the company BPL Plasma, Inc., a subsidiary of Bio Products Laboratory Holdings Limited, for an amount of US Dollars 385 million.

The transaction has received the applicable regulatory clearances and will be financed with Grifols' own resources, without issuing debt.

Grifols will obtain approximately 1 million liters of plasma per year from this centers.

The transaction costs have amounted to Euros 8,799 thousand and have been recognized as "operating expenses" in the consolidated statement of profit and loss.

Details of the aggregate business combination cost, the fair value of the net assets acquired and the goodwill at the acquisition date are provided below:

	Thousands of Euros	Thousands of US Dollars
Cost of the business combination		
First payment	9,921	12,000
Cash paid at transaction closing date	308,016	372,548
Total business combination cost	317,937	384,548
Fair value of net assets acquired	15,039	18,190
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 6)	302,898	366,358

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

	Fair value	
	Thousands of Euros	Thousands of US Dollars
Property, plant and equipment (note 7)	14,406	17,424
Non-current financial assets	85	103
Inventories	557	674
Total assets	15,048	18,201
Current liabilities	(9)	(11)
Total liabilities and contingent liabilities	(9)	(11)
Total net assets acquired	15,039	18,190

The resulting goodwill has been allocated to the Bioscience segment, and it includes the donor data base, licenses and workforce.

- Acquisition of plasma centers from Kedplasma, LLC.

On 31 March 2021, Biomat USA, Inc., an american subsidiary of the Group, has acquired 7 plasma donation centers in the United States from the company Kedplasma, LLC for an amount of US Dollars 55.2 million. All the acquired centers are authorized by the U.S. Food and Drug Administration (FDA) and European healthcare authorities.

Grifols will gain immediate access to the plasma obtained in these centers, which obtain approximately 240,000 liters per year.

The operation received regulatory clearances and will be financed with Grifols' own resources, without issuing debt.

The transaction costs have amounted to Euros 625 thousand and have been recognized as "operating expenses" in the consolidated statement of profit and loss.

Details of the aggregate business combination cost, the fair value of the net assets acquired and the goodwill at the acquisition date are provided below:

	Thousands of Euros	Thousands of US Dollars
Cost of the business combination		
Cash paid	45,638	55,200
Total business combination cost	45,638	55,200
Fair value of net assets acquired	2,692	3,256
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 6)	42,946	51,944

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

	Fair value	
	Thousands of Euros	Thousands of US Dollars
Property, plant and equipment (note 7)	2,448	2,961
Inventories	244	295
Total assets	2,692	3,256
Total net assets acquired	2,692	3,256

The resulting goodwill has been allocated to the Bioscience segment, and it includes the donor data base, licenses and workforce.

- Gigagen, Inc.

On 8 March 2021, Grifols, through its 100% owned subsidiary Grifols Innovation and New Technologies Limites ("GIANT"), signed an agreement to acquire all the shares of Gigagen, Inc. for a total amount of US Dollars 90.5 million.

GigaGen is a U.S. biotechnology company specialized in the early discovery and development of recombinant biotherapeutic medicines. GigaGen's research focuses on discovering new biological treatments based on antibodies derived from millions of immune system cells obtained from donors.

With the acquisition of 100% shares, Grifols has control over Gigagen and, therefore, it is considered part of the group and it has been fully consolidated. Until that date, the previous 43.96% stake was recorded using the equity method. The difference between the fair value of the previous investment and the book value amounted to Euros 34,525 thousand (US Dollars 41,758 thousand) and has been recognized as income under "Profit/(loss) of equity accounted investees" in the consolidated statement of profit and loss.

From the total agreed, on 30 June 2021 the Group has already paid an amount of Euros 37,576 thousand and there is an amount payable of Euros 35,584 thousand presented under the line item "Current financial liabilities" with due date March 2022.

Details of the aggregate business combination cost, the fair value of the net assets acquired and the provisional goodwill at the acquisition date are provided below:

	Thousand of Euros	Thousand of US Dollars
Cost of the business combination		
First purchase of shares	38,201	46,203
Second purchase of shares (discounted amount)	35,227	42,608
Total business combination cost	73,428	88,811
Fair value of the previous investment in the company	50,792	61,434
Fair value of net assets acquired	1,461	1,767
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired)	122,759	148,478

The provisional amounts determined at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

	Fair Value	
	Thousand of Euros	Thousand of US Dollars
Property, plant and equipment (note 7)	1,168	1,413
Other non current assets	151	183
Trade and other reeceivables	16	19
Other current assets	2,368	2,864
Cash and cash equivalents	12,389	14,985
Total assets	16,092	19,464
Non-current liabilities	(4,247)	(5,137)
Current liabilities	(10,384)	(12,560)
Total Liabilities	(14,631)	(17,697)
Fair value of net assets acquired	1,461	1,767

The profit of Gigagen between the acquisition date and 30 June 2021 amounted to Euros (3,822) thousand.

- Green Cross

On 20 July 2020, Grifols signed share purchase arrangements with the South Korean based GC Pharma Group and other investors for the acquisition of a plasma fractionation facility and two purification facilities located in the city of Montreal, Canada, and 11 plasma collection centers located in the United States, for a total consideration of Euros 387,917 thousand (US Dollars 457,160 thousand), on a debt free basis. On 1 October 2020, the transaction was closed.

Details of the aggregate business combination cost, the fair value of the net assets acquired and the final goodwill at the acquisition date are provided below:

	Thousands of Euros	Thousands of US Dollars
Cost of the business combination		
Cash paid	387,917	457,160
Total business combination cost	387,917	457,160
Fair value of net assets acquired	189,761	223,633
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 6)	198,156	233,527

The final amounts determined at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

	Fair Value	
	Thousand of Euros	Thousand of US Dollars
Other Intangible assets	2,011	2,370
Rights of Use	11,642	13,720
Property, plant and equipement	159,013	187,396
Deferred tax assets	28,615	33,724
Non-current assets	122	144
Inventories	2,999	3,534
Trade and other receivables	3,484	4,106
Other current assets	943	1,111
Cash and cash equivalents	6,053	7,133
Total assets	214,882	253,238
Non-current financial liabilities	(13,150)	(15,497)
Defererd Tax Liabilities	--	--
Current financial liabilities	(797)	(939)
Trade and other payables	(11,174)	(13,169)
Total liabilities	(25,121)	(29,605)
Fair value of net assets acquired	189,761	223,633

(4) Financial Risk Management Policy

At 30 June 2021 the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020.

(5) Segment Reporting

The distribution by business segments of the Group's net revenues for the three- and six-month periods ended 30 June 2021 and 30 June 2020 is as follows:

	Net revenues (Thousands of Euros)			
Segments	Six-Months Ended 30 June 2021	Six-Months Ended 30 June 2020	Three-Months Ended 30 June 2021	Three-Months Ended 30 June 2020
			Not reviewed	Not reviewed
Bioscience	1,986,024	2,158,852	1,084,747	1,118,910
Hospital	67,750	57,863	36,543	27,188
Diagnostic	395,483	340,012	192,214	172,136
Bio supplies	107,260	126,718	50,960	62,579
Other	15,488	18,657	8,314	13,513
Intersegments	(35,373)	(24,761)	(20,880)	(10,304)
Total Revenues	2,536,632	2,677,341	1,351,898	1,384,022

The distribution by geographical area of the Group's net revenues for the three- and six-month periods ended 30 June 2021 and 30 June 2020 is as follows:

	Net revenues (Thousands of Euros)			
Geographical area	Six-Months Ended 30 June 2021	Six-Months Ended 30 June 2020	Three-Months Ended 30 June 2021	Three-Months Ended 30 June 2020
			Not reviewed	Not reviewed
Spain	180,509	128,614	85,671	59,072
Rest of the EU	272,027	247,828	134,927	117,771
USA + Canada	1,576,893	1,844,576	833,601	932,425
Rest of the World	507,203	456,323	297,699	274,754
Total Revenues	2,536,632	2,677,341	1,351,898	1,384,022

The distribution by business segments of the Group's consolidated income for the three- and six-month periods ended 30 June 2021 and 30 June 2020 is as follows:

	Profit/(loss) (Thousands of Euros)			
Segments	Six-Months Ended 30 June 2021	Six-Months Ended 30 June 2020	Three-Months Ended 30 June 2021	Three-Months Ended 30 June 2020
			Not reviewed	Not reviewed
Bioscience	443,811	414,397	247,777	125,194
Hospital	(3,577)	(8,584)	(771)	(2,697)
Diagnostic	104,561	87,234	48,741	50,006
Bio supplies	23,312	8,374	11,540	1,936
Other	14,277	(5,976)	(16,699)	6,804
Intersegments	(11,762)	4,005	(8,831)	5,434
Total income of reported segments	570,622	499,450	281,757	186,677
Unallocated expenses plus net financial result	(192,387)	(172,305)	(92,256)	(110,808)
Profit before income tax from continuing operations	378,235	327,145	189,501	75,869

(6) Goodwill

Details and movement in goodwill during the six-month period ended 30 June 2021 is as follows:

		Thousands of Euros			
		Balance at	Business	Translation	**Balance at**
	Segment	**31/12/2020**	Combination	differences	**30/06/2021**
Net value					
Grifols UK, Ltd. (UK)	Bioscience	7,674	--	333	8,007
Grifols Italia.S.p.A. (Italy)	Bioscience	6,118	--	--	6,118
Biomat USA, Inc.(USA) (see note 3)	Bioscience	234,791	345,844	14,460	595,095
Grifols Australia Pty Ltd. (Australia) / Medion Diagnostics AG (Switzerland)	Diagnostic	9,538	--	(13)	9,525
Grifols Therapeutics, Inc. (USA)	Bioscience	1,816,404	--	57,911	1,874,315
Araclon Biotech, S.L. (Spain)	Diagnostic	6,000	--	--	6,000
Progenika Biopharma, S.A. (Spain)	Diagnostic	40,516	--	--	40,516
Grifols Diagnostic (Novartis & Hologic) (USA, Spain and Hong Kong)	Diagnostic	2,376,978	--	74,996	2,451,974
Kiro Grifols, S.L. (Spain)	Hospital	24,376	--	--	24,376
Goetech, LLC. (USA)	Hospital	55,167	--	1,759	56,926
Haema, AG. (Germany)	Bioscience	190,014	--	--	190,014
BPC Plasma, Inc (USA)	Bioscience	140,334	--	4,473	144,807
Interstate Blood Bank, Inc. (USA)	Bioscience	158,479	--	5,053	163,532
Plasmavita Healthcare, GmbH (Germany)	Bioscience	9,987	--	--	9,987
Alkahest, Inc (USA)	Others	71,910	--	2,293	74,203
Grifols Canada Therapeutics, Inc (formerly Green Cross Biotherapeutics, Inc.) (Canada) (see note 3)	Bioscience	134,569	13,414	9,160	157,143
GCAM, Inc (formerly Green Cross America Inc.) (USA)	Bioscience	49,416	--	1,576	50,992
GigaGen, Inc (USA) (see note 3)	Others	--	122,759	2,476	125,235
		5,332,271	482,017	174,477	5,988,765

Impairment testing:

As a result of the acquisition of Talecris in 2011, and for impairment testing purposes, the Group combines the CGUs allocated to the Bioscience segment, grouping them together at segment level, because substantial synergies were expected to arise on the acquisition of Talecris, and due to the vertical integration of the business and the lack of an independent organized market for the products. Because the synergies benefit the Bioscience segment globally they cannot be allocated to individual CGUs. The Bioscience segment represents the lowest level to which goodwill is allocated and is subject to control by Group management for internal control purposes.

As a result of the acquisition of Novartis' Diagnostic business unit in 2014, the Group decided to combine Araclon, Progenika, Australia and Hologic's share of NAT donor screening unit acquisition into a single CGU for the Diagnostic business as the acquisition is supporting not only the vertically integration business but also cross-selling opportunities. In addition, for management purposes, the Group's management is focused on the business more than geographical areas or individual companies.

Due to the acquisition of an additional 40% stake in Kiro Grifols S.L. and a 51% stake in Goetech LLC (Medkeeper), the Group decided to group Kiro Grifols S.L., Laboratorios Grifols S.A. and Medkeeper into a single CGU for the Hospital business since the acquisitions are supporting cross-selling opportunities.

The CGUs established by Management are:

- Bioscience
- Diagnostic
- Hospital

The COVID-19 pandemic has caused unprecedented turmoil in the global economy, the breadth and duration of which remain unknown. While some industries and companies may be more vulnerable than others, the effects of the pandemic have affected social and economic behavior, increasing the overall uncertainty.

Our products from Bioscience CGU are considered lifesaving and have been identified as a strategic industry for most governments and therefore are prevented from being suspended. However, at the preparation date of the financial statements, Grifols has estimated a temporary impact derived from COVID-19.

There are no indications of impairment in the Diagnostic CGU since new opportunities have arisen from COVID-19 pandemic which have offset the potential negative impact deriving therefrom.

The recoverable amount of the Bioscience CGU and Hospital CGU has been calculated based on its value in use calculated as the present value of the future cash flows discounted at a discount rate considering the related inherent risk.

In the current uncertain environment, the recoverable amount calculations of the Bioscience and Hospital CGU use expected cash flow projections for five and six years respectively based on two different scenarios considered in respect of COVID-19 impact (base case and worst case) and the assigned weighting of these scenarios according to the following details:

	Bioscience CGU		Hospital CGU	
	Main assumption	Assigned weighting	Main assumption	Assigned weighting
Base case	Total recovery in 2022	70%	Total recovery in 2021	70%
Worst case	Total recovery beyond 2022	30%	Total recovery in 2022	30%

Management has determined the gross margin based on past experience and the current situation derived from the COVID-19 pandemic, investments in progress which would imply significant growth in production capacity and its forecast international market development.

Cash flows estimated as of the year in which stable growth in the CGU has been reached are extrapolated using the estimated growth rates indicated below. Perpetual growth rates are consistent with the forecasts included in industry reports.

The key assumptions used in calculating impairment testing of the CGUs for 2020 were as follows:

	Perpetual Growth rate	Discount Rate
Bioscience	1.9%	8.9%
Hospital	1.4%	10.8%

The key assumptions used in calculating impairment testing of the CGUs for the six-month period ended 30 June 2021 have been as follows:

	Perpetual Growth rate	Discount Rate
Bioscience	2.0%	9.2%
Hospital	1.5%	10.8%

The discount rate used reflects specific risks relating to the CGUs and the countries in which they operate. The main assumptions used for determining the discount rate are as follows:

- Risk free rate: normalized government bonds at 10 years
- Market risk premium: premium based on market research
- Unlevered beta: average market beta
- Debt to equity ratio: average market ratio

In 2020 and 2021, the reasonably possible changes considered for the Bioscience and Hospital CGUs are a variation in the discount rate, as well as in the estimated perpetual growth rate, as follows:

	Perpetual Growth rate	Discount Rate
Bioscience	+/- 50 bps	+/- 50 bps
Hospital	+/-100 bps	+/-100 bps

The reasonably possible changes in key assumptions considered by management in the calculation of the Bioscience CGU's recoverable amount would not cause the carrying amount to exceed its recoverable amount.

The reasonably possible changes in key assumptions considered by management in the calculation of the Hospital CGU's recoverable amount would cause the carrying amount to exceed its recoverable amount as follows:

	Discount Rate +100 bps
Hospital	5.0%

At 30 June 2021 Grifols' stock market capitalization totals Euros 13,602 million (Euros 14,207 million at 31 December 2020).

(7) Other Intangible Assets, Rights of Use and Property, Plant, and Equipment

Movement in other intangible assets, rights of use and property, plant and equipment during the six-month period ended 30 June 2021 is as follows:

	Thousands of Euros			
	Other intangible assets	Rights of Use	Property, plant and equipment	Total
Total Cost at 31/12/2020	2,370,373	787,407	3,685,191	6,842,971
Total depreciation and amortization at 31/12/2020	(747,594)	(108,711)	(1,358,431)	(2,214,736)
Impairment at 31/12/2020	(65,129)	--	(2,653)	(67,782)
Balance at 31/12/2020	1,557,650	678,696	2,324,107	4,560,453
Cost				
Additions	29,098	55,063	112,132	196,293
Business combination (note 3)	--	--	3,741	3,741
Disposals	(12,184)	(1,584)	(13,075)	(26,843)
Transfers	1,251	2,795	(3,035)	1,011
Translation differences	65,606	20,925	93,601	180,132
Total Cost at 30/06/2021	2,454,144	864,606	3,878,555	7,197,305
Depreciation & amortization				
Additions (note 14)	(51,088)	(32,425)	(83,241)	(166,754)
Disposals	38	1,464	11,179	12,681
Transfers	611	(2,809)	1,188	(1,010)
Translation differences	(18,458)	(2,960)	(30,695)	(52,113)
Total depreciation and amortization at 30/06/2021	(816,491)	(145,441)	(1,460,000)	(2,421,932)
Impairment				
Additions	--	--	56	56
Translation differences	(1,948)	--	(24)	(1,972)
Total impairment at 30/06/2021	(67,077)	--	(2,621)	(69,698)
Total balance at 30/06/2021	1,570,576	719,165	2,415,934	4,705,675

At 30 June 2021 there are no indications that these assets have been impaired.

Intangible assets acquired from Talecris mainly include currently marketed products. Identifiable intangible assets correspond to Gamunex and have been recognized at fair value at the acquisition date of Talecris and classified as currently marketed products. Intangible assets recognized comprise the rights on the Gamunex product, its commercialization and distribution license, trademark, as well as relations with hospitals. Each of these components are closely linked and fully complementary, are subject to similar risks and have a similar regulatory approval process.

Intangible assets acquired from Progenika mainly include currently marketed products. Identifiable intangible assets correspond to blood, immunology and cardiovascular genotyping. These assets have been recognized at fair value at the acquisition date of Progenika and classified as currently marketed products.

The cost and accumulated amortization of currently marketed products acquired from Talecris and Progenika at 30 June 2021 is as follows:

	Thousands of Euros			
	Balance at 31/12/2020	Additions	Translation differences	**Balance at 30/06/2021**
Cost of currently marketed products - Gamunex	980,873	--	31,273	1,012,146
Cost of currently marketed products - Progenika	23,792	--	--	23,792
Accumulated amortisation of currently marketed products - Gamunex	(313,335)	(16,564)	(10,294)	(340,193)
Accumulated amortisation of currently marketed products - Progenika	(18,633)	(1,190)	--	(19,823)
Net carrying amount of currently marketed products	672,697	(17,754)	20,979	675,922

The estimated useful life of the currently marketed products acquired from Talecris is considered limited, has been estimated at 30 years based on the expected life cycle of the product (Gamunex) and is amortized on a straight-line basis.

At 30 June 2021 the residual useful life of currently marketed products from Talecris is 19 years and 11 months (20 years and 11 months at 30 June 2020).

The estimated useful life of the currently marketed products acquired from Progenika is considered limited, has been estimated at 10 years based on the expected life cycle of the product and is amortized on a straight-line basis.

At 30 June 2021 the residual useful life of currently marketed products from Progenika is 1 year and 8 months (2 years and 8 months at 30 June 2020).

(8) Leases

Details of leases at 30 June 2021 and 31 December 2020 are as follows:

Rights of use	Thousands of Euros	
	30/06/2021	31/12/2020
Land and Buildings	706,063	665,002
Machinery	4,631	3,671
Computer equipment	2,567	3,588
Vehicles	5,904	6,435
	719,165	678,696

Lease liabilities	Thousands of Euros	
	30/06/2021	31/12/2020
Non-current	737,830	690,857
Current	45,315	42,642
	783,145	733,499

Movement during the period ended 30 June 2021 is included in note 7 “Other intangible assets, rights of use and property, plant and equipment”.

The amounts recognized in the consolidated statement of profit and loss related to lease agreements for the three-month and six-month period ended 30 June 2020 and 2021 are as follows:

Rights of use depreciation

	Thousands of Euros			
	Six-Months Ended 30 June 2021	Six-Months Ended 30 June 2020	Three-Months Ended 30 June 2021	Three-Months Ended 30 June 2020
			Not reviewed	Not reviewed
Buildings	27,954	26,941	15,026	13,696
Machinery	940	823	502	420
Computer equipment	1,254	1,511	597	915
Vehicles	2,277	2,728	1,113	1,329
	32,425	32,003	17,238	16,360

	Thousands of Euros			
	Six-Months Ended 30 June 2021	Six-Months Ended 30 June 2020	Three-Months Ended 30 June 2021	Three-Months Ended 30 June 2020
			Not reviewed	Not reviewed
Finance lease expenses (note 15)	17,133	18,055	8,701	9,117
	17,133	18,055	8,701	9,117

	Thousands of Euros			
	Six-Months Ended 30 June 2021	Six-Months Ended 30 June 2020	Three-Months Ended 30 June 2021	Three-Months Ended 30 June 2020
			Not reviewed	Not reviewed
Expenses related to short-term agreements	2,404	1,792	1,194	345
Expenses related to low-value agreements	6,859	5,606	3,403	2,784
Other operating lease expenses	7,845	6,210	3,730	3,579
	17,108	13,608	8,327	6,708

At 30 June 2021, the Group has paid a total of Euros 41,000 thousand related to lease agreements (Euros 40,555 thousand at 30 June 2020).

The total amount recognized in the balance sheet corresponds to lease agreements in which the Group is the lessee.

(9) Equity-accounted investees

Movement in the investments in equity-accounted investees during the six-month period ended 30 June 2021 is as follows:

	Thousands of Euros	
	Six-Months Ended 30 June 2021	Six-Months Ended 30 June 2020
Balance at 1 January	1,869,020	114,473
Acquisitions	--	1,804,619
Transfers	(50,496)	(10,674)
Share of profit / (losses)	49,093	(9,064)
Share of other comprehensive income / translation differences	39,110	(17,214)
Collected dividends	(2,406)	(1,790)
Balance at 30 June	1,904,321	1,880,350

At 30 June 2021, the quoted value of SRAAS shares was CNY 7.49. In accordance with IAS 28 – Investments in associates and joint ventures, possible indications of losses have been analyzed without detecting objective evidence of impairment in the investment.

(10) Financial Assets

Details of non-current financial assets on the consolidated balance sheet at 30 June 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	30/06/2021	**31/12/2020**
Investments in quoted shares	1,947	3,008
Total Non-current financial assets measured at fair value	1,947	3,008
Non-current guarantee deposits	6,817	6,268
Other non-current financial assets	140,450	108,030
Non-current loans to related parties	83,429	80,851
Total Non-current financial assets at amortized cost	230,696	195,149

Details of other current financial assets on the consolidated balance sheet at 30 June 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
	30/06/2021	**31/12/2020**
Deposits and guarantees	1,044	162
Other current financial assets	637	10,861
Current loans to third parties	8,000	95
Current financial assets at amortized cost	9,681	11,118

(11) Trade and Other Receivables

At 30 June 2021 and during 2020, the Grifols Group has sold receivables without recourse to some financial entities (factor), to which the risks and benefits inherent to the ownership of the assigned loans are substantially transferred. Also, the control over the assigned credits, understood as the factor's ability to sell them to an unrelated third party, unilaterally and without restrictions, has been transferred to the factor.

The main conditions of these contracts include the advanced collection of the transferred credits that varies between 70% and 100% of the nominal amount and a percentage of insolvency risk coverage on the factor side that varies between 90% and 100% of the nominal of the transferred credits.

These contracts have been considered without recourse factoring and the amount advanced by the factors has been removed from the balance sheet.

Likewise, during 2021 and 2020, some credit rights assignment contracts were signed with a financial institution, in which Grifols retains the risks and benefits inherent to the property of the assigned credits. These contracts have been considered with resource and the transferred amount remains in the consolidated balance sheet and a short-term debt has been recognized for an amount equal to the consideration received from the factor for the transfer. The amount recognized is Euros 21,986 thousand at 30 June 2021 (Euros 18,264 thousand at 31 December 2020) (see note 13).

The total sum of credit receivables sold without recourse, for which ownership was transferred to financial institutions pursuant to the aforementioned agreements, amounts to Euros 1,504,915 thousand for the six-month period ended 30 June 2021 (Euros 1,282,858 thousand for the six-month period ended 30 June 2020 and Euros 2,735,973 thousand for the year ended 31 December 2020).

The finance cost of receivables sold amounts to Euros 5,320 thousand for the six-month period ended 30 June 2021, which has been recognized under finance costs in the consolidated statement of profit and loss (Euros 5,027 thousand for the six-month period ended 30 June 2020) (see note 15).

(12) Equity

Details of consolidated equity and changes are shown in the condensed consolidated statement of changes in equity, which forms an integral part of the condensed consolidated interim financial statements.

(a) Share capital and share premium

At 30 June 2021 and 31 December 2020, the Company’s share capital amounts to Euros 119,603,705 and comprises:

• Class A shares: 426,129,798 ordinary shares of Euros 0.25 par value each, subscribed and fully paid and of

the same class and series.

• Class B shares: 261,425,110 non-voting preference shares of 0.05 Euros par value each, of the same class and series, and with the preferential rights set forth in the Company's by-laws.

(b) Reserves

The availability of the reserves for distribution is subject to legislation applicable to each of the Group companies. At 30 June 2021, Euros 29,834 thousand equivalent to the carrying amount of development costs pending amortization of certain Spanish companies (Euros 40,362 thousand at 31 December 2020) are, in accordance with applicable legislation, restricted reserves which cannot be distributed until these development costs have been amortized.

Companies in Spain are obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase.

At 30 June 2021 and 31 December 2020 the legal reserve of the Parent amounts to Euros 23,921 thousand.

(c) Treasury stock

Movement in Class A treasury stock during the six-month period ended 30 June 2021 is as follows:

	No. of Class A shares	Thousand of Euros
Balance at 1 January 2021	--	--
Disposals Class A shares	--	--
Acquisition Class A shares	3,944,430	89,959
Balance at 30 June 2021	3,944,430	89,959

On the meeting held on March 11, 2021, the Board of Directors resolved to implement a buy-back program of Grifols' own shares (the Buy-back Program), in accordance with the authorization granted by Grifols' ordinary general shareholders' meeting held on October 9, 2020, under item twelve of its agenda.

The Buy-back Program was created with the goal of using Grifols' own shares (Class A and Class B) as a consideration in certain future acquisitions that Grifols may carry out (as the Company has done in previous occasions).

This Buy-back Program started on March 12, 2021, and has remained in force until June 14, 2021 (both days included). Nevertheless, Grifols reserved the right to early terminate the Buy-back Program under certain circumstances.

Grifols entrusted the execution of the Buy-back Program to an independent bank, so Grifols has not exercised control over the bank's decisions in this respect.

At 30 June 2020 the Company did not have Class A treasury stock.

Movement in Class B treasury stock during the six-month period ended 30 June 2021 is as follows:

	No. of Class B shares	Thousand of Euros
Balance at 1 January 2021	3,012,164	43,734
Disposals Class B shares	(361,530)	(5,248)
Acquisition Class B shares	2,419,896	35,744
Balance at 30 June 2021	5,070,530	74,230

In March 2021 the Group delivered 361,530 treasury stocks (Class B shares) to eligible employees as compensation for the Restricted Share Unit Retention Plan (see note 18 (b)).

Movement in Class B treasury stock during the six-month period ended 30 June 2020 is as follows:

	No. of Class B shares	Thousand of Euros
Balance at 1 January 2020	3,415,052	49,584
Disposals Class B shares	(400,421)	(5,814)
Balance at 30 June 2020	3,014,631	43,770

In March 2020 the Company delivered 400,421 treasury stocks (Class B shares) to eligible employees as compensation for the Restricted Share Unit Retention Plan (see note 18 (b)).

(d) Distribution of profits

The profits of Grifols, S.A. and subsidiaries will be distributed as agreed by the respective shareholders at their general meetings and the proposed distribution of profit for the year ended 31 December 2020 is presented in the consolidated statement of changes in equity.

Dividends paid during the six-month period ended 30 June 2021 were as follows:

	Six-Months Ended 30 June 2021		
	% of par value	Euros per share	Thousands of Euros
Ordinary Shares	146%	0.36	154,005
Non-voting shares	729%	0.36	93,515
Non-voting shares (Preferred Dividend)	20%	0.01	2,614
Total Dividends Paid			250,134

In 2020, as a result of the situation derived from the COVID-19 pandemic, the Shareholders meeting was delayed and it was hold during the last quarter of the year.

For this reason, no dividends were paid during the six-month period ended 30 June 2020.

(e) Restricted Share Unit Compensation

The Group has set up a Restricted Share Unit Retention Plan (hereinafter RSU) for certain employees (see note 18 (b)). This commitment is settled using equity instruments and the cumulative accrual amounts to Euros 8,471 thousand in June 2021 (Euros 13,880 thousand in December 2020).

(13) Financial Liabilities

Details of financial liabilities at 30 June 2021 and 31 December 2020 are as follows:

	Thousands of Euros	
Financial liabilities	**30/06/2021**	**31/12/2020**
Non-current obligations (a)	2,675,000	2,675,000
Senior secured debt (b)	3,381,921	3,335,415
Other loans	183,244	183,771
Other non-current financial liabilities	9,374	10,272
Non-current lease liabilities (note 8)	737,830	690,857
Loan transaction costs	(271,887)	(293,215)
Total non-current financial liabilities	6,715,482	6,602,100
Current obligations (a)	130,700	125,843
Senior secured debt (b)	34,686	34,035
Other loans	745,190	170,730
Other current financial liabilities	41,389	105,041
Current lease liabilities (note 8)	45,315	42,642
Loan transaction costs	(56,374)	(53,679)
Total current financial liabilities	940,906	424,612

On 15 November 2019 the Group concluded the refinancing process of its senior secured debt for Euros 5,800 million. The new financing includes a Term Loan B for US Dollars 2,500 million and Euros 1,360 million, both aimed at institutional investors; the issue of two bonds for a total amount of Euros 1,675 million (Senior Secured Notes); and the extension of a multi-currency revolving credit facility up to US Dollars 500 million.

On 7 May 2020, the Group concluded the upsize of the multi-currency revolving credit facility from US Dollars 500 million to US Dollars 1,000 million with maturity in November 2025.

In September 2018, Grifols obtained a new non-current loan from the European Investment Bank totaling Euros 85,000 thousand that will be used by Grifols to support its investments in R&D&i, mainly focused on the search for new therapeutic indications for plasma-derived protein therapies. The financial terms include a fixed interest rate and, a maturity of 10 years with a grace period of 2 years.

On 5 December 2017 and 28 October 2015, the Group arranged loans with the same entity and with the same conditions for amounts of Euros 85,000 thousand and Euros 100,000 thousand, respectively. At 30 June 2021 and 31 December 2020, the carrying amount of the loans obtained from the European Investment Bank amounts to Euros 212,500 thousand.

(a) Senior Notes

On 15 November 2019, as part of its refinancing process, Grifols, S.A. issued Euros 1,675 million of Senior Secured Notes segmented in two notes of Euros 770 million and Euros 905 million. These notes will mature in 2027 and 2025 and will bear interest at an annual rate of 2.25% and 1.625%, respectively.
On 15 November 2019 the notes were admitted to listing on the Irish Stock Exchange.

On 18 April 2017, Grifols, S.A., issued Euros 1,000 million of Senior Unsecured Notes that will mature in 2025 and will bear interest at an annual rate of 3.20%. On 2 May 2017 the notes were admitted to listing on the Irish Stock Exchange.

The total principal plus interest payable of the Senior Notes is detailed as follows:

	Senior Unsecured Notes	Senior Secured Notes
Maturity	Principal+Interest in Thousands of Euros	Principal+Interest in Thousands of Euros
2021	16,000	16,016
2022	32,000	32,031
2023	32,000	32,031
2024	32,000	32,031
2025	1,016,000	929,678
2026	--	17,325
2027	--	787,325
Total	1,128,000	1,846,437

(b) Senior Secured Debt

Current loans and borrowings include accrued interest amounting to Euros 9,793 thousand at 30 June 2021 (Euros 7,262 thousand at 31 December 2020).

On 15 November 2019 the Group refinanced its Senior Secured Debt with the existing lenders. The new senior debt consists of a Term Loan B ("TLB"), which amounts US Dollars 2,500 million and Euros 1,360 million with a 2.00% margin pegged to Libor and a 2.25% margin pegged to Euribor respectively, maturity in 2027 and quasi-bullet repayment structure. The borrowers of the total senior debt are Grifols, S.A. and Grifols Worldwide Operations USA, Inc.

The costs of refinancing the senior debt amounted to Euros 84.4 million.

The terms and conditions of the senior secured debt are as follows:

- **Tranche B**: eight-year loan divided into two tranches: US Tranche B and Tranche B in Euros.

  - **Tranche B in US Dollars**:
    - Original principal amount of US Dollars 2,500 million.
    - Applicable margin of 200 basis points (bp) linked to US Libor.
    - Quasi-bullet repayment structure.
    - Maturity in 2027

  - **Tranche B in Euros:**
    - Original principal amount of Euros 1,360 million.
    - Applicable margin of 225 basis points (bp) linked to Euribor.

- Quasi-bullet repayment structure.
- Maturity in 2027

Details of the Tranche B by maturity at 30 June 2021 are as follows:

	Tranche B in US Dollars			Tranche B in Euros	
Maturity	Currency	Principal in thousands of US Dollars	Principal in thousands of Euros	Currency	Principal in thousands of Euros
2021	US Dollars	12,500	10,543	Euros	6,800
2022	US Dollars	25,000	21,086	Euros	13,600
2023	US Dollars	25,000	21,086	Euros	13,600
2024	US Dollars	25,000	21,086	Euros	13,600
2025	US Dollars	25,000	21,086	Euros	13,600
2026	US Dollars	25,000	21,086	Euros	13,600
2027	US Dollars	2,325,000	1,961,033	Euros	1,264,801
Total	US Dollars	2,462,500	2,077,006	Euros	1,339,601

The total principal plus interest of Tranche B Senior Loan is as follows:

	Thousand of Euros
	Tranche B Senior Loan
Maturity	
2021	54,845
2022	108,510
2023	107,754
2024	107,197
2025	106,242
2026	105,485
2027	3,287,085
Total	3,877,118

- **US Dollar 1,000 million committed credit revolving facility:** On 7 May 2020, the Group concluded the upsize of the multi-currency revolving credit facility from US Dollars 500 million to US Dollars 1,000 million with maturity in November 2025 and an applicable margin of 150 basis points (bp) linked to US Libor.

  The costs of refinancing the revolving credit facility amounted to Euros 9.3 million.

  At 30 June 2021 the Group has drawn down a total amount of US Dollars 350 million and Euros 240 million on this facility.

Both the Senior Term Loans and the Revolving Loans are secured by Grifols, S.A. and certain significant subsidiaries of Grifols, S.A., which together with Grifols, S.A., represent, in the aggregate, at least 70% of consolidated EBITDA of the Group.

The Notes have been issued by Grifols S.A. and are guaranteed on a senior secured basis by subsidiaries of Grifols, S.A. that are guarantors and co-borrower under the New Credit Facilities. The guarantors are Grifols Worldwide Operations Limited, Biomat USA, Inc., Grifols Biologicals Inc., Grifols Shared Services North America, Inc., Talecris Plasma Resources, Inc.., Grifols Therapeutics, Inc., Instituto Grifols, S.A., Grifols Worldwide Operations USA, Inc., Grifols USA, Llc. and Grifols International, S.A.

(14) Expenses by Nature

Details of wages and other employee benefits expenses by function are as follows:

	Thousands of Euros			
	Six-Months Ended 30 June 2021	Six-Months Ended 30 June 2020	Three-Months Ended 30 June 2021	Three-Months Ended 30 June 2020
			Not reviewed	Not reviewed
Cost of sales	488,224	563,519	242,581	288,298
Research and development	66,156	56,399	36,003	27,891
Selling, general & administrative expenses	183,865	205,139	84,649	102,319
	738,245	825,057	363,233	418,508

Details of amortization and depreciation expenses by function are as follows:

	Thousands of Euros			
	Six-Months Ended 30 June 2021	Six-Months Ended 30 June 2020	Three-Months Ended 30 June 2021	Three-Months Ended 30 June 2020
			Not reviewed	Not reviewed
Cost of sales	101,389	100,048	51,859	50,927
Research and development	19,338	13,337	9,647	7,255
Selling, general & administrative expenses	46,027	44,831	23,473	22,461
	166,754	158,216	84,979	80,643

(15) Finance Result

Details are as follows:

	Thousands of Euros			
	Six-Months Ended 30 June 2021	Six-Months Ended 30 June 2020	Three-Months Ended 30 June 2021	Three-Months Ended 30 June 2020
			Not reviewed	Not reviewed
Finance income	4,949	4,580	1,804	1,982
Finance cost from Senior Unsecured Notes	(41,916)	(42,667)	(21,009)	(21,233)
Finance cost from Senior debt	(54,035)	(63,065)	(27,178)	(29,260)
Finance cost from sale of receivables (note 11)	(5,320)	(5,027)	(2,742)	(3,005)
Capitalised interest	8,609	9,102	4,485	4,349
Finance lease expense (note 8)	(17,133)	(18,055)	(8,701)	(9,117)
Other finance costs	(9,903)	(6,568)	(5,916)	(3,460)
Finance costs	(119,698)	(126,280)	(61,061)	(61,726)
Change in fair value of financial instruments (note 3)	555	56,526	--	--
Exchange differences	(5,243)	(10,755)	(1,480)	661
Finance result	(119,437)	(75,929)	(60,737)	(59,083)

(16) Taxation

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate is 20% for the six-month period ended 30 June 2021 and for the six-month period ended 30 June 2020.

No relevant events have arisen regarding income tax audits during the six-month period ended 30 June 2021.

(17) Discontinued operations

The Group has not discontinued any operations for the six-month periods ended 30 June 2021 and 2020.

(18) Contingencies and Commitments

(a) Contingencies

Details of legal proceedings in which the Company or Group companies are involved are as follows:

- **ORTHO-CLINICAL DIAGNOSTICS, INC., GRIFOLS DIAGNOSTIC SOLUTIONS, INC. adv. SIEMENS HEALTHCARE DIAGNOSTICS, INC.**

  Served: 20 November 2018

  Contract Dispute

  Ortho-Clinical Diagnostics, Inc. ("Ortho") and Grifols Diagnostic Solutions, Inc. ("GDS") initiated a dispute with Siemens Healthcare Diagnostics, Inc. ("Siemens") regarding sales and commissions under the Supply and Agency Agreement alleging underpayments.

  NEXT ACTION: Trial concluded March 18, 2021. Awaiting decision by the Tribunal.

  Siemens has now initiated separate but related dispute resolution with Ortho and GDS under the Supply Agreement, specific to pricing, alleging overpayments.

  NEXT ACTION: GDS and Ortho filed a motion to stay the arbitration in New York Supreme Court, Commercial Division, pending the outcome of the dispute regarding the Supply and Sales Agency Agreements, which motion is still pending before that Court. A Tribunal was appointed and scheduling order is in place. Discovery has been initiated.

- **ABBOTT LABORATORIES v. GRIFOLS DIAGNOSTIC SOLUTIONS INC., GRIFOLS WORLDWIDE OPERATIONS LIMITED AND NOVARTIS VACCINES AND DIAGNOSTICS, INC.**

  Served: 8 October 2019

  US District Court, Northern District of Illinois
  Patent Infringement, Civil Action No. 1:19-cv-6587

  Abbott Laboratories ("Abbott"), GDS, GWWO and Novartis Vaccines and Diagnostics, Inc. are in dispute over unpaid royalties payable by Abbott to GDS and Ortho-Clinical Diagnostics ("Ortho") under an HIV License and Option agreement dated 16 August 2019 (the "HIV License"). On 12 September 2019, GDS and Ortho filed Notice of Arbitration. On 3 October 2019, Abbott terminated the HIV License and filed for Declaratory Relief seeking to invalidate the licensed patent. GDS filed Motions to Dismiss and to Compel Arbitration, but the Court continued all pending Motions and referred the parties to a magistrate for a mandatory settlement conference. On 5th February the parties attended a Mandatory Settlement Conference ordered by the District Judge, with the Magistrate Judge presiding. No satisfactory settlement was reached. On March 16, 2020, Grifols and Ortho filed an answer and counterclaim to the litigation, while simultaneously pursuing arbitration for the pre-termination amount owed by Abbot. The arbitration hearing was June 15-16, 2020. As a result, the arbitrator awarded Grifols/Ortho $4 Million. The court litigation is continuing. Abbot's Motion to Dismiss was denied December 1, 2020. Discovery is now still underway.

(b) Commitments

- **Restricted Share Unit Retention Plan**

For the annual bonus, the Group established a Restricted Share Unit Retention Plan (RSU Plan), for eligible employees. By these plans, the employee could elect to receive up to 50% of its yearly bonus in non-voting Class

B ordinary shares (Grifols Class B Shares) or Grifols American Depositary Shares (Grifols ADS), and the Group will match with an additional 50% of the employee election of RSUs (additional RSUs).

Grifols Class B Shares and Grifols ADS are valued at grant date.

These RSUs will have a vesting period of 2 years and 1 day and, subsequently, the RSU's will be exchanged for Grifols Class B Shares or Grifols ADS (American Depositary Share representing 1 Class B Share).

If an eligible employee leaves the Company or is terminated before the vesting period, he will not be entitled to the additional RSU.

At 30 June 2021, the Group has settled the RSU plan of 2018 for an amount of Euros 8,221 thousand (Euros 7,509 thousand at 30 June 2020 regarding RSU plan of 2017).

This commitment is treated as equity-settled and the accumulated amount recognized as at 30 June 2021 as share based payments costs of employees is Euros 8,471 thousand (Euros 13,880 thousand at December 2020).

(19) Financial Instruments

Classification

Disclosure of financial instruments by nature, category and fair value is as follows:

Thousands of Euros

	31/12/2020									
	Carrying amount						Fair Value			
	Financial assets at amortised costs	Financial assets at FV to profit or loss	Financial assets at FV to OCI	Financial liabilities at amortised costs	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Non-current financial assets	--	1,128	1,880	--	--	3,008	1,128	--	1,880	3,008
Trade receivables	--	--	308,485	--	--	308,485	--	308,485	--	308,485
Financial assets measured at fair value	**--**	**1,128**	**310,365**	**--**	**--**	**311,493**				
Non-current financial assets	195,149	--	--	--	--	195,149				--
Other current financial assets	11,118	--	--	--	--	11,118				
Trade and other receivables	147,108	--	--	--	--	147,108				
Cash and cash equivalents	579,647	--	--	--	--	579,647				
Financial assets not measured at fair value	**933,022**	**--**	**--**	**--**	**--**	**933,022**				
Senior Unsecured & Secured Notes	--	--	--	(2,601,479)	--	(2,601,479)	(2,705,437)	--	--	(2,705,437)
Promissory Notes	--	--	--	(111,622)	--	(111,622)				
Senior secured debt	--	--	--	(3,110,298)	--	(3,110,298)	--	(3,358,729)	--	(3,358,729)
Other bank loans	--	--	--	(354,501)	--	(354,501)				
Lease liabilities	--	--	--	(733,499)	--	(733,499)				
Other financial liabilities	--	--	--	(115,313)	--	(115,313)				
Other non-current debts	--	--	--	--	(16,391)	(16,391)				
Trade and other payables	--	--	--	(742,707)	--	(742,707)				
Other current liabilities	--	--	--	--	(153,162)	(153,162)				
Financial liabilities not measured at fair value	**--**	**--**	**--**	**(7,769,419)**	**(169,553)**	**(7,938,972)**				
	933,022	**1,128**	**310,365**	**(7,769,419)**	**(169,553)**	**(6,694,457)**				

The Group does not provide details of the fair value of certain financial instruments as their carrying amount is very similar to their fair value because of its short term.

Thousands of Euros

	30/06/2021									
	Carrying amount						Fair Value			
	Financial assets at amortised costs	Financial assets at FV to profit or loss	Financial assets at FV to OCI	Financial liabilities at amortised costs	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Non-current financial assets	--	7	1,940	--	--	1,947	7	--	1,940	1,947
Trade receivables	--	--	457,180	--	--	457,180	--	457,180	--	457,180
Financial assets measured at fair value	**--**	**7**	**459,120**	**--**	**--**	**459,127**				
Non-current financial assets	230,696	--	--	--	--	230,696				
Other current financial assets	9,681	--	--	--	--	9,681				
Trade and other receivables	154,384	--	--	--	--	154,384				
Cash and cash equivalents	397,864	--	--	--	--	397,864				
Financial assets not measured at fair value	**792,625**	**--**	**--**	**--**	**--**	**792,625**				
Senior Unsecured & Secured Notes	--	--	--	(2,609,818)	--	(2,609,818)	(2,709,042)	--	--	(2,709,042)
Promissory Notes	--	--	--	(115,172)	--	(115,172)				
Senior secured debt	--	--	--	(3,169,056)	--	(3,169,056)	--	(3,391,499)	--	(3,391,499)
Other bank loans	--	--	--	(928,434)	--	(928,434)				
Lease liabilities	--	--	--	(783,145)	--	(783,145)				
Other financial liabilities	--	--	--	(50,763)	--	(50,763)				
Other non-current debts	--	--	--	--	(16,767)	(16,767)				
Trade and other payables	--	--	--	(757,568)	--	(757,568)				
Other current liabilities	--	--	--	--	(181,629)	(181,629)				
Financial liabilities not measured at fair value	**--**	**--**	**--**	**(8,413,956)**	**(198,396)**	**(8,612,352)**				
	792,625	**7**	**459,120**	**(8,413,956)**	**(198,396)**	**(7,360,600)**				

The Group does not provide details of the fair value of certain financial instruments as their carrying amount is very similar to their fair value because of its short term.

(20) Related Parties

Transactions with related parties have been performed as part of the Group's ordinary course of business and have been performed at arm's length.

Group transactions with related parties during the six-month period ended 30 June 2021 are as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
Net Sales	145,685	--	--	--
Purchases of inventory	(358)	--	--	--
Other service expenses	(175)	--	(3,890)	--
Remuneration	--	(7,722)	--	(2,232)
Dividends paid/received	(6,405)	--	--	--
	138,747	(7,722)	(3,890)	(2,232)

Group transactions with related parties during the six-month period ended 30 June 2020 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
Net sales	5,456	--	--	--
Purchases of inventory	(30)	--	--	--
Other service expenses	(14,687)	--	(7,363)	--
Purchases of fixed assets	--		(13,500)	
Remuneration	--	(8,486)	--	(2,500)
Finance income	783	--	--	--
	(8,479)	(8,486)	(20,863)	(2,500)

Group transactions with related parties during the three-months period ended 30 June 2021 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
	Not reviewed			
Net Sales	142,765	--	--	--
Purchases of inventory	(240)	--	--	--
Other service expenses	(123)	--	(1,511)	--
Remuneration	--	(3,844)	--	(1,117)
Dividends paid/received	(6,405)	--	--	--
	135,997	(3,844)	(1,511)	(1,117)

Group transactions with related parties during the three-months period ended 30 June 2020 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
	Not reviewed			
Net sales	2,231	--	--	--
Purchases of inventory	(25)	--	--	--
Other service expenses	(6,542)	--	(5,172)	--
Purchases of fixed assets	--	--	(13,500)	--
Remuneration	--	(4,189)	--	(1,250)
Finance income	461	--	--	--
	(3,875)	(4,189)	(18,672)	(1,250)

On 28 December 2018, the Group sold BPC Plasma and Haema to Scranton Enterprises B.V (shareholder of Grifols) for US Dollars 538,014 thousand. For the payment of the aforementioned sale amount, Scranton signed a loan agreement dated 28 December 2018 for an amount of US Dollars 95,000 thousand (Euros 82,969 thousand) with Grifols Worldwide Operations Limited. Interest on this loan is 2%+EURIBOR and it falls due on 28 December 2025.

The Group has not extended any advances or loans to the members of the board of directors or key management personnel nor has it assumed any guarantee commitments on their behalf. It has also not assumed any pension or life insurance obligations on behalf of former or current members of the board of directors or key management personnel. In addition, as disclosed in note 29(c) of the consolidated financial statements as at and for the year ended 31 December 2020, certain Company directors and key management personnel are entitled to termination benefits.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Management Report

for the six-month period ended 30 June 2021

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish language version will prevail)

You are encouraged to read the following discussion and analysis of Grifols' financial condition and results of operations together with their six months period ended June 30, 2021 condensed consolidated interim financial statements and related footnotes. This discussion and analysis may contain forward-looking statements that involve risks and uncertainties. See the section "Cautionary Statement Regarding Forward-Looking Statements" included in this document.

Grifols reported 2.3% cc[1] (-5.3% taking into account exchange rate variations) growth and EUR 2,536.6 million in revenues in the first half, a period marked by the gradual recovery of plasma donations, debt reduction, and significant investment efforts to further consolidate plasma supply levels and innovation.

In the second quarter of 2021, revenues grew by 5.3% cc to EUR 1,351.9 million, fueled by the solid performance of the Bioscience, Diagnostic and Hospital divisions.

The Bioscience Division recorded notable 5.1% cc growth, reversing the 5.6% cc decline recorded in the first quarter. First-half revenues totaled EUR 1,986.0 million (-0.1% cc; -8.0%).

The division's growth was driven by robust demand for all major plasma proteins – immunoglobulins (IVIG and SCIG), albumin, alpha-1 and specialty proteins – coupled with mid-single-digit price increases and the contribution of new products.

The Diagnostic Division delivered EUR 395.5 million in sales in the first six months of 2021, growing by 22.9% cc (16.3%), mainly due to sales of the TMA (Transcription-Mediated Amplification) molecular test to detect the SARS-CoV-2 virus, as well as underlying growth of NAT technology (Procleix® NAT Solutions) solutions, used to screen whole blood and plasma.

Hospital Division revenues increased for the third consecutive quarter as hospital investments and treatments normalize. The division registered revenues of EUR 67.7 million in the first half, an operational increase of 19.5% cc (17.1%).

Bio Supplies Division's sales totaled EUR 107.3 million, a 8.5% cc decline (-15.4%) mainly as a result of lower third-party plasma sales and Bio Supplies Commercial phasing.

The gross margin in the first half was 43.9%, compared to 38.8% reported in the same period last year. The gross margin for the second quarter stood at 43.0%.

EBITDA reached EUR 634.5 million (EUR 337.7 million in the second quarter), a 9.4% increase during the first half. The EBITDA margin is 25.0% over revenues (25.1% in the first quarter).

Grifols continues to execute its EUR 100 million per year operating expense containment plan, enabling the company to optimize its financial performance without impacting on its innovation efforts.

Throughout the first six months of 2021, Grifols has continued working on expanding its long-term plasma supply to meet current market needs and the anticipated robust demand.

Today, plasma collections in Europe exceed 2020 levels and pre-pandemic levels. U.S. plasma collections continue its upward trend. Recent strategic acquisitions increased Grifols' plasma collection capacity, providing access to an additional 1.4 million liters per year. Grifols' plasma collection capacity installed increased by 15% in 2021. In parallel, the company plans on opening 15 to 20 new centers in the second half of 2021.

The company reaffirmed its firm commitment to innovation, combining its extensive experience in plasma-derived medicines while progressively developing a complementary portfolio of non-plasma therapies.

[1] *Constant currency (cc) excludes exchange rate fluctuations over the period.*

In this context, total net investment in R+D+i amounted to EUR 155.3 million, representing 6.1% of revenues. These results underscore Grifols' ongoing efforts to integrate and develop cutting-edge projects as those of Alkahest and GigaGen.

Grifols allocated EUR 117.3 million (EUR 145.6 million in the first half of 2020) to CAPEX.

The financial result in the first half of 2021 stood at EUR 119.4 million (EUR 132.4 million in the first half of 2020 excluding the positive EUR 56.5 million impact from the closing of the Shanghai RAAS transaction registered in that period).

Share of results of equity-accounted investees mainly includes the updated value of Grifols' GigaGen stake (EUR 34.5 million), following the agreement signed in the first quarter of 2021 to acquire the remaining capital.

The reported net profit totaled EUR 266.8 million, a 22.3% increase over the EUR 218.2 million recorded in the same period of 2020. This figure includes part of the COVID-19[2] impact. The adjusted net profit amounts to EUR 279.1 million.

Excluding the impact of IFRS 16[3], the net financial debt reached EUR 6,475.5 million. In recent quarters, the leverage ratio has increased due to strategic acquisitions totaling USD 1 billion to secure plasma supply, reinforce innovation and support global expansion.

Decreasing leverage remains a priority for the company. In the first half of 2021, Grifols reduced the net financial debt over EBITDA ratio to 4.9x, down from the 5.1x reported until the first quarter of the year.

The GIC, the sovereign wealth fund of Singapore, agreement will also further reduce leverage by 0.6x, since the capital will be allocated in full to repay senior debt. GIC will become a long-term strategic investor for the next 30 years as a result of this transaction.

As of June 30, 2021, Grifols' cash position totaled EUR 398 million, bringing its liquidity position to EUR 813 million.

The efforts to increase plasma capacity, business optimization, global expansion, innovation and financial discipline leave Grifols well positioned to respond to current needs and fulfill its commitments and growth strategy.

PERFORMANCE BY DIVISION

- **Bioscience Division**

The Bioscience Division recorded EUR 1,986.0 million in revenues (-0.1% cc and -8.0%). The growth of 5.1% cc (-3.1%) in sales in the second quarter to EUR 1,084.7 million has offset the decrease of 5.6% cc (-13.3%) recorded in the first quarter.

Strong demand was noted for the main proteins including IG, albumin, alpha-1 and specialty proteins (hyperimmune and intramuscular immunoglobulins), was backed by mid-single-digit price increases. This trend partially offset lower sales volume of IVIG.

New product launches including Xembify®, VISTASEAL™ and TAVLESSE® also contributed to the revenue performance.

[2] *In the first half of 2020, Grifols recognized an estimated impact of EUR 205 million for the entire 2020 financial year to adjust inventory value as a result of COVID-19.*

[3] *As of June 30, 2021, the impact of IFRS 16 on total debts stands at EUR 783 million.*

Immunoglobulin demand remains very strong, led by the U.S., Canada and several European Union (EU) countries. The contribution of subcutaneous immunoglobulins (SCIG) were particularly noteworthy in the second quarter.

Albumin sales maintain their trend driven by double-digit growth in China, whose demand continues to present a significant growth potential. Albumin sales also grew in traditional markets such as the U.S., Europe and Latin America, where demand remains robust.

In July 2021, Grifols introduced Plasbumin® in China, the company's third brand launch in this market. As part of Grifols' strategic alliance with Shanghai RAAS, Plasbumin® will be marketed via a new integrated commercial platform. Encompassing more than 500 business partners and access to direct sales, this network boasts a large geographic scope, extensive market coverage and expanded customer base.

Alpha-1 antitrypsin continues to drive the division's revenues, attaining double-digit growth in the second quarter. The company remains committed to increasing the diagnosis of alpha-1-antitrypsin deficiency patients, particularly in countries such as Germany and France.

The performance of specialty proteins, including hyperimmune and intramuscular immunoglobulins, was very positive and grew by double digit in the first six months. Of note were strong U.S. sales of Grifols' anti-rabies immunoglobulin (HyperRAB®) and the U.S. market launch of a new format of anti-hepatitis B immunoglobulin (HyperHEP B®), currently prescribed in more than 20 countries.

In terms of new products, TAVLESSE® (fostamatinib) recorded strong sales in European countries where it has been launched. Within the framework of the agreement with Rigel Pharmaceuticals, it is used to treat chronic immune thrombocytopenia (ITP) in adult patients refractory to other treatments.

- **Diagnostic Division**

Diagnostic Division revenues grew by 22.9% cc (+16.3%) in the first half of the year to EUR 395.5 million, driven by its main business lines. Sales in the second quarter were especially strong, reaching EUR 192.2 million and double-digit growth.

Revenues of Grifols' NAT systems (Procleix® NAT Solutions), used to screen whole blood and plasma donations via Transcription-Mediated Amplification (TMA) continues to show its dynamism. Of note are strong sales of the TMA diagnostic test used to detect SARS-CoV-2, which, in addition to its high sensitivity, can also adapt to large volumes of samples in an automated way.

The blood typing line has also resumed its previous trend with significant growth in the U.S., various European countries and Japan. Its sales include both analyzers (Erytra®, Erytra-Eflexis® and Wadiana®) and reagents (DG-Gel® cards, red blood cells and antiserums). Of note is the first Eflexis installation in Austria.

Additionally, sales of recombinant proteins to produce diagnostic immunoassays remain stable. The design and development of a new recombinant protein (sCD38) is worth highlighting. This product will enhance the safety of blood transfusions in cancer patients, a significant advance in the area of immune-hematological testing.

- **Hospital Division**

The Hospital Division reported EUR 67.7 million in revenues, growing by 19.5% cc (+17.1%) as hospital investments recover. A positive performance is observed in all business lines, particularly Pharmatech, intravenous solutions and third-party manufacturing services.

In the field of oncology, the division announced the installation of two new Kiro Oncology systems in the U.S., one in New York's Mount Sinai-The Blavatnik Family Chelsea Medical Center and the other in the Seattle Cancer Center Alliance, the only cancer center in the state of Washington.

- **Bio Supplies Division**

Bio Supplies Division revenues reached EUR 107.3 million in the first six months, a 8.5% cc decrease (-15.4%) compared to the same period in the previous year due mainly to lower whole blood collections and Bio Supplies Commercial sales phasing.

STRATEGIC AGREEMENTS AND INNOVATION

- **Strategic investment from GIC in Biomat**

In line with Grifols' commitment to reduce its leverage levels, the company takes a step further and welcomes GIC as a strategic investor. Grifols' leadership in the manufacture of plasma-based medicines, extensive expertise in the expansion and management of plasma centers, market know-how, and outstanding reputation were all key factors in GIC's decision to invest in the company.

As previously announced, Grifols S.A. has signed a corporate transaction by means of which GIC, the sovereign wealth fund of Singapore, have entered into a definitive agreement under which an affiliate of GIC will invest US$990 million in Grifols' wholly-owned US subsidiary Biomat USA, Inc. ("Biomat"). In exchange, GIC will receive an aggregate of 10 Class B common shares of Biomat and 9 Class B common shares of a newly-established sub-holding company ("Newco"). These common shares, which will represent directly and indirectly an aggregate of 23.8% of the equity of Biomat, will be non-voting but will have annual preferential dividends of US$4,168,421.05 per share of each of Biomat and Newco. Beginning with respect to 2023, holders of these shares may request, subject to certain limitations, the redemption of up to one share of Biomat or Newco per year, as applicable, at a redemption price of $52,105,263.16 per share (the "redemption price"), provided that following the 15th anniversary of the closing of the transaction,, holders may request redemption of up to all their then outstanding shares. The shares will have customary liquidation preference rights (in an amount per share equal to the redemption price plus unpaid dividends) that would trigger in certain circumstances, such as in the case of a liquidation, dissolution or winding up of Biomat, if Grifols ceases to control or have at least a 75% voting interest in Biomat, or upon the exclusive licensing of all or substantially all intellectual property of Biomat. In addition, in the event of a default in the payment of dividends or redemptions, there would among other things be monetary penalties or holders of the shares could opt to exchange them for shares of Grifols S.A.

Biomat (together with its subsidiaries) holds a plasma collection business with 296 plasma collection centers throughout the territory of the United States. Grifols will continue to control all aspects of the day-to-day management of Biomat and, through a long-term plasma supply agreement, all plasma collected by Biomat and its subsidiaries will continue to be supplied to Grifols for the further manufacturing of plasma derived products. Grifols intends to apply all net proceeds from GIC's investment to repay debt.

- **Grifols reaffirms its commitment to innovation**

As outlined during the annual investors and analysts meeting in June, Grifols remains committed to driving innovation and advancing a strategic plan aimed at gradually developing a portfolio of non-plasma products to complement its plasma-derived therapies.

To this end, the company is focused on technological platforms such as Alkahest's and GigaGen's to accelerate research on a range of fields including dementia and other age-related conditions; cirrhosis and other liver diseases; infectious diseases; and ophthalmology, one of the most innovative areas with significant growth potential.

The company expects new product launches to account for 20% of revenues by 2030, compared to 5% at present.

- **Collaborations to drive innovation and knowledge**

The company signed an agreement with the Government of Andorra in April through the Andorra Desenvolupament i Inversió (ADI) to create a world-class R+D+i center dedicated to developing treatments for immune system disorders that can lead to autoimmune diseases, cancer, emerging infectious diseases and other pathologies.

The parties will establish a joint venture owned by Grifols and ADI on an 80%-20% basis, respectively. The agreement will become effective when the corresponding authorizations are available.

Another highlight in the second quarter was the inauguration of the first AMBAR® Center in Barcelona, the fruit of Grifols' collaboration with the Ace Alzheimer Center Barcelona Medical Foundation.

The center will collect real-world data from regular medical practice to optimize the application of AMBAR® procedure so that it can become a viable option for Alzheimer's patients.

The center is the result of more than 15 years of research on Alzheimer's disease through the AMBAR® clinical program, including an international clinical trial which has been demonstrated as a safety treatment to slow down the cognitive and functional progression of Alzheimer's disease in patients in the mild to moderate stages of the disease.

Grifols has plans to open more AMBAR® Centers in Europe, the United States and China through partnerships with medical institutions renowned for their work on this progressive neurologic disorder.

NON-FINANCIAL INFORMATION: COMMITMENT TO OUR TALENT POOL, THE ENVIRONMENT AND SUSTAINABILITY

- **Grifols promotes the health, safety and continuous development of its employees**

Assuring the health and safety of its team is among Grifols' top priorities. In the first half of 2021, the company executed all prevention measures recommended by health authorities as well as additional safety measures to protect its employees against COVID-19. It also rolled out a sampling strategy to monitor staff through biweekly diagnostic tests, administering more than 100,000 tests over the first six months of the year.

Additional efforts to safeguard the Grifols workforce include ISO 45001 certification, the world's international standard for occupational health and safety. The company's installations in Spain are ISO-45001-certified, with progress underway to obtain certification in the U.S.

Grifols' workforce included 23,431 employees in the first half of the year, a 0.9% decrease compared to the end of the 2020 financial year. Of note was the increase in ROW (rest of the world), where the workforce

increased by +2.1% to 2,661 employees. It contracted 1.6% to 16,490 employees in North America and remained stable in Spain (-0.3%) with 4,280 employees.

The average seniority at Grifols is 6.3 years and the average age is 38 years old. The company advocates equal opportunities for men and women. As of June 30, 2021, men comprise 40% of the employee pool, and women, 60%.

Launched years ago, the company's digital transformation process ensured the continuation of its various training and talent development initiatives throughout the pandemic. Over the first six months of 2021, more than 1,000 employees took part in over 100 workshops. Grifols managers also elevated their digital-transformation competencies in an innovative program designed to foster the unique mindset, skills and resources to excel in today's digitally-driven landscape. Grifols employees dedicated an average of 53 hours to training in the first half of 2021.

In the areas of diversity and inclusion, Grifols started a three-year strategic plan to promote gender equality, the inclusion of disabled employees, minority representation, and an age-diverse workplace.

- **Environmental management**

Grifols published its 2020 environmental performance and the advance of the 2020-2022 Corporate Environmental Program in the first half of the year. Both documents are included in 2020 Integrated Annual Report, which also outlines Grifols' progress on its 2030 environmental targets.

In 2020, the company made notable progress toward its 2030 objectives, with respect to the base year 2018, achieving an 8.1% drop in CO_2 equivalent emissions; a 9.4% decrease in energy consumption; 5.4% consumption from renewable electricity; and a 68% decline in business-travel emissions and 30% drop from employee commutes. Grifols supports various biodiversity protection programs, including projects in Clayton, North Carolina (U.S.) and the Besòs River basin in Barcelona, Spain, in cooperation with the Rivus Foundation.

Among the initiatives implemented in 2021 under the 2020-2022 Corporate Environmental Program, worth mention is the start-up of the third photovoltaic facility for self-consumption installed in Spain. It is a 220-kW photovoltaic plant, installed on the roof of a Bioscience Division facility in Parets del Vallès (Barcelona, Spain) and will generate 330,000 kWh per year.

Also noteworthy is the recent agreement PPA (Power Purchasing Agreement) signed with RWE Renewables, for a period of 10 year, for the purchase of renewable electricity where Grifols will buy 28% of its total annual electricity needs in Spain. Through the agreement, Grifols will be the sole customer of a new 21-hectare solar photovoltaic plant currently in construction in Las Vaguadas (Badajoz, Spain). The installation is expected to be operative in the first half of 2022, providing 25 million kWh per year while preventing the emission of more than 7,600 tons of CO_2e per year.

Grifols foresees future PPAs in Spain and in other markets in which it operates, including the United States, in order to modify its energy consumption and achieve its 2030 sustainability goals. These include obtaining at least 70% of its electricity from renewable sources, cutting greenhouse gas emissions per unit of production by 40% and increasing energy efficiency per unit of production by 15%.

Meanwhile, the Bioscience Division facility in Ireland has implemented a process to reuse and recover water from pasteurization baths, an initiative that will reduce its water consumption by 4,000 m^3 per year. Finally, Grifols' waste-management initiatives in the Parets del Vallès complex (Barcelona) will increase materials recycling from the general trash fraction and convert the last portion into solid recovered fuel, avoiding more than 400 tons of non-hazardous waste per year go to the landfill.

- **Sustainability**

  - **Working toward ESG commitments**

Grifols reinforced its commitment to a long-term sustainable development model with the creation of the Sustainability Steering Committee. This committee is led by the Investor Relations and Sustainability and reports to the Sustainability Committee, delegated by the Board of Directors. Among its responsibilities, the Sustainability Steering Committee will ensure making progress as a responsible, transparent company committed to its various stakeholders through the continuous improvement of its economic, social, environmental and corporate governance (ESG) performance.

In the first half, Grifols also formally ratified its commitment to a responsible business model that takes into account the principles and objectives of the 2030 Agenda for Sustainable Development. In this sense, in addition to integrating the Sustainable Development Goals (SDGs) into its corporate strategy and analyzing, evaluating and communicating its commitments and contributions in detail each year; the company offered further evidence of its commitment by formally joining the United National Global Compact, the world's largest initiative for corporate sustainability.

Grifols' notable ESG performance in recent years has led to its distinction among the world's most sustainable companies. To date, it has been listed on premier sustainability indices including the Dow Jones Sustainability Index (DJSI) Euro, Euronext Vigeo Europe 120, Euronext Vigeo Eurozone 120, FTSE4Good Global and the Bloomberg Gender-Equality Index (GEI), among others.

At the same time, several ratings agencies such as Standard & Poor's (S&P) Global Rating, Moody's, Sustainalytics and ISS evaluated Grifols' sustainability performance for the first time in 2021. Especially noteworthy was the S&P and Sustainalytics ratings and ISS ESG Corporate classified the company in the "prime" category.

  - **Transparency**

As part of its commitment to transparency, Grifols disclosed, for the sixth consecutive year, all payments and other transfers of value related to medicines and medical technology made to healthcare professionals and health organizations in several European countries as defined by EFPIA, including Spain.

In 2020, Grifols' transfers of value in Europe totaled EUR 13.4 million, a 14% decline in relation to the previous year due to pandemic-related restrictions and limitations, which included the cancellation of several research conferences or their conversion from in-person to online events. R+D-related value transfers amounted to EUR 11.34 million and represented 84.4% of the total, reaching similar levels as those reported in 2019.

In addition to Europe, Grifols applies this policy of transparency in the United States as required by the regulatory body (Centers for Medicare & Medicaid Services, CMS).

  - **Social Action**

Grifols has extended its commitment to the World Federation of Hemophilia (WFH) humanitarian aid program until 2030 and will donate at least 240 million international units (IU) of clotting factors (factor VIII and factor IX) to the WFH Humanitarian Aid Program over the next eight years (2022-2030). According to the WFH, this contribution will guarantee around 10,300 doses to treat approximately 3,000 patients a year in developing countries, where access to adequate treatment is often lacking.

Following the renewal of this accord, Grifols will double its donation of clotting factors to the WFH, building on the 440 million IU bestowed since 2014.

RISKS

At 30 June 2021 the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020.

Key financial metrics for the first half of 2021:

In millions of euros except % and EPS	1H 2021	1H 2020	% Var
NET REVENUES	2,536.6	2,677.3	*(5.3%)*
GROSS MARGIN	*43.9%*	*38.8%*	
EBITDA REPORTED	634.5	579.9	*9.4%*
% Net revenues	*25.0%*	*21.7%*	
GROUP PROFIT	266.8	218.2	*22.3%*
% Net revenues	*10.5%*	*8.2%*	
ADJUSTED[(1)] GROUP PROFIT	279.1	350.1	*(20.3%)*
% Net revenues	*11.0%*	*13.1%*	
CAPEX	117.3	145.6	*(19.4%)*
R&D NET INVESTMENT	155.3	166.8	*(6.9%)*
EARNINGS PER SHARE (EPS) REPORTED	0.39	0.32	*22.3%*

	June 2021	December 2020	% Var
TOTAL ASSETS	16,213.0	15,274.8	*6.1%*
TOTAL EQUITY	6,937.1	6,720.1	*3.2%*
CASH & CASH EQUIVALENTS	397.9	579.6	*(31.4%)*
LEVERAGE RATIO	4.90/(4.85cc)[(2)]	4.52/(4.63cc)[(2)]	

(1) Excludes non-recurring items, including COVID-19; amortization of deferred expenses associated to the refinancing, amortization of intangible assets related to acquisitions and IFRS 16.

(2) Constant currency (cc) excludes exchange rate fluctuations over the period.

First half 2021 net revenue by division and region:

In thousands of euros	1H 2021	% of Net Revenues	1H 2020	% of Net Revenues	% Var	% Var cc*
BIOSCIENCE	1.986.024	*78,3%*	2.158.852	*80,6%*	*(8,0%)*	*(0,1%)*
DIAGNOSTIC	395.483	*15,6%*	340.012	*12,7%*	*16,3%*	*22,9%*
HOSPITAL	67.750	*2,7%*	57.863	*2,2%*	*17,1%*	*19,5%*
BIO SUPPLIES	107.260	*4,2%*	126.718	*4,7%*	*(15,4%)*	*(8,5%)*
OTHERS	15.488	*0,6%*	18.657	*0,7%*	*(17,0%)*	*(11,5%)*
INTERSEGMENTS	(35.373)	*(1,4%)*	(24.761)	*(0,9%)*	*42,9%*	*51,7%*
TOTAL	**2.536.632**	***100,0%***	**2.677.341**	***100,0%***	***(5,3%)***	***2,3%***

In thousands of euros	1H 2021	% of Net Revenues	1H 2020	% of Net Revenues	% Var	% Var cc*
US + CANADA	1.576.893	*62,2%*	1.844.576	*68,9%*	*(14,5%)*	*(6,1%)*
EU	452.536	*17,8%*	376.442	*14,1%*	*20,2%*	*20,5%*
ROW	507.203	*20,0%*	456.323	*17,0%*	*11,1%*	*21,3%*
TOTAL	**2.536.632**	***100,0%***	**2.677.341**	***100,0%***	***(5,3%)***	***2,3%***

** Constant currency (cc) excludes exchange rate fluctuations over the period.*

Second quarter 2021 net revenues by division and region:

In thousands of euros	2Q 2021	% of Net Revenues	2Q 2020	% of Net Revenues	% Var	% Var cc*
BIOSCIENCE	1.084.747	*80,2%*	1.118.910	*80,8%*	*(3,1%)*	*5,1%*
DIAGNOSTIC	192.214	*14,2%*	172.136	*12,4%*	*11,7%*	*18,0%*
HOSPITAL	36.543	*2,7%*	27.188	*2,0%*	*34,4%*	*36,6%*
BIO SUPPLIES	50.960	*3,8%*	62.579	*4,5%*	*(18,6%)*	*(12,2%)*
OTHERS	8.314	*0,6%*	13.513	*1,0%*	*(38,5%)*	*(34,5%)*
INTERSEGMENTS	(20.880)	*(1,5%)*	(10.304)	*(0,7%)*	*102,6%*	*116,5%*
TOTAL	**1.351.898**	***100,0%***	**1.384.022**	***100,0%***	***(2,3%)***	***5,3%***

In thousands of euros	2Q 2021	% of Net Revenues	2Q 2020	% of Net Revenues	% Var	% Var cc*
US + CANADA	833.601	*61,7%*	932.425	*67,4%*	*(10,6%)*	*(1,9%)*
EU	220.598	*16,3%*	176.843	*12,8%*	*24,7%*	*24,9%*
ROW	297.699	*22,0%*	274.754	*19,8%*	*8,4%*	*17,1%*
TOTAL	**1.351.898**	***100,0%***	**1.384.022**	***100,0%***	***(2,3%)***	***5,3%***

** Constant currency (cc) excludes exchange rate fluctuations over the period.*

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Management Report

for the six-month period ended 30 June 2021

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish language version will prevail)

ANNEX - NON-GAAP (IFRS-EU) MEASURES RECONCILIATION

Net Revenues by division reported at constant currency for the first half of 2021:

In thousands of euros	1H 2021	1H 2020	% Var
REPORTED NET REVENUES	2,536,632	2,677,341	(5.3%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	202,785		
NET REVENUES AT CONSTANT CURRENCY	**2,739,417**	**2,677,341**	**2.3%**

In thousands of euros	1H 2021	1H 2020	% Var
REPORTED BIOSCIENCE NET REVENUES	1,986,024	2,158,852	(8.0%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	171,340		
REPORTED BIOSCIENCE NET REVENUES AT CONSTANT CURRENCY	**2,157,364**	**2,158,852**	**(0.1%)**

In thousands of euros	1H 2021	1H 2020	% Var
REPORTED DIAGNOSTIC NET REVENUES	395,483	340,012	16.3%
VARIATION DUE TO EXCHANGE RATE EFFECTS	22,506		
REPORTED DIAGNOSTIC NET REVENUES AT CONSTANT CURRENCY	**417,989**	**340,012**	**22.9%**

In thousands of euros	1H 2021	1H 2020	% Var
REPORTED HOSPITAL NET REVENUES	67,750	57,863	17.1%
VARIATION DUE TO EXCHANGE RATE EFFECTS	1,384		
REPORTED HOSPITAL NET REVENUES AT CONSTANT CURRENCY	**69,134**	**57,863**	**19.5%**

In thousands of euros	1H 2021	1H 2020	% Var
REPORTED BIO SUPPLIES NET REVENUES	107,260	126,718	(15.4%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	8,727		
REPORTED BIO SUPPLIES NET REVENUES AT CONSTANT CURRENCY	**115,987**	**124,042**	**(6.5%)**

In thousands of euros	1H 2021	1H 2020	% Var
REPORTED OTHERS NET REVENUES	15,488	18,657	(17.0%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	1,029		
REPORTED OTHERS NET REVENUES AT CONSTANT CURRENCY	**16,517**	**18,657**	**(11.5%)**

In thousands of euros	1H 2021	1H 2020	% Var
REPORTED INTERSEGMENTS NET REVENUES	(35,373)	(24,761)	42.9%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(2,200)		
REPORTED INTERSEGMENTS NET REVENUES AT CONSTANT CURRENCY	**(37,573)**	**(24,761)**	**51.7%**

Net Revenues by region reported at constant currency for the first half of 2021:

In thousands of euros	1H 2021	1H 2020	% Var
REPORTED U.S. + CANADA NET REVENUES	1,576,893	1,844,576	(14.5%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	155,408		
U.S. + CANADA NET REVENUES AT CONSTANT CURRENCY	**1,732,301**	**1,844,576**	**(6.1%)**

In thousands of euros	1H 2021	1H 2020	% Var
REPORTED EU NET REVENUES	452,536	376,442	20.2%
VARIATION DUE TO EXCHANGE RATE EFFECTS	981		
EU NET REVENUES AT CONSTANT CURRENCY	**453,517**	**376,442**	**20.5%**

In thousands of euros	1H 2021	1H 2020	% Var
REPORTED ROW NET REVENUES	507,203	456,323	11.1%
VARIATION DUE TO EXCHANGE RATE EFFECTS	46,395		
ROW NET REVENUES AT CONSTANT CURRENCY	**553,598**	**456,323**	**21.3%**

Reconciliation of other figures for the first half of 2021:

In millions of euros	1H 2021	1H 2020	% Var
R&D RECURRENT EXPENSES IN P&L	158,542	142,113	11.6%
R&D CAPITALIZED	15,287	18,791	(18.6%)
R&D DEPRECIATION & AMORTIZATION & WRITE OFFS	(19,338)	(13,337)	45.0%
R&D CAPEX FIXED ASSETS	774	1,093	(29.2%)
R&D EXTERNAL	-	18,182	(100.0%)
R&D NET INVESTMENT	**155,265**	**166,842**	**(6.9%)**

In thousands of euros	1H 2021	1H 2020	% Var
PP&E ADDITIONS	112,132	145,040	(22.7%)
SOFTWARE ADDITIONS	13,776	9,633	43.0%
INTEREST CAPITALIZED	(8,609)	(9,102)	(5.4%)
CAPEX	**117,299**	**145,571**	**(19.4%)**

In millions of euros except ratio	1H 2021	1H 2020
NET FINANCIAL DEBT	6,475.5	5,501.9
EBITDA ADJUSTED 12M	1,321.8	1,243.1
NET LEVERAGE RATIO[1]	**4.90 x**	**4.43 x**

[1] *Excludes the impact of IFRS 16*

In thousands of euros	1H 2021	1H 2020	% Var
EBIT	463,550	421,696	9.9%
D&A	170,985	158,216	8.1%
EBITDA REPORTED	**634,535**	**579,913**	**9.4%**
% NR	*25.0%*	*21.7%*	

In thousands of euros	1H 2021	1H 2020	% Var
EBITDA REPORTED LTM	1,378,666	1,316,914	4.7%
TRANSACTION COSTS	17,685	(408)	(4,434.6%)
IFRS 16	(74,567)	(73,447)	1.5%
EBITDA ADJUSTED 12M	**1,321,784**	**1,243,059**	**6.3%**

Group Adjusted Net Profit Reconciliation for the first half of 2021:

In millions of euros	1H 2021	1H 2020	% Var
GROUP PROFIT	**266.8**	**218.2**	***22.3%***
% Net revenues	*10.5%*	*8.2%*	
Amortization of deferred financial expenses	25.6	23.0	*11.3%*
Amortization of intangible assets acquired in business combinations	23.4	24.2	*(3.3%)*
Non-recurring items	(34.5)	(74.9)	*(53.9%)*
IFRS 16	11.1	11.8	*(5.9%)*
Tax impacts	(13.3)	(7.0)	*90.0%*
COVID-19 impact	-	185.3	
Tax impacts COVID-19 impacts	-	(30.5)	
ADJUSTED GROUP NET PROFIT	**279.1**	**350.1**	***(20.3%)***
% Net revenues	*11.0%*	*13.1%*	

Net Revenues by division reported at constant currency for the first half of 2021:

In thousands of euros	2Q 2021	2Q 2020	% Var
REPORTED NET REVENUES	1,351,898	1,384,022	(2.3%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	105,528		
NET REVENUES AT CONSTANT CURRENCY	**1,457,426**	**1,384,022**	**5.3%**

In thousands of euros	2Q 2021	2Q 2020	% Var
REPORTED BIOSCIENCE NET REVENUES	1,084,747	1,118,910	(3.1%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	90,932		
REPORTED BIOSCIENCE NET REVENUES AT CONSTANT CURRENCY	**1,175,679**	**1,118,910**	**5.1%**

In thousands of euros	2Q 2021	2Q 2020	% Var
REPORTED DIAGNOSTIC NET REVENUES	192,214	172,136	11.7%
VARIATION DUE TO EXCHANGE RATE EFFECTS	10,884		
REPORTED DIAGNOSTIC NET REVENUES AT CONSTANT CURRENCY	**203,098**	**172,136**	**18.0%**

In thousands of euros	2Q 2021	2Q 2020	% Var
REPORTED HOSPITAL NET REVENUES	36,543	27,188	34.4%
VARIATION DUE TO EXCHANGE RATE EFFECTS	598		
REPORTED HOSPITAL NET REVENUES AT CONSTANT CURRENCY	**37,141**	**27,188**	**36.6%**

In thousands of euros	2Q 2021	2Q 2020	% Var
REPORTED BIO SUPPLIES NET REVENUES	50,960	62,579	(18.6%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	4,002		
REPORTED BIO SUPPLIES NET REVENUES AT CONSTANT CURRENCY	**54,962**	**62,579**	**(12.2%)**

In thousands of euros	2Q 2021	2Q 2020	% Var
REPORTED OTHERS NET REVENUES	8,314	13,513	(38.5%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	540		
REPORTED OTHERS NET REVENUES AT CONSTANT CURRENCY	**8,854**	**13,513**	**(34.5%)**

In thousands of euros	2Q 2021	2Q 2020	% Var
REPORTED INTERSEGMENTS NET REVENUES	(20,880)	(10,304)	102.6%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(1,427)		
REPORTED INTERSEGMENTS NET REVENUES AT CONSTANT CURRENCY	**(22,307)**	**(10,304)**	**116.5%**

Net Revenues by region reported at constant currency for the second quarter of 2021:

In thousands of euros	2Q 2021	2Q 2020	% Var
REPORTED U.S. + CANADA NET REVENUES	833,601	932,425	(10.6%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	81,147		
U.S. + CANADA NET REVENUES AT CONSTANT CURRENCY	**914,748**	**932,425**	**(1.9%)**

In thousands of euros	2Q 2021	2Q 2020	% Var
REPORTED EU NET REVENUES	220,598	176,843	24.7%
VARIATION DUE TO EXCHANGE RATE EFFECTS	207		
EU NET REVENUES AT CONSTANT CURRENCY	**220,805**	**176,843**	**24.9%**

In thousands of euros	2Q 2021	2Q 2020	% Var
REPORTED ROW NET REVENUES	297,699	274,754	8.4%
VARIATION DUE TO EXCHANGE RATE EFFECTS	24,173		
ROW NET REVENUES AT CONSTANT CURRENCY	**321,872**	**274,754**	**17.1%**

"Cautionary Statement Regarding Forward-Looking Statements"

The facts and figures contained in this report that do not refer to historical data are "future projections and assumptions". Words and expressions such as "believe", "hope", "anticipate", "predict", "expect", "intend", "should", "will seek to achieve", "it is estimated", "future" and similar expressions, in so far as they relate to the Grifols group, are used to identify future projections and assumptions. These expressions reflect the assumptions, hypotheses, expectations and predictions of the management team at the time of writing this report, and these are subject to a number of factors that mean that the actual results may be materially different. The future results of the Grifols group could be affected by events relating to its own activities, such as a shortage of supplies of raw materials for the manufacture of its products, the appearance of competitor products on the market, or changes to the regulatory framework of the markets in which it operates, among others. At the date of compiling this report, the Grifols group has adopted the necessary measures to mitigate the potential impact of these events. Grifols, S.A. does not accept any obligation to publicly report, revise or update future projections or assumptions to adapt them to events or circumstances subsequent to the date of writing this report, except where expressly required by the applicable legislation. This document does not constitute an offer or invitation to buy or subscribe shares in accordance with the provisions of the following Spanish legislation: Royal Legislative Decree 4/2015, of 23 October, approving recast text of Securities Market Law; Royal Decree Law 5/2005, of 11 March and/or Royal Decree 1310/2005, of 4 November, and any regulations developing this legislation. In addition, this document does not constitute an offer of purchase, sale or exchange, or a request for an offer of purchase, sale or exchange of securities, or a request for any vote or approval in any other jurisdiction.

Grifols, S.A. and Subsidiaries
Audited Consolidated Annual Accounts
for the years ended December 31, 2020 and 2019

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

DECLARACIÓN DE RESPONSABILIDAD

INFORME FINANCIERO ANUAL CONSOLIDADO

De conformidad con lo dispuesto en el artículo 8.1.b del Real Decreto 1362/2007, de 19 de octubre, los consejeros de Grifols, S.A. (la "**Sociedad**")

DECLARAN

Bajo su responsabilidad que, hasta donde alcanza su conocimiento, las cuentas anuales del ejercicio cerrado a 31 de diciembre de 2020, elaboradas con arreglo a los principios de contabilidad aplicables, ofrecen la imagen fiel del patrimonio, de la situación financiera y de los resultados de la Sociedad y de las empresas comprendidas en la consolidación tomados en su conjunto, y que el informe de gestión incluye un análisis fiel de la evolución y los resultados empresariales y de la posición de la Sociedad y de las empresas comprendidas en la consolidación tomadas en su conjunto, junto con la descripción de los principales riesgos e incertidumbres a que se enfrentan.

En Barcelona, a 19 de febrero 2021

DECLARATION OF RESPONSIBILITY

CONSOLIDATED ANNUAL FINANCIAL REPORT

Pursuant to the provisions of article 8.1.b of Royal Decree 1362/2007, of 19 October, the directors of Grifols, S.A. (the "**Company**")

DECLARE

On their own responsibility that, to the Best of their knowledge, the annual accounts for the fiscal year ended on 31 December 2020, prepared in accordance with applicable accounting standards, give a fair view of the net worth, financial situation and results of the Company and of the companies included in its consolidation scope, considered as a whole, and that the director's report contains an accurate analysis of the evolution, business results and position of the Company and of the companies included in its consolidate scope, taken as a whole, together with a description of the main risks and uncertainties which they face.

In Barcelona, on 19 February 2021

Victor Grifols Roura Chairman	Raimon Grifols Roura Board Member	Víctor Grifols Deu Board Member
Ramón Riera Roca Board member	Thomas Glanzmann Board Member	Tomás Dagá Gelabert Board member
Carina Szpilka Lázaro Board member	Íñigo Sánchez-Asiaín Mardones Board member	Marla E. Salmon Board member

Enriqueta Felip Font Board member	James Costos Board member	Steven F. Mayer Board member
Belén Villalonga Morenés Board member	Núria Martín Barnés Secretary	

Audit Report on Grifols, S.A. and Subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Grifols, S.A. and subsidiaries for the year ended 31 December 2020)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Grifols, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Grifols, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2020 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of the Diagnostic goodwill impairment analysis

See notes 4 and 7 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
As discussed in Notes 4 and 7 to the consolidated financial statements, the goodwill balance as of December 31, 2020 was Euros 5,332,271 thousand, of which Euros 2,433,032 thousand related to the Diagnostic cash generating unit (CGU). The Group calculates the recoverable amount of goodwill on an annual basis and whenever there is an indication that goodwill may be impaired. We identified the evaluation of the goodwill impairment analysis for the Diagnostic CGU as a key audit matter. Significant director's judgment was required to evaluate the Company's impairment test which was performed using a discounted cash flow model. The discounted cash flow model included assumptions related to future cash flows, the perpetual growth rate and the discount rate. Minor changes to these assumptions, particularly perpetual growth rate and the discount rate, could have a significant effect on the Company's assessment of the carrying value of the goodwill.	The primary procedures we performed to address this key audit matter included the following: - We evaluated the design and implementation and tested the operating effectiveness of certain internal controls related the Company's goodwill impairment assessment process, including controls related to the determination of the fair value less costs of disposals/recoverable amount of the Diagnostic CGU, and the development of the perpetual growth rate and discount rate assumptions. - We have involved a valuation professional with specialized skills and knowledge, who assisted in: o Evaluating the Group's perpetual growth rate for the Diagnostic CGU, by comparing the coherence of the estimate with publicly available market data for comparable entities. o Evaluating the discount rate by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities. o Analysis of the reasonableness of the Discounted Cash Flow ("DCF") valuation methodology used to calculate the recoverable amount. - We challenged the Group's valuation methodology by performing sensitivity analyses over the perpetual growth rate and discount rate assumptions and comparing the results to the carrying amount. - We have evaluated the Group's ability to forecast the cash flow projections by comparing the historical projections to actual results and the business plans approved by the Company's governing bodies. - We have evaluated whether the disclosures in the consolidated Financial Statements meet the requirements of the financial reporting framework applicable to the Group.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Other Information: Consolidated Directors' Report

Other information solely comprises the 2020 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the management, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Grifols, S.A. and its subsidiaries for 2020 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Group, which will form part of the annual financial report.

The Directors of Grifols, S.A. are responsible for the presentation of the 2020 annual financial report in accordance with the format and mark-up requirements stipulated in the EU Delegated Regulation 2019/815 of December 17, 2018 of the European Commission (hereinafter the "ESEF Regulation"). In this regard, the Annual Corporate Governance Report has been included as a reference in the consolidated directors' report.

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 25 February 2021.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 9 October 2020 for the year ended 31 December 2020.

Previously, we had been appointed for a period of three years from 31 July 1990 to 1992, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 July 1990.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

David Hernanz Sayans
On the Spanish Official Register of Auditors ("ROAC") with No. 20236

25 February 2021

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts

31 December 2020 and 2019

SUMMARY

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

- **Consolidated financial statements**
  - Consolidated Balance Sheets
  - Consolidated Statements of Profit and Loss
  - Consolidated Statements of Comprehensive Income
  - Consolidated Statements of Cash Flows
  - Statements of Changes in Consolidated Equity

- **Notes**

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts

31 December 2020 and 2019

SUMMARY

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

- **Appendices**

  - Appendix I Information on Group Companies, Associates and Others
  - Appendix II Operating Segments
  - Appendix III Changes in Other Intangible Assets
  - Appendix IV Movement in Rights of Use
  - Appendix V Movement in Property, Plant and Equipment
  - Appendix VI Statement of Liquidity for Distribution of Interim Dividend

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Balance Sheet
at 31 December 2020 and 2019

(Expressed in thousands of Euros)

(Free translation from the original Spanish. In the event of discrepancy, the Spanish-language version pre

Assets	31/12/20	31/12/19
Goodwill (note 7)	5,332,271	5,507,063
Other intangible assets (note8)	1,557,650	1,433,534
Rights of use (note 9)	678,696	703,858
Property, plant and equipment (note 10)	2,324,107	2,159,545
Investment in equity-accounted investees (note 11)	1,869,020	114,473
Non-current financial assets		
Non-current financial assets measured at fair value	3,008	7
Non-current financial assets at amortized cost	195,149	138,923
Total non-current financial assets (note 12)	198,157	138,930
Deferred tax assets (note 28)	149,921	123,024
Total non-current assets	**12,109,822**	**10,180,427**
Inventories (note 13)	2,002,281	2,342,590
Trade and other receivables		
Trade receivables	383,233	369,797
Other receivables	72,360	82,509
Current income tax assets	64,565	38,269
Trade and other receivables (note 14)	520,158	490,575
Other current financial assets (note 12)		
Current financial assets measured at fair value	--	1,716,738
Current financial assets at amortized cost	11,118	12,188
Total current financial assets (note 12)	11,118	1,728,926
Other current Assets	51,750	58,111
Cash and cash equivalents (note 15)	579,647	741,982
Total current assets	**3,164,954**	**5,362,184**
Total assets	**15,274,776**	**15,542,611**

The accompanying notes form an integral part of the consolidated annual accounts.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Balance Sheet
at 31 December 2020 and 2019

(Expressed in thousands of Euros)

(Free translation from the original Spanish. In the event of discrepancy, the Spanish-language version pre

Equity and liabilities	31/12/20	31/12/19
Share capital	119,604	119,604
Share premium	910,728	910,728
Reserves	3,776,932	3,009,599
Treasury stock	(43,734)	(49,584)
Interim dividend	--	(136,828)
Profit for the year attributable to the Parent	618,546	625,146
Total equity	5,382,076	4,478,665
Other comprehensive Income	(1,155)	(903)
Translation differences	(272,529)	344,357
Other comprehensive expenses	(273,684)	343,454
Equity attributable to the Parent (note 16)	**5,108,392**	**4,822,119**
Non-controlling interests (note 18)	1,611,663	2,023,649
Total equity	**6,720,055**	**6,845,768**
Liabilities		
Grants (note 19)	17,008	11,377
Provisions (note 20)	27,271	8,030
Non-current financial liabilities (note 21)	6,602,100	6,846,068
Other non-current liabilities	16,391	983
Deferred tax liabilities (note 28)	556,813	463,827
Total non-current liabilities	**7,219,583**	**7,330,285**
Provisions (note 20)	11,175	53,109
Current financial liabilities (note 21)	424,612	361,312
Current debts with related companies	--	1,258
Trade and other payables		
Suppliers	601,618	581,882
Other payables	141,089	165,632
Current income tax liabilities	3,482	5,966
Total trade and other payables (note 22)	746,189	753,480
Other current liabilities (note 23)	153,162	197,399
Total current liabilities	**1,335,138**	**1,366,558**
Total liabilities	**8,554,721**	**8,696,843**
Total equity and liabilities	**15,274,776**	**15,542,611**

The accompanying notes form an integral part of the consolidated annual accounts.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Statements of Profit and Loss
at December 2020, 2019 and 2018
(Expresadas en miles de Euros)
(Free translation from the original Spanish. In the event of discrepancy, the Spanish-language version prevails)

	31/12/20	31/12/19	31/12/18
Continuing Operations			
Net revenue (notes 6 and 24)	5,340,038	5,098,691	4,486,724
Cost of sales	(3,084,873)	(2,757,459)	(2,437,164)
Gross Margin	**2,255,165**	**2,341,232**	**2,049,560**
Research and Development	(294,216)	(276,018)	(240,661)
Selling, General and Administration expenses	(985,616)	(942,821)	(814,775)
Operating Expenses	**(1,279,832)**	**(1,218,839)**	**(1,055,436)**
Profit/(loss) of equity accounted investees with similar activity to that of the Group (note 11)	20,799	8,972	--
Operating Result	**996,132**	**1,131,365**	**994,124**
Finance income	8,021	114,197	13,995
Finance costs	(249,639)	(342,965)	(293,273)
Change in fair value of financial instruments	55,703	1,326	--
Impairment of financial assets at amortized cost	--	(37,666)	30,280
Exchange differences	8,246	(9,616)	(8,246)
Finance result (note 27)	**(177,669)**	**(274,724)**	**(257,244)**
Profit/(loss) of equity accounted investees (note 11)	60,166	(39,538)	(11,038)
Profit before income tax from continuing operations	**878,629**	**817,103**	**725,842**
Income tax expense (note 28)	(169,639)	(168,459)	(131,436)
Profit after income tax from continuing operations	**708,990**	**648,644**	**594,406**
Consolidated profit for the year	**708,990**	**648,644**	**594,406**
Profit attributable to the Parent	618,546	625,146	596,642
Loss attributable to non-controlling interest (note 18)	90,444	23,498	(2,236)
Basic earnings per share (Euros) (see note 17)	0.90	0.91	0.87
Diluted earnings per share (Euros) (see note 17)	0.90	0.91	0.87

The accompanying notes form an integral part of the consolidated annual accounts.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
for the years ended 31 December 2020, 2019 and 2018

(Expresadas en miles Euros)

(Free translation from the original Spanish. In the event of discrepancy, the Spanish-language version prevails)

	31/12/20	31/12/19	31/12/18
Consolidated profit for the year	708,990	648,644	594,406
Items for reclassification to profit or loss			
Translation differences	(747,221)	33,256	268,557
Equity accounted investees (note 11) / Translation differences	21,916	(4,360)	(9,270)
Other	(252)	(349)	102
Other comprehensive income for the year, after tax	**(725,557)**	**28,547**	**259,389**
Total comprehensive income for the year	**(16,567)**	**677,191**	**853,795**
Total comprehensive income attributable to the Parent	1,408	641,772	856,598
Total comprehensive income attributable to non-controlling interests	(17,975)	35,419	(2,803)

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
for the years ended December 2020, 2019 and 2018

(Expresados en miles Euros)

(Free translation from the original Spanish. In the event of discrepancy, the Spanish-language version prevails)

	31/12/20	31/12/19	31/12/18
Cash flows from operating activities			
Profit before tax	**878,629**	**817,103**	**725,842**
Adjustments for:	**409,766**	**569,960**	**454,378**
Amortization and depreciation (note 26)	321,533	302,455	228,609
Other adjustments:	88,233	267,505	225,769
(Profit) / losses on equity accounted investments (note 11)	(80,965)	30,566	11,038
Impairment of assets and net provision charges	(17,148)	(19,518)	(23,657)
(Profit) / losses on disposal of fixed assets (note 8, 9 and 10)	1,067	1,399	(6,700)
Government grants taken to income (note 19)	(1,683)	(1,388)	(1,166)
Finance cost / (income)	170,535	255,841	232,962
Other adjustments	16,427	605	13,292
Change in operating assets and liabilities	**106,283**	**(481,537)**	**(112,639)**
Change in inventories	164,631	(323,748)	(231,670)
Change in trade and other receivables	(35,429)	(99,374)	(13,141)
Change in current financial assets and other current assets	(20,600)	(13,871)	(3,092)
Change in current trade and other payables	(2,319)	(44,544)	135,264
Other cash flows used in operating activities	**(284,342)**	**(336,593)**	**(330,153)**
Interest paid	(155,788)	(236,179)	(225,146)
Interest recovered	3,773	9,487	6,862
Income tax (paid) / received	(131,510)	(107,797)	(111,585)
Other recovered (paid)	(817)	(2,104)	(284)
Net cash from operating activities	**1,110,336**	**568,933**	**737,428**
Cash flows from investing activities			
Payments for investments	**(858,387)**	**(551,497)**	**(852,536)**
Group companies, associates and business units (notes 3, 2 (b) and 11)	(468,589)	(119,745)	(524,081)
Property, plant and equipment and intangible assets	(362,560)	(412,305)	(307,722)
Property, plant and equipment	(280,154)	(310,383)	(231,983)
Intangible assets	(82,406)	(101,922)	(75,739)
Other financial assets	(27,238)	(19,447)	(20,733)
Proceeds from the sale of investments	**272**	**2,708**	**70,669**
Property, plant and equipment	272	2,708	550
Other financial assets	--	--	70,119
Net cash used in investing activities	**(858,115)**	**(548,789)**	**(781,867)**
Cash flows from financing activities			
Proceeds from and payments for financial liability instruments	(243,373)	(7,515)	37,418
Issue	108,541	120,079	179,350
Redemption and repayment	(351,914)	(127,594)	(141,932)
Dividends and interest on other equity instruments	(103,075)	(234,271)	(275,783)
Dividends paid	(113,230)	(238,740)	(278,841)
Dividends received	10,155	4,469	3,058
Other cash flows from / (used in) financing activities	(7,953)	(90,552)	4,661
Financing costs included on the amortised costs of the debt	(9,227)	(84,346)	--
Other amounts from / (used in) financing activities	1,274	(6,206)	4,661
Transaction with minority interests with no loss of control (note 3)	--	(18)	386,207
Net cash from/(used in) financing activities	**(354,401)**	**(332,356)**	**152,503**
Effect of exchange rate fluctuations on cash	**(60,155)**	**20,402**	**39,207**
Net increase in cash and cash equivalents	**(162,335)**	**(291,810)**	**147,271**
Cash and cash equivalents at beginning of the year	**741,982**	**1,033,792**	**886,521**
Cash and cash equivalents at year end	**579,647**	**741,982**	**1,033,792**

The accompanying notes form an integral part of the consolidated annual accounts.

Statement of Changes in Consolidated Equity
for the years ended 31 December 2020, 2019 and 2018
(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Attributable to shareholders of the Parent											
							Accumulated other comprehensive income					
	Share Capital	Share Premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury Stock	Translation differences	Available for sale financial assets	Other comprehensive income	Equity attributable to Parent	Non-controlling interests	**Equity**
Balance at December 2017	119,604	910,728	2,027,648	662,700	(122,986)	(62,422)	89,537	4,926	(656)	3,629,079	4,886	3,633,965
Impact of new IFRS	--	--	29,562	--	--	--	--	(4,926)	--	24,636	--	24,636
Balance at December 2017 adjusted	119,604	910,728	2,057,210	662,700	(122,986)	(62,422)	89,537	--	(656)	3,653,715	4,886	3,658,601
Translation differences	--	--	--	--	--	--	259,854	--	--	259,854	(567)	259,287
Available for sale financial assets	--	--	--	--	--	--	--	--	--	--	--	--
Other comprehensive income	--	--	--	--	--	--	--	--	102	102	--	102
Other comprehensive income / (expense) for the year	--	--	--	--	--	--	259,854	--	102	259,956	(567)	259,389
Profit/(loss) for the year	--	--	--	596,642	--	--	--	--	--	596,642	(2,236)	594,406
Total comprehensive income / (expense) for the year	--	--	--	596,642	--	--	259,854	--	102	856,598	(2,803)	853,795
Net change in treasury stock (note 16 (d))	--	--	--	--	--	6,981	--	--	--	6,981	--	6,981
Acquisition / Divestment of non-controlling interests (note 16 (c))	--	--	(3,462)	--	--	--	--	--	--	(3,462)	469,010	465,548
Other changes	--	--	(9,437)	--	--	--	--	--	--	(9,437)	(43)	(9,480)
Interim dividend	--	--	--	--	(136,747)	--	--	--	--	(136,747)	--	(136,747)
Distribution of 2017 profit:												
Reserves	--	--	539,714	(539,714)	--	--	--	--	--	--	--	--
Dividends	--	--	(142,094)	--	--	--	--	--	--	(142,094)	--	(142,094)
Interim dividend	--	--	--	(122,986)	122,986	--	--	--	--	--	--	--
Operations with shareholders or owners	--	--	384,721	(662,700)	(13,761)	6,981	--	--	--	(284,759)	468,967	184,208
Balance at 31 December 2018	119,604	910,728	2,441,931	596,642	(136,747)	(55,441)	349,391	--	(554)	4,225,554	471,050	4,696,604

	Attributable to shareholders of the Parent											
							Accumulated other comprehensive income					
	Share Capital	Share Premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury Stock	Translation differences	Available for sale financial assets	Other comprehensive income	Equity attributable to Parent	Non-controlling interests	**Equity**
Translation differences	--	--	--	--	--	--	16,975	--	--	16,975	11,921	28,896
Other comprehensive income	--	--	--	--	--	--	--	--	(349)	(349)	--	(349)
Other comprehensive income / (expense) for the year	--	--	--	--	--	--	16,975	--	(349)	16,626	11,921	28,547
Profit/(loss) for the year	--	--	--	625,146	--	--	--	--	--	625,146	23,498	648,644
Total comprehensive income / (expense) for the year	--	--	--	625,146	--	--	16,975	--	(349)	641,772	35,419	677,191
Net change in treasury stock (note 16 (d))	--	--	--	--	--	5,857	--	--	--	5,857	--	5,857
Acquisition / Divestment of non-controlling interests (note 16 (c))	--	--	220,976	--	--	--	(22,009)	--	--	198,967	1,517,180	1,716,147
Other changes	--	--	(11,291)	--	--	--	--	--	--	(11,291)	--	(11,291)
Interim dividend	--	--	--	--	(136,828)	--	--	--	--	(136,828)	--	(136,828)
Distribution of 2018 profit:												
Reserves	--	--	459,895	(459,895)	--	--	--	--	--	--	--	--
Dividends	--	--	(101,912)	--	--	--	--	--	--	(101,912)	--	(101,912)
Interim dividend	--	--	--	(136,747)	136,747	--	--	--	--	--	--	--
Operations with shareholders or owners	--	--	567,668	(596,642)	(81)	5,857	(22,009)	--	--	(45,207)	1,517,180	1,471,973
Balance at 31 December 2019	119,604	910,728	3,009,599	625,146	(136,828)	(49,584)	344,357	--	(903)	4,822,119	2,023,649	6,845,768
Translation differences	--	--	--	--	--	--	(616,886)	--	--	(616,886)	(108,419)	(725,305)
Other comprehensive income	--	--	--	--	--	--	--	--	(252)	(252)	--	(252)
Other comprehensive income / (expense) for the year	--	--	--	--	--	--	(616,886)	--	(252)	(617,138)	(108,419)	(725,557)
Profit/(loss) for the year	--	--	--	618,546	--	--	--	--	--	618,546	90,444	708,990
Total comprehensive income / (expense) for the year	--	--	--	618,546	--	--	(616,886)	--	(252)	1,408	(17,975)	(16,567)
Net change in treasury stock (note 16 (d))	--	--	--	--	--	5,850	--	--	--	5,850	--	5,850
Acquisition / Divestment of non-controlling interests (note 16 (c))	--	--	405,698	--	--			--	--	405,698	(405,698)	--
Other changes	--	--	(13,453)	--	--			--	--	(13,453)	11,687	(1,766)
Distribution of 2019 profit:												
Reserves	--	--	488,318	(488,318)	--	--	--	--	--	--	--	--
Dividends	--	--	(113,230)	--	--	--	--	--	--	(113,230)	--	(113,230)
Interim dividend	--	--	--	(136,828)	136,828	--	--	--	--	--	--	--
Operations with shareholders or owners	--	--	767,333	(625,146)	136,828	5,850	--	--	--	284,865	(394,011)	(109,146)
Balance at 31 December 2020	119,604	910,728	3,776,932	618,546	--	(43,734)	(272,529)	--	(1,155)	5,108,392	1,611,663	6,720,055

GRIFOLS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

(1) Nature, Principal Activities and Subsidiaries

Grifols, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law on 22 June 1987. Its registered and tax offices are in Barcelona. The Company's statutory activity consists of providing corporate and business administrative, management and control services, as well as investing in assets and property. Its principal activity involves rendering administrative, management and control services to its subsidiaries.

On 17 May 2006 the Company completed its flotation on the Spanish securities market, which was conducted through the public offering of 71,000,000 ordinary shares of Euros 0.50 par value each and a share premium of Euros 3.90 per share. The total capital increase (including the share premium) amounted to Euros 312.4 million, equivalent to a price of Euros 4.40 per share.

The Company’s shares were floated on the Spanish stock exchange IBEX-35 index on 2 January 2008.

All of the Company’s shares are listed on the Barcelona, Madrid, Valencia and Bilbao securities markets and on the Spanish Automated Quotation System (SIBE/Continuous Market). On 2 June 2011, Class B non-voting shares were listed on the NASDAQ (USA) and on the Spanish Automated Quotation System (SIBE/Continuous Market).

Grifols, S.A. is the Parent of the subsidiaries listed in Appendix I of this note to the consolidated annual accounts.

Grifols, S.A. and subsidiaries (hereinafter the Group) act on an integrated basis and under common management and their principal activity is the procurement, manufacture, preparation and sale of therapeutic products, especially hemoderivatives.

The main factory locations of the Group’s Spanish companies are in Parets del Vallés (Barcelona) and Torres de Cotilla (Murcia), while the US companies are located in Los Angeles (California), Clayton (North Carolina), Emeryville (California), and San Diego (California).

(2) Basis of Presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Grifols, S.A. and of the Group companies. The consolidated annual accounts for 2020 have been prepared under International Financial Reporting Standards as adopted by the European Union (IFRS-EU) which for Grifols Group purposes, are identical to the standards as issued by the International Accounting Standard Board (IFRS-IASB) to present fairly the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2020, as well as the consolidated results from their operations, consolidated cash flows and consolidated changes in equity for the year then ended.

These consolidated annual accounts for 2020 show comparative figures for 2019 and voluntarily show figures for 2018 from the consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and their corresponding notes thereto. For the purposes of comparing the consolidated statement of profit and loss and the consolidated balance sheet for 2020, 2019 and 2018, the effects of the application new standards described in note 2 must be taken into account.

The Group adopted IFRS-EU for the first time on 1 January 2004 and has been preparing its annual accounts under International Financial Reporting Standards, as adopted by the European Union (IFRS-EU) as required by Spanish capital market regulations governing the presentation of financial statements by companies whose debt or own equity instruments are listed on a regulated market.

The Board of Directors of Grifols, S.A. considers that these consolidated annual accounts for 2020 authorized for issue at their meeting held on 19 February 2021, will be approved by the shareholders without any modifications.

In accordance with the provision of section 357 of the Irish Companies Act 2014, the Company has irrevocably guaranteed all liabilities of an Irish subsidiary undertaking, Grifols Worldwide Operations Limited (Ireland) (see

Appendix I), for the financial year ended 31 December 2020 as referred to in subsection 1(b) of that Act, for the purposes of enabling Grifols Worldwide Operations Limited to claim exemption from the requirement to file their own annual accounts in Ireland.

(a) Relevant accounting estimates, assumptions and judgments used when applying accounting principles

The preparation of the consolidated annual accounts in conformity with IFRS-EU requires management to make judgments, estimates and assumptions that affect the application of Group accounting policies. The following notes include a summary of the relevant accounting estimates and judgments used to apply accounting policies which have the most significant effect on the amounts recognized in the consolidated annual accounts.

- Assumptions used to test non-current assets and goodwill for impairment. Relevant cash generating units are tested annually for impairment. These are based on risk-adjusted future cash flows discounted using appropriate interest rates. The key assumptions used are specified in note 7. Assumptions relating to risk-adjusted future cash flows and discount rates are based on business forecasts and are therefore inherently subjective. Future events could cause a change in business forecasts, with a consequent adverse effect on the future results of the Group. To the extent considered a reasonably possible change in key assumptions could result in an impairment of goodwill, a sensitivity analysis has been disclosed to show the effect of changes to these assumptions and the effect of the cash generating unit (CGU) on the recoverable amount.

- Determination the fair value of assets, liabilities and contingent liabilities related to business combinations. Details of the fair value methods used by the Group are provided in note 3.

- Evaluation of the capitalization of development costs (see note 4(h)). The key assumption is related to the estimation of sufficient future economic benefits of the projects.

- Evaluation of provisions and contingencies. Key assumptions relate to the evaluation of the likelihood of an outflow of resources due to a past event, as well as to the evaluation of the best estimate of the likely outcome. These estimates take into account the specific circumstances of each dispute and relevant external advice and therefore are inherently subjective and could change substantially over time as new facts arise and each dispute progresses. Details of the status of various uncertainties involved in significant unresolved disputes are set out in note 29.

- The calculation of the income tax expense requires tax legislation interpretations in the jurisdictions where Grifols operates. The decision as to whether the tax authority will accept a given uncertain tax treatment and the expected outcome of outstanding litigation requires significant estimates and judgements. Likewise, Grifols recognizes deferred tax assets, mainly from tax credits and rights to deduct to the extent that it is probable that sufficient taxable income will be available against which temporary differences can be utilized, based on management assumptions regarding amount and payments of future taxable profits (see notes 4(s) and 28).

- Determination of chargebacks made to certain customers in the United States (see note 4 r)

No changes have been made to prior year judgments relating to existing uncertainties.

The Group is also exposed to interest rate and currency risks. Refer to sensitivity analysis in note 30.

(b) Basis of consolidation

Appendix I shows details of the percentages of direct or indirect ownership of subsidiaries by the Company at 31 December 2020, 2019 and 2018, as well as the consolidation method used in each case for preparation of the accompanying consolidated annual accounts.

Subsidiaries in which the Company directly or indirectly owns the majority of equity or voting rights have been fully consolidated. Associates in which the Company owns between 20% and 50% of share capital and over which it has no control but does have significant influence, have been accounted for under the equity method.

Although the Group holds 30% of the shares with voting rights of Grifols Malaysia Sdn Bhd, it controls the majority of the economic and voting rights of Grifols Malaysia Sdn Bhd through a contract with the other shareholder and a pledge on its shares. As a consequence, it has been fully consolidated.

Grifols (Thailand) Ltd. has two classes of shares and it grants the majority of voting rights to the class of shares held by the Group. As a consequence, it has been fully consolidated.

Changes in associates and jointly controlled entities are detailed in note 11.

Changes in subsidiaries

In 2020:

- **Grifols Diagnostic Solutions, Inc.**

On 30 March 2020, Grifols closed a shares exchange agreement with Shanghai RAAS Blood Products Co. Ltd. (hereinafter SRAAS), through which Grifols delivered 90 shares of its US subsidiary Grifols Diagnostic Solutions Inc. (hereinafter GDS) (representing 45% of the economic rights and 40% of the voting rights), and in exchange received 1,766 million of SRAAS shares (representing 26.2% of the share capital). Thus, Grifols becomes the largest shareholder of SRAAS, while maintaining operational, political and economic control of GDS (see note 11).

- **Plasmavita Healthcare GmbH**

On 14 April 2020, Grifols made a contribution of Euros 10 million in cash that was recognized as a shareholder contribution in Plasmavita. The equity share of 50% has remained unaffected after the contribution. However, in assessing the existence of control due to the new shareholders' agreement signed on this date, it can be concluded that Grifols has control over Plasmavita and, therefore, it is considered part of the group and it has been fully consolidated (see note 3).

- **Alkahest, Inc.**

On 2 September 2020, the Group reached an agreement with the shareholders of Alkahest Inc. ("Alkahest") to acquire 57.55% of Alkahest's shares for a total price of US Dollars 146 million, on a debt free basis (see note 3).

- **Green Cross**

On 20 July 2020, Grifols executed share purchase arrangements with the South Korean-based GC Pharma (Group) ("GC Pharma") and other investors for the purchase of a plasma fractionation facility and two purification facilities located in the city of Montreal, Canada, (the "Factories") and 11 plasma collection centers located in the United States ("the "Donation Centers"), for a total consideration of US Dollars 457 million, on a debt free basis. Grifols will not require supplementary financing for this Transaction. On 1 October 2020, the transaction was closed (see note 3).

- **VCN Biosciences, S.L.**

On 2 December 2020, VCN Biosciences, S.L. carried out a share capital increase of Euros 5 million. Consequently, the Group interest rises from 81.34% to 86.83%.

In 2019:

- **Interstate Blood Bank**

On 11 May 2016 Grifols acquired a 49.19% stake in Interstate Blood Bank, Inc. (IBBI), 48.97% of Bio-Blood Components, Inc. (Bio-Blood) and 48.90% of Plasma Biological Services, LLC. (PBS) ("IBBI Group"), a group based in Memphis, USA, for the price of US Dollars 100 million (Euros 88,215 thousand). The Group also entered into a call option on the remaining shares for a price of US Dollars 100 million, having agreed a payment of US Dollars 10 million (Euros 9,007 thousand) for the call option. The purchase price and the call right were paid upon signature of the contract. The principal business activity of IBBI and its affiliates is the collection of plasma for the plasma fractionation industry, with 26 plasma collection centers, 9 blood donation centers and one laboratory In April 2019, the Group exercised the call option and has completed the acquisition of the remaining shares of the IBBI companies (see note 3).

- **Progenika Biopharma**

On 24 July 2019, the Group acquired 33 shares of Progenika Biopharma, S.A for an amount of Euros 4 thousand. As a result, the Group increased its interest from 99.99% to 100%. With this acquisition, the Group has the full control of Progenika Biopharma, S.A and therefore it ceased to have non-controlling interest (see notes 18 and 16 (c)).

- **Araclon Biotech, SL**

On 16 April 2019 and 3 December 2019 Araclon Biotech , S.L carried out two share capital increases of Euros 16.8 million and Euros 5.9 million, respectively. After the latter capital increase Grifols' interest rises to 75.1% (see notes 18 and 16 (c)).

- **Instituto Grifols, S.A.**

With effect as of 1 January 2019, Instituto Grifols, S.A. and Gri-Cel, S.A. entered into a merger agreement. The surviving company was Instituto Grifols, S.A.

In 2018:

- **Biotest US Corporation and Haema AG**

On 28 December 2018, Grifols sold Biotest US Corporation and Haema AG to Scranton Enterprises B.V. for a global amount of US Dollars 538,014 thousand. Scranton is an existing shareholder of Grifols (see note 3).

- **Biotest US Corporation**

On 1 August 2018, Grifols, through its subsidiary Grifols Shared Services North America, Inc. completed the acquisition of 100% of the shares in Biotest US Corporation for a price of US Dollars 286,454 thousand, after obtaining the consent of the US Federal Trade Commission (see note 3).

- **Haema AG**

On 19 March 2018, Grifols entered into an agreement with Aton GmbH for the purchase of 100% of the shares of German based pharmaceutical company Haema AG, in exchange for a purchase price of Euros 220,191 thousand on a debt free basis. The closing of this transaction took place in June 2018 (see note 3).

- **Goetech LLC**

On 26 January 2018, Grifols through its subsidiary Grifols Shared Services North America, Inc, subscribed a capital increase in the amount of US Dollars 98 million in the U.S company Goetech LLC, based in Denver,

Colorado, trading as Medkeeper. As a result, Grifols reached a 54.76% interest in Medkeeper and a majority position on the board of directors.

- **Aigües Minerals de Vilajuïga, S.A.**

On 12 January 2018 the Group acquired the remaining 50% of the voting rights of Aigües Minerals de Vilajuïga, S.A. and consequently Grifols held 100% of the voting rights for a total amount of Euros 550 thousand.

(c) Amendments to IFRS in 2020, 2019 and 2018

In accordance with IFRS, the following should be noted in connection with the scope of application of IFRS and the preparation of these consolidated annual accounts of the Group.

Effective date in 2018

		Mandatory application for annual periods beginning on or after:	
Standards		IASB effective date	EU effective date
IFRS 15	Revenue from contracts with Customers (issued on 28 May 2014)	1 January 2018	1 January 2018
IFRS 15	Clarification to IFRS15 Revenue from Contracts with Customers (issued on 12 April 2016)	1 January 2018	1 January 2018
IFRS 9	Financial instruments (issued on 24 July 2014)	1 January 2018	1 January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	1 January 2018	1 January 2018
IFRS 4 IFRS 9	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	1 January 2018	1 January 2018
IFRIC 22	IFRIC 22 Interpretation: Foreign currency translations and Advance Consideration (issued on 8 December 2016)	1 January 2018	1 January 2018
IAS 40	Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016)	1 January 2018	1 January 2018
Various	Annual improvements to IFRSs 2014 - 2016 cycle (issued on 8 December 2016)	1 January 2018	1 January 2018

The application of these standards and interpretations had some impacts on the consolidated annual accounts for the year ended 31 December 2018, which are detailed below:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was applied on 1 January, 2018 without any restatements of the comparative figures relative for the prior year. The impacts of the first-time adoption, recognized directly in equity, were as follows:

- Classification and measurement of financial assets:

In general terms, based on the analysis of the new classification based on the business model, the majority of financial assets continued to be measured at amortized cost, the main exception being equity instruments, which are measured at fair value through profit or loss.

- Impairment of financial assets:

  As mentioned in Note 4k, the Group applied the simplified estimated expected loss model to estimate the impairment of "Trade and other receivables".

  In this context, the Group defined a methodology to evaluate periodically (annually), firstly, if there are significant variations in the credit risk of the counterparties (commercial customers), to subsequently determine the expected credit loss during the life of the asset considering the low credit risk.

  At 31 of December 2018, Group management considered that the credit risk for "Trade and other receivables" was low according to the payment behavior of customers, as well as based on the historical experience of credit loss in the Group (2017: 0.19%, 2016: 0.17% and 2015: 0.13%).

  As a result of applying this methodology, at 31 December 2018, the amount of impairment for estimated loss estimated for "Trade and other receivables" was not significant, nor did it differ significantly from the amount recognized under the impairment model of loss incurred set out in IAS 39.

- Modification or exchanges of financial liabilities that do not result in derecognition of liabilities

  According to the IASB's interpretation published in October 2017, when a financial liability measured at amortized cost is modified or exchanged and does not result in the derecognition of the financial liability, a gain or loss should be recognized in profit or loss, calculated as the difference between the original contractual cash flows from the liability and the new modified cash flows, discounted at the original effective interest rate of the liability.

  IFRS 9 must be applied retrospectively as of 1 January 2018, therefore any gains or losses from the modification of financial liabilities that arise from applying the new standard in years prior to 1 January 2018 were recognized in reserves at that date and the comparative period was not re-expressed. Grifols retrospectively calculated the impact of adopting IFRS 9 on the refinancing of its senior debt and unsecured senior corporate notes in 2014 and 2017. As a result of these new calculations, the 2014 refinancing of both debts did not cause the derecognition of the respective liabilities, therefore generating an adjustment to profit and loss in that year. Considering the retroactive adjustment generated in 2014, the 2017 refinancing of senior debt did not result in the derecognition of the financial liability either. However, the refinancing of the unsecured senior corporate notes led to derecognition of the liability as it did not pass the new quantitative test. The adoption of IFRS 9 entailed a positive impact on reserves of Euros 24,636 thousand.

  Details of the impacts on reserves due to the application of IFRS 9 application are follows:

	Thousand of Euros		
Senior Unsecured Noted	IAS 39	IFRS 9	Impact 01/01/2018
Total Debt	853,667	1,000,000	146,333
Deferred Expenses			(41,035)
Negative Impact in reserves			105,298

	Thousand of Euros		
Senior Secured Debt	IAS 39	IFRS 9	Impact 01/01/2018
Total Debt	3,375,157	3,226,244	(148,913)
Deferred Expenses			18,979
Positive impact in reserves			(129,934)

	Thousand of Euros		
Total Impact	IAS 39	IFRS 9	Impact 01/01/2018
Total Debt	4,228,824	4,226,244	(2,580)
Deferred Expenses			(22,056)
Positive impact in reserves			(24,636)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a framework that replaces the previous guides on revenue recognition. According to the new criteria, a five-step model should be used to determine the timing and amounts of revenue recognition:

Step 1: Identify the contract.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue.

This new model specifies that revenue should be recognized when (or as) control of the goods or services is transferred from an entity to customers, for the amount the entity expects to be entitled to receive. Depending on whether certain criteria are met, revenue is recognized over time, reflecting that the entity has satisfied the performance obligation, or at a point in time, when control of the goods or services is transferred to customers.

In order to identify the potential impacts of the application of the revenue recognition model according to IFRS15, the Group's internal revenue recognition policies for the different types of contracts with customers (contract groups) were analyzed, identifying the performance obligations, the price of the transaction, its allocation to each performance obligation and the determination of their satisfaction schedule.

The Group assessed that the contractually agreed performance obligations are independent of each other, where each one has an assigned price in the contract (and that represents the independent sale price), and whose income is recognized at the time that the control is transferred (upon of hemoderivative products; diagnostic and hospital products, and equipment) or at the time when the service is rendered.

On the basis of this analysis, no performance obligations were identified whose recognition pattern differed significantly from the income pattern previously applied under IAS 18 (nor does it require new judgments for recognition), concluding that the effect on the consolidated financial statements derived from the application of IFRS 15 was not relevant.

On the other hand, based on the application of IFRS 15, no new assets or liabilities for contracts were identified with respect to those already recognized under the previous regulations, except for those referring to commissions for gaining customers, which amounted to Euros 2,934 thousand at 31 of December 2018, and which were considered as costs of obtaining a contract (not as an asset due to a contract).

Finally, it should be highlighted that no contracts with financing components were identified.

Effective in 2019

		Mandatory application for annual periods beginning on or after:	
Standards		IASB effective date	EU effective date
IFRS 16	Leases (Issued on 13 January 2016)	1 January 2019	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	1 January 2019
IFRS 9	Prepayment Features with Negative Compensation (issued on 12 October 2017)	1 January 2019	1 January 2019
IAS 28	Long-term interests in Associates and Joint Ventures (issued on 12 October 2017)	1 January 2019	1 January 2019
Various	Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019	1 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	1 January 2019	1 January 2019

The application of these standards and interpretations has not had any significant impact on the consolidated annual accounts, except for IFRS 16 "Leases", as follows:

IFRS 16 “Leases”

IFRS 16 brings in a single model for lease accounting by lessees in the statement of financial position. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard. Lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing guidance on leases, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases-Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.

The Group adopted IFRS 16 for the first time on 1 January 2019, but did not restated comparative figures for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules were therefore recognized in the opening balance sheet at 1 January 2019.

On 1 January 2019 there was no impact on equity due to the first-time application of IFRS 16.

The main policies, estimates and criteria for the application of IFRS 16 are as follows:

- Scope: IFRS 16 evaluation considers all the contracts in which the Group acts as lessee, except for contracts between the Group companies and the cancelable contracts.
- Transition approach: The Group opted to implement IFRS 16 using the modified retrospective approach, whereby the right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application. When applying this modified retrospective approach, the Group did not re-express the comparative information.
- Discount rates: under IFRS 16, a lessee discounts the future lease payments using the interest rate implicit in the lease if that rate can be readily determined. Otherwise, the lessee uses the incremental borrowing

rate. The Group uses the incremental borrowing rate. This is the rate that a lessee would have to pay at the commencement date of the lease for a loan over a similar term, and with similar security, to obtain an asset of a similar value to the right–of-use asset.

At 31 December 2020, an incremental effective interest rate has been applied and varies from 1.55% to 7.21% depending on the geographical area and the term of the lease agreement at the transition date (2.07% to 8.18% at 31 December 2019).

- The lease term is the non-cancellable period considering the initial term of each contract unless Grifols has a unilateral extension or termination option and there is reasonable certainty that this option will be exercised, in which case the corresponding extension term or early termination will be taken into account.

  The Group leases several buildings, equipment and vehicles. Leases agreements are usually made for fixed periods, as shown below:

	Average lease term
Buildings and warehouses	10 to 15 years
Donor centers	13 to 15 years
PCs and hardware	3 to 5 years
Machinery	4 to 5 years
Vehicles	3 to 5 years

  The lease terms of the agreements are negotiated on an individual basis and contain a wide range of terms and conditions.

- Accounting policies applied during transition: The Group has employed the following practical expedients when applying the simplified method to leases previously carried as operating leases under IAS 17 Leases:

  - Non-application of IFRS 16 to agreements that were not previously deemed to contain a lease under IAS 17 and IFRIC 4 “Determining whether an arrangement contains a lease”.
  - Exclusion of the initial direct costs from the measurement of the right-of-use asset on the date of first-time adoption.
  - Exclusion of leases that expire within 12 months as from the date of first-time adoption.
  - Exclusion of leases in which the underlying asset has a low value.

The reconciliation of lease liabilities for buildings and warehouses in relation to leases which had previously been classified as operating leases under IAS 17 (related to non-cancelable agreements and renewals) and lease liabilities under IFRS 16 at 1 January 2019 is as follows:

	01/01/2019
	Thousands of Euros
Operating lease commitments existing as at 31 December 2018	400,579
Periods covered by an option to extend the lease by the Group	579,261
Discounting using the Group's incremental borrowing rate	(311,116)
finance lease liabilities recognised as at 31 December 2018	1,395
Short-term leases recognised on a straight-line basis as expense	(4,822)
Others	(349)
Lease liability recognised as at 1 January 2019	664,948

The Group’s activities as a lessor are immaterial, and therefore the application of IFRS 16 did had a significant impact on the consolidated annual accounts.

IFRIC 23 - "Uncertainty in the treatment of income taxes"

IFRIC 23 "Uncertainty in the treatment of income taxes" clarifies how to apply the recognition and measurement requirements of IAS 12 "Income taxes" when there is uncertainty as to the treatment of income taxes. In this situation, an entity reflects the effect of uncertainty when determining taxable earnings, tax bases, unused tax losses, unused tax credits and tax rates.

Grifols did not identify significant uncertain tax lawsuits, and consequently the application of the criteria contained in the mentioned interpretation did not have a significant impact on Grifols for fiscal year 2019. This evaluation consisted of a review of the criteria applied to estimate income tax and the tax loss carryforwards and deductions to be offset, and it was determined that these comply substantially with the current tax regulations where Grifols operates. In this evaluation, it was considered that the deferred tax assets, mainly for tax credits for tax losses carryforwards and deductions to be offset, is the main line item that includes assumptions and uncertainties to estimate their recognition (see note 28(b)). The recognition and/or recoverability of such assets is based on the ability to generate future taxable profits. In this analysis, the following assumptions are considered:

- Future taxable income based on the economic plans and budgets approved for the various Grifols Group companies,
- Tax regulation of the different countries in which they operate,
- Scheduled calendar for reversal of deferred tax liabilities.

In this regard, the Group estimated that of the total amount of tax credits for tax losses recognized in the balance sheet as of December 31, 2019 amounting Euros 60.7 million, about Euros 48 million will be recovered in a period of less than 5 years. In relation to the unused deductions , mainly for R&D and donations to non-profit entities, practically the entire amount will be applied in seven years.

Finally, a scenario of discrepancies with the taxation authorities that imply the need to make significant adjustments to the tax result or the balances of assets and/or liabilities related to the income tax was considered unlikely based on our experience of the different tax inspections carried out in the different jurisdictions where Grifols operates.

Effective in 2020

Standards		Mandatory application for annual periods	
		EU effective date	IASB effective date
IAS 1 IAS 8	Definition of Material (issued on 31 October 2018)	1 January 2020	1 January 2020
Various	Amendments to references to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020	1 January 2020
IFRS 3	Amendment to IFRS 3 Business Combination (issued on 22 October 2018)	1 January 2020	1 January 2020
IFRS 9 IAS 39 IFRS 7	Interest rate Benchmark Reform (issued on 26 September 2019)	1 January 2020	1 January 2020
IFRS 16	As a consequence of the Covid 19 - Related Rent concessions (issued on 28 May 2020)	1 June 2020	1 June 2020

Standards issued but not effective in 2020

Standards		Mandatory application for annual periods EU effective date	IASB effective date
IFRS 4	Amendments to IFRS 4 Insurance Contracts - deferral to IFRS 19 (issued on 25 June 2020)	1 January 2021	1 January 2021
Various	Amendments on 14 May 2020 to:		
	- IFRS 3 Business combinations: references to the Conceptual Framework		
	- IAS 16 Property, Plant and equiment: proceeds before Intended Use - IAS 37 Provisions, Contigent Liabilities and Contigent Assets: Onerous contracts - Cost of Fulfilling a contract - Annual improvements 2018-2020: IFRS 1, IFRS 9, IFRS 16 and IAS 41	pending	1 January 2022
Various	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	pending	1 January 2021
IFRS 17	Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	pending	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-Current (issued on 23 January 2020)	pending	1 January 2023

The Group has not applied any of these standards or interpretations in advance of their effective date.
The application of these standards and interpretations is not expected to have any significant impact on the consolidated annual accounts.

(3) Business Combinations

2020

(a) Plasmavita

In November 2017, Grifols established Plasmavita Healthcare GmbH (hereinafter Plasmavita), a joint venture between Grifols (50%) and two other partners (50%) for the construction and operation of 10 plasma donor centers in Germany.

On 14 April 2020, Grifols made a contribution of Euros 10 million in cash that was recognized as a shareholder contribution in Plasmavita. The equity share of 50% has remained unchanged after the contribution. However, in assessing the existence of control due to new shareholder agreement signed on this date, the following has been concluded:

- Grifols has a casting vote for any decision, determination and approval, with respect to the annual budget of Plasmavita and the distribution of dividends. Grifols has the power to make key business decisions.
- Grifols is involved in the decision-making related to exposure or rights to variable returns from the investee.
- Grifols has the casting vote to distribute dividends.

Considering the above, it can be concluded that Grifols has control over Plasmavita and, therefore, it is considered part of the group and it has been fully consolidated.

Details of the aggregate business combination cost, the fair value of the net assets acquired and the goodwill at the acquisition date are provided below:

	Thousands of Euros
Consideration paid	
Cash paid	10,000
Total consideration paid	10,000
Fair value of the previous investment in the company	10,674
Fair value of net assets acquired	21,374
Minority interest	(10,687)
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 7)	9,987

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

	Fair Value Thousand of Euros
Intangible assets (note 8)	177
Rights of use (note 9)	7,856
Property, plant and equipment (note 10)	6,506
Investment in group companies	9,548
Non-current financial assets	5,017
Inventories	1,114
Trade and other receivables	811
Other current assets	333
Cash and cash equivalents	359
Total assets	31,721
Deferred tax liabilities	(1,364)
Other non current liabilites	(7,575)
Current liabilities	(1,408)
Total liabilities and contingent liabilities	(10,347)
Total net assets acquired	21,374

The resulting goodwill has been allocated to the Bioscience segment, and it includes the donor data base, licenses and workforce

If the acquisition had taken place on 1 January 2020, the net amount of the Group´s revenue and profit would not have differed significantly.

The revenue and consolidated profit of Plasmavita between the acquisition date and 31 December 2020 are not significant for the Group. The difference between the fair value of the previous investment and the book value amounted to Euros 5,357 thousand and has been recognized as income under “Profit/(loss) of equity accounted investees with similar activity to that of the Group” in the consolidated statement of profit and loss. The minority interest’s share of the contribution made amounts to Euros 5 million and has been recognized as a loss under the same line item.

(b) Alkahest, Inc.

On 2 September 2020, Grifols signed an agreement to acquire all the shares of Alkahest Inc. ("Alkahest") for a total amount of Euros 123,425 thousand (US Dollars 146,000 thousand), which was subject to approval by regulatory authorities. As part of the agreement, the Group had:

- Grifols has a casting vote for any decision, determination and approval, with respect to the annual budget of Alkahest and the distribution of dividends. Grifols has the power to decide on key business decisions.
- Grifols is involved in the decision-making related to exposure or rights to variable returns from the investee.

Considering the above, it can be concluded that Grifols has control over Alkahest and, therefore, it is considered part of the group and it has been fully consolidated. Until that date, the previous 42.45% stake in Alkahest was recorded using the equity method. The difference between the fair value of the previous investment and the book value amounted to Euros 86,743 thousand (US Dollars 102,552 thousand) and was been recognized as income under “Profit/(loss) of equity accounted investees” in the consolidated statement of profit and loss.

On 15 October 2020, and as a result of the aforementioned share purchase agreement, Grifols proceeded to acquire 57.55% of the capital of Alkahest. After the transaction, the Group owns 100% of the company's share capital. Given that Grifols already had control of Alkahest, the transaction has been recorded as an agreement with the non-controlling interest, which has meant the recognition of a liability at amortized cost of Euros 121,149 thousand (US Dollars 143,706 thousand) and a decrease in "Non-controlling interests” in the amount of Euros 121,486 thousand (US Dollars 143,307 thousand), net of recorded losses and “Other reserves ”in the amount of Euros 337 thousand (US Dollars 399 thousand).

At 31 December 2020, the amount payable totals Euros 100,492 thousand and is presented under the line item “Current financial liabilities”. This amount has been settled on February 1, 2021(see note 21).

Details of the aggregate business combination cost, the fair value of the net assets acquired and the goodwill at the acquisition date are provided below:

	Thousand of Euros	Thousand of US Dollars
Cost of the business combination		
First repurchase of non-controlling interests	18,797	22,235
Second repurchase of non-controlling interests (discounted amount)	104,628	123,765
Total business combination cost	123,425	146,000
Fair value of the previous investment in the company	91,023	107,671
Fair value of net assets acquired	140,076	165,696
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired)	74,372	87,975

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

	Fair Value	
	Thousand of Euros	Thousand of US Dollars
Other Intangible Assets (note 8)	265,617	314,198
Property, plant and equipement (note 10)	4,970	5,879
Other non current assets	178	210
Trade and other reeceivables	2,552	3,019
Other current assets	1,610	1,904
Cash and cash equivalents	7,563	8,946
Total assets	282,489	334,156
Non-current financial liabilities	(42,269)	(50,000)
Deferred tax liability	(74,372)	(87,975)
Other non-current liabilities	(19,644)	(23,237)
Trade and other payables	(1,863)	(2,204)
Other current liabilities	(4,264)	(5,044)
Total Liabilities	(142,413)	(168,460)
Fair value of net assets acquired	140,076	165,696

The resulting goodwill has been allocated to the Others segment and it mainly includes the workforce.

The fair value of research and clinical development projects in process that include products for neurodegenerative disorders, neuromuscular and ophthalmologic diseases has been estimated according to an income approach based on risk-adjusted discounted free cash flows.

Had the acquisition taken place on 1 January 2020, the net amount of the Group´s revenue would not have changed significantly and the net profit would have decreased by Euros 30,045 thousand. The profit of Alkahest between the acquisition date and 31 December 2020 amounted to Euros (12,317) thousand. The amount of net revenue has not changed significantly.

(c) Green Cross

On 20 July 2020, Grifols signed share purchase arrangements with the South Korean based GC Pharma Group and other investors for the acquisition of a plasma fractionation facility and two purification facilities located in the city of Montreal, Canada, and 11 plasma collection centers located in the United States, for a total consideration of Euros 387,917 thousand (US Dollars 457,160 thousand), on a debt free basis. On 1 October 2020, the transaction was closed.

The consideration was paid with Grifols' own cash resources, and at the close of the Transaction certain equity, working capital and cash targets were guaranteed.

The factories are currently in the process of obtaining the required licenses and regulatory approvals from the competent health authorities for the manufacturing of plasma-derived products. When licensed and approved, Grifols will become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 M liters.

Grifols plans to be ready to manufacture IVIG and Albumin at the factories to be able to supply the Canadian market starting in 2023.

The collection centers achieved a collection volume of 350,000 liters of plasma in 2019.

Upon the consummation of the Transaction, and by means of a plasma supply agreement, the Group has also committed to supplying certain output of plasma arising out of the collection centers to GC Pharma for a 24-month period.

Details of the aggregate business combination cost, the fair value of the net assets acquired and the goodwill at the acquisition date are provided below:

	Thousand of Euros	Thousand of US Dollars
Cost of the business combination		
Cash paid	387,917	457,160
Total business combination cost	387,917	457,160
Fair value of net assets acquired	203,175	239,442
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 7)	184,742	217,718

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

	Fair Value	
	Thousand of Euros	Thousand of US Dollars
Other Intangible assets (note 8)	2,011	2,370
Rights of Use (note 9)	11,642	13,720
Property, plant and equipement (note 10)	173,295	204,228
Deferred tax assets	28,616	33,724
Non-current assets	122	144
Inventories	2,999	3,534
Trade and other receivables	3,484	4,106
Other current assets	943	1,111
Cash and cash equivalents	6,053	7,133
Total assets	229,164	270,070
Non-current financial liabilities	(13,150)	(15,497)
Defererd Tax Liabilities	(868)	(1,023)
Current financial liabilities	(797)	(939)
Trade and other payables	(11,174)	(13,169)
Total liabilities	(25,989)	(30,628)
Total activos netos adquiridos	203,175	239,442

The resulting goodwill was allocated to the Bioscience segment, and it includes the donor data base, current licenses and future authorizations and workforce

Had the acquisition taken place on 1 January 2020, the net amount of the Group´s revenue would have increased by Euros 31,197 thousand and the net profit would have decreased by Euros 32,423 thousand. The revenue and profit of Green Cross between the acquisition date and 31 December 2020 amounted to Euros 4,625 thousand and Euros (5,023) thousand respectively.

2019

(a) Acquisition of assets used in plasma donor centers

On 31 May 2019 the Group, through its subsidiary Haema AG, acquired four plasma donor centers from Kedplasma, GmbH. The agreed purchase price was Euros 20,500 thousand.

Aggregate details of the combination cost, fair value of the net assets acquired and goodwill at the acquisition date are as follows:

	Thousands of Euros
Cost of the business combination	
Payment in cash	20,500
Total business combination cost	20,500
Fair value of net assets acquired	1,620
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 7)	18,880

The resulting goodwill was allocated to the Bioscience segment and it included the donor data base, FDA licenses and workforce.

The fair value of net assets acquired mainly included property, plant and equipment amounting to Euros 1,396 thousand.

(b) Acquisition of Interstated Blood Bank, Inc. Group

On 11 May 2016 Grifols acquired a 49.19% stake in Interstate Blood Bank, Inc. (IBBI), 48.97% of Bio-Blood Components, Inc. (Bio-Blood) and 48.90% of Plasma Biological Services, LLC. (PBS) ("IBBI Group"), with headquarters in Memphis, USA, for the price of US Dollars 100 million (Euros 88,215 thousand). The Group also entered into a call option on the remaining shares for a price of US Dollars 100 million, having agreed a payment of US Dollars 10 million (Euros 9,007 thousand) for the call option. The purchase price and the call right were paid upon signature of the contract. The principal business activity of IBBI and its affiliates is the collection of plasma for the plasma fractionation industry, with 26 plasma collection centers, 9 blood donation centers and one laboratory.

In April 2019, the Group exercised the call option and has completed the acquisition of the remaining shares of the IBBI group companies.

Details of the aggregate business combination cost, the fair value of the net assets acquired and the goodwill at the acquisition date are provided below:

	Thousands of Euros	Thousands of US Dollars
Consideration paid		
Cash paid	88,984	100,000
Total consideration paid	88,984	100,000
Fair value of the previous investment in the company	94,126	105,779
Fair value of the call option	8,898	10,000
Fair value of net assets acquired	19,345	21,744
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 7)	172,663	194,035

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

	Fair value	
	Thousands of Euros	Thousands of US Dollars
Intangible assets (note 8)	77	87
Property, plant and equipment (note 10)	23,724	26,661
Inventories	10,271	11,543
Trade and other receivables	12,080	13,575
Other current assets	2,015	2,265
Cash and cash equivalents	1,961	2,204
Total assets	50,128	56,335
Non-current liabilities	(10,233)	(11,500)
Current liabilities	(20,550)	(23,091)
Total liabilities and contingent liabilities	(30,783)	(34,591)
Total net assets acquired	19,345	21,744

The resulting goodwill was allocated to the Bioscience segment.

The difference between the fair value of the previous investment and the book value amounts to Euros 4,521 thousand and was recognized as an income in section "Share of income/(losses) of equity accounted investees with group's similar activity" in the consolidated statement of profit or loss. Had the acquisition taken place on 1 January 2019, the net amount of the Group´s revenue would have increased by Euros 10,146 thousand and profit would have decreased by Euros 1,436 thousand.

IBBI's net revenue and profit between the acquisition date and 31 December 2019 amounted to Euros 13,364 thousand and Euros 280 thousand, respectively.

2018

(a) Acquisition of assets used in centers from Kedplasma

In August and December 2018, the Group, through its company Biomat USA, Inc., acquired six donor centers from Kedplasma LLC. The purchase price agreed was Euros 20,939 thousand and Euros 21,841 thousand, respectively.

Aggregate details of the combination cost, fair value of the net assets acquired and goodwill at the acquisition date are as follows:

	Thousands of Euros	Thousands of US Dollars
Cost of the business combination		
Payment in cash	42,780	50,163
Total business combination cost	42,780	50,163
Fair value of net assets acquired	5,042	5,787
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired)	37,738	44,376

The resulting goodwill was allocated to the Bioscience segment and it included the donor data base, FDA licenses and workforce.

The fair value of net assets acquired mainly included property, plant and equipment amounting to Euros 4,942 thousand.

(b) Biotest Acquisition

On 1 August 2018, Grifols, through its subsidiary Grifols Shared Services North America, Inc. completed the acquisition of 100% of the shares in Biotest US Corporation for a price of US Dollars 286,454 thousand, after obtaining the consent of the US Federal Trade Commission. Grifols acquired the shares from Biotest Divestiture Trust.

Biotest USA owns a plasma collection business in the USA with 24 plasma collection centers throughout the territory. In fiscal year 2017, it obtained approximately 850,000 liters of plasma.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date are provided below:

	Thousands of Euros	Thousands of US Dollars
Total business combination cost	245,126	286,454
Fair value of net assets acquired	114,463	133,761
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired)	130,663	152,693

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities were as follows:

	Fair value	
	Thousands of Euros	Thousands of US Dollars
Cash and cash equivalents	5,876	6,867
Trade and other receivables	15,114	17,663
Inventories	18,235	21,309
Other assets	2,438	2,849
Intangible assets	19,511	22,800
Goodwill	5,571	6,510
Property, Plant and equipment	22,190	25,931
Deferred tax assets	33,917	39,635
Financial assets	10,975	12,825
Total assets	133,827	156,389
Trade and other payables	(5,322)	(6,219)
Other liabilities	(4,249)	(4,965)
Deferred tax liability	(4,878)	(5,700)
Long-term liabilities	(4,915)	(5,744)
Total liabilities and contingent liabilities	(19,364)	(22,628)
Total net assets acquired	114,463	133,761
Goodwill	130,663	152,693
Total business combination cost	245,126	286,454

The resulting goodwill was allocated to the Bioscience segment.

Had the acquisition taken place on 1 January 2018, the net amount of the Group´s revenue and profit would have increased by Euros 90,216 thousand and Euros 5,592 thousand, respectively.

The revenue and profit of Biotest between the acquisition date and 31 December 2018 amounted to Euros 73,747 thousand and Euros 7,473 thousand, respectively.

On 28 December 2018, Grifols sold Biotest US Corporation and Haema AG to Scranton Enterprises B.V. for a total of US Dollars 538,014 thousand (see note 1). Scranton is an existing shareholder of Grifols (see note 31). The sale of Biotest and Haema to Scranton took place for the same price, at the December 2018 US Dollar/Euro exchange rate, and under the same terms and conditions existing when Grifols acquired both companies.

The sale of Biotest and Haema did not result in a loss of control for the Group. In assessing the existence of control, Grifols considered the potential voting rights to determine whether it had power and therefore control. The Group holds potential voting rights arising from the repurchase options of the shares and they are substantive, based on the following:

- The sale contract includes a call option for Grifols which grants the irrevocable and exclusive right (not an obligation) to be able to acquire the shares sold to Scranton (both at the same time) at any time from the effective date of sale.

- The purchase option has been negotiated jointly in the same sale agreement of the entities.

- The price of exercising the call option will be equal to the higher of: a) the price at which Grifols sold them plus costs incurred in the transaction and plus the increase in working capital and (b) the amount of debt that Scranton owns related to this acquisition at the date on which Grifols exercises the option (principal plus interest plus any other cost to be able to cancel said loan). Considering that the projections for the entities are for growth and an improvement in their results is expected, it is concluded that said call option is "in the money" since their market price is estimated to be higher than that agreed in the call option.

- Even if a nullity clause on the call option is included in the case of default by the buyer (standard clause included in financing agreements), it has been considered remote since Grifols will have the capacity to exercise said call option in the remediation period of 90 days.

- There are no agreements between shareholders that establish that the relevant decisions are approved in a different manner than by majority vote.

- There is a commitment from Grifols to provide support services in the plasma collection business of the donation centers for their subsequent sale and thus ensure that these companies will continue to operate effectively, as well as ensuring the continuity and growth of said entities. Likewise, there is a "Plasma Supply Agreement" agreement whereby the plasma to be produced by these entities will be almost entirely to meet the needs of Grifols. There is no exclusivity of sale.

The aforementioned are indicators of Grifols' power over these entities, even after their sale, considering that the repurchase options are susceptible to being exercised and Grifols would have the financial capacity to carry them out.

Consequently, the sale of the entities did not result in a loss of control, which is why the entities continue to consolidate, recording the sale as a transaction in equity without any impact on the consolidated statements of profit and loss.

(c) Haema AG

On 19 March 2018, Grifols entered into an agreement with Aton GmbH for the purchase of 100% of the shares of the German based pharmaceutical company Haema AG, in exchange for a purchase price of Euros 220,191 thousand on a debt free basis. This transaction was closed in June 2018.

As a result of this acquisition Grifols acquired Haema's business, based on the collection of plasma for fractionation, which includes 35 plasma collection centers located throughout Germany, and three more centers under construction at the acquisition date. Haema AG's headquarters are located in Leipzig and measure approximately 24,000 m² (which include administration, production, storage and power station buildings) and it also has a central laboratory in Berlin.

Haema AG employs about 1,100 people and collected almost 800,000 liters of plasma in the preceding financial year, coming from approximately 1 million donations.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date are provided below:

	Thousands of Euros
Total business combination cost	220,191
Fair value of net assets acquired	49,057
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired)	171,134

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities were as follows:

	Fair value Thousands of Euros
Cash and cash equivalents	7,727
Trade and other receivables	10,321
Inventories	5,535
Other assets	836
Intangible assets	1,518
Property, Plant and equipment	25,407
Total assets	51,344
Trade and other payables	(1,795)
Contingent liabilities	(492)
Total liabilities and contingent liabilities	(2,287)
Total net assets acquired	49,057
Goodwill	171,134
Total business combination cost	220,191

The resulting goodwill was allocated to the Bioscience segment.

Had the acquisition taken place on 1 January 2018, the net amount of the Group´s revenue would have increased by Euros 39,517 thousand and the Group´s profit would not have changed significantly.

The revenue and profit of Haema AG between the acquisition date and 31 December 2018 amounted to Euros 46,758 thousand and Euros 53 thousand, respectively.

On 28 December 2018, Grifols sold Haema AG to Scranton Enterprises B.V (see note 3 (b) for further details).

(d) Goetech, LLC Acquisition ("MedKeeper")

On 26 January 2018, Grifols through its subsidiary Grifols Shared Services North America, Inc, subscribed a capital increase for an amount of US Dollars 98 million in the U.S company Goetech LLC, with headquarters in Denver, Colorado, and trading as Medkeeper. As a result of this transaction, Grifols held a 51% interest in Medkeeper and also held a majority position on the board of directors.

The acquisition agreement included the repurchase of own shares by Medkeeper from the non-controlling shareholder in the amount of US Dollars 14 million (in 2 business days) and US Dollars 20 million (in two years) (see note 21(d)). The agreement grants a call option to Grifols to acquire the remaining non-controlling stake for a term of three years and Medkeeper has a put option to sell this stake to Grifols, which may be executed at the end of the three-year period.

As the non-controlling shareholders did not have access to the economic rewards associated with the underlying ownership interests related to shares under the put and call commitment, we the advance-acquisition method was applied. Under this method the agreement was recognized as an advance acquisition of the underlying non-controlling interest, as if the put option had already been exercised by the non-controlling shareholders.

Medkeeper´s core business is the development and distribution of web and mobile-based platforms for hospital pharmacies that improve quality standards, productivity in the processes, control systems and monitoring different preparations, while increasing patient safety.
This investment enhances the activity of the Grifols Hospital Division and it is part of the strategy to underpin this division into the U.S. market.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date are provided below:

	Thousands of Euros	Thousands of US Dollars
Cost of the business combination		
First repurchase of non-controlling interests	11,475	14,000
Second repurchase of non-controlling interests (discounted amount)	14,952	18,241
Purchase of remaining non-controlling interests	42,998	52,458
Total business combination cost	69,425	84,699
Fair value of net assets acquired	14,104	17,207
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired)	55,321	67,492

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities were as follows:

	Fair value	
	Thousands of Euros	Thousands of US Dollars
Intangible assets	30,561	37,285
Property, Plant and equipment	67	82
Other non-current assets	2,350	2,867
Other current assets	4,453	5,433
Total assets	37,432	45,667
Non-current liabilities	(2,186)	(2,667)
Current liabilities	(7,711)	(9,407)
Deferred tax liability	(13,431)	(16,386)
Total liabilities and contingent liabilities	(23,328)	(28,460)
Total net assets acquired	14,104	17,207

The resulting goodwill was allocated to the Hospital segment.

Had the acquisition taken place on 1 January 2018, the net amount of the Group´s revenue and profit would not have changed significantly.

The revenue and profit of Goetech LLC between the acquisition date and 31 December 2018 amounted to Euros 9,210 thousand and Euros 1,778 thousand, respectively.

(e) Aigües Minerals de Vilajuïga, S.A.

On 1 June 2017 the Group acquired of 50% of the voting rights in Aigües Minerals de Vilajuïga, S.A. a company based in Vilajuïga, Girona, Spain.

On 12 January 2018 the Group acquired the remaining 50% of the voting rights and consequently Grifols holds 100% of the voting rights for a total amount of Euros 550 thousand.

Aigües Minerals de Vilajuïga, S.A.'s principal activity is the collection and use of mineral-medicinal waters and the procurement of all necessary administrative concessions in order to facilitate the extraction of these waters and find the best way to exploit them.

(4) Significant Accounting Policies

(a) Subsidiaries and associates

Subsidiaries are entities, including special purpose entities (SPE), over which the Group exercises control, either directly or indirectly, through subsidiaries. The Group controls a subsidiary when it has the substantive rights in force that provide the ability to manage relevant activities. The Group is exposed or has the right to variable returns for its involvement in the subsidiaries when the returns obtained vary depending on the economic performance of the subsidiaries.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control. Subsidiaries are excluded from the consolidated Group from the date on which control is lost.

Transactions and balances with Group companies and unrealized gains or losses have been eliminated upon consolidation.

The accounting policies of subsidiaries have been adapted to those of the Group for transactions and other events in similar circumstances.

The annual accounts of consolidated subsidiaries have been prepared as of the same date and for the same reporting period as the annual accounts of the Company.

Associates are entities over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those entities. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are initially recognized at acquisition cost, including any cost directly attributable to the acquisition and any consideration receivable or payable contingent on future events or on compliance with certain conditions.

Subsequently, investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases.

The excess of the cost of the investment over the Group's share of the fair values of the identifiable net assets is recognized as goodwill, which is included in the carrying amount of the investment. Any shortfall, once the cost of the investment and the identification and measurement of the associate's net assets have been evaluated, is recognized as income when determining the investor's share of the profit and loss of the associate for the year in which it was acquired.

The accounting policies of associates have been harmonized in terms of timing and measurement, applying the policies described for subsidiaries.

The Group's share of the profit and loss of an associate from the date of acquisition is recognized as an increase or decrease in the value of the investments, with a credit or debit to share of the profit and loss for the year of "equity-accounted investees" in the consolidated statement of profit and loss (consolidated statement of comprehensive income). The Group's share of other comprehensive income of associates from the date of acquisition is recognized as an increase or decrease in the investments in associates with a balancing entry recognized by type in other comprehensive income. The distribution of dividends is recognized as a decrease in the value of the investment. The Group's share of profit and loss, including impairment losses recognized by the associates, is calculated based on income and expenses arising from application of the acquisition method.

When the Group's share of the losses in an investment accounted for using the equity method equals or exceeds its interest in the entity, the Group does not recognize additional losses, unless it has incurred in obligations or made payments on behalf of the other entity.

The Group's share of the profit and loss of an associate and changes in equity is calculated to the extent of the Group's interest in the associate at year end and does not reflect the possible exercise or conversion of potential voting rights. However, the Group's share is calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of associates.

Information on the subsidiaries and associates included in the consolidated Group is presented in Appendix I.

(b) Business combinations

On the date of transition to IFRS-EU, the Group applied the exception permitted under IFRS 1 "First-time adoption of International Financial Reporting Standards", whereby only those business combinations performed as from 1 January 2004 have been recognized using the acquisition method. Entities acquired prior to that date were recognized in accordance with accounting prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group applies the revised IFRS 3 "Business combinations" in transactions made subsequent to 1 January 2010.

The Group applies the acquisition method for business combinations.

The acquisition date is the date on which the Group obtains control of the acquiree.

The cost of the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, equity instruments issued and any additional consideration contingent on future events or the fulfilment of certain conditions, in exchange for control of the acquiree.

The consideration paid excludes all amounts that do not form part of the exchange for the acquired business. Acquisition-related costs are accounted for as expenses when incurred. Share increase costs are recognized as equity when the increase takes place and borrowing costs are deducted from the financial liability when it is recognized.

At the acquisition date the Group recognizes at fair value the assets acquired and liabilities assumed. Liabilities assumed include any contingent liabilities that represent present obligations arising from past events for which

the fair value can be reliably measured. The Group also recognizes indemnification assets transferred by the seller at the same time and following the same measurement criteria as the item that is subject to indemnification from the acquired business, taking into consideration, where applicable, the insolvency risk and any contractual limit on the indemnity amount.

This criterion does not include non-current assets or disposal groups of assets which are classified as held for sale, long-term defined benefit employee benefit liabilities, share-based payment transactions, deferred tax assets and liabilities and intangible assets arising from the acquisition of previously transferred rights.

Assumed assets and liabilities are classified and designated for subsequent measurement in accordance with the contractual terms, economic conditions, operating or accounting policies and other factors that exist at the acquisition date, except for leases and insurance contracts.

The excess between the consideration transferred and the value of net assets acquired and liabilities assumed, less the value assigned to non-controlling interests, is recognized as goodwill. Where applicable, any shortfall, after evaluating the consideration transferred, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognized in profit and loss.

When a business combination has been provisionally determined, net identifiable assets have initially been recognized at their provisional value, and any adjustments made during the measurement period have been recorded as if they had been known at that date. Where applicable, comparative figures for the prior year have been restated. Adjustments to the provisional values only reflect information relating to events and circumstances existing at the acquisition date and which, had they been known, would have affected the amounts recognized at that date. Once this period has elapsed, adjustments are only made to initial values when errors must be corrected. Any potential benefits arising from tax losses and other deferred tax assets of the acquiree that have not been recorded as they did not qualify for recognition at the acquisition date, are accounted for as income tax revenue, provided the adjustments were not made during the measurement period.

The contingent consideration is classified in accordance with underlying contractual terms as a financial asset or financial liability, equity instrument or provision. Provided that subsequent changes to the fair value of a financial asset or financial liability do not relate to an adjustment of the measurement period, they are recognized in consolidated profit and loss. The contingent consideration classified, where applicable, as equity is not subject to subsequent change, with settlement being recognized in equity. The contingent consideration classified, where applicable, as a provision is recognized subsequently in accordance with the relevant measurement standard.

(c) Non-controlling interests

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recognized at the acquisition date at the proportional part of the fair value of the identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date were recognized at the proportional part of the equity of the subsidiaries at the date of first consolidation.

Non-controlling interests are disclosed in the consolidated balance sheet under equity separately from equity attributable to the Parent. Non-controlling interests' share in consolidated profit and loss for the year (and in consolidated comprehensive income for the year) is disclosed separately in the consolidated statement of profit and loss (consolidated statement of comprehensive income).

The consolidated profit and loss for the year, consolidated comprehensive income and changes in equity of the subsidiaries attributable to the Group and non-controlling interests after consolidation adjustments and eliminations, is determined in accordance with the percentage ownership at year end, without considering the possible exercise or conversion of potential voting rights. However, Group and non-controlling interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries.

Profit and loss and each component of other comprehensive income are assigned to equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their interest, although this implies a balance receivable from non-controlling interests. Agreements signed between the Group and the non-controlling interests are recognized as a separate transaction.

The increase and reduction of non-controlling interests in a subsidiary in which control is retained is recognized as an equity instrument transaction. Consequently, no new acquisition cost arises on increases, nor is a gain recorded on reductions; rather, the difference between the consideration transferred or received and the carrying amount of the non-controlling interests is recognized in the reserves of the investor, without prejudice to reclassifying consolidation reserves and reallocating other comprehensive income between the Group and the non-controlling interests. When a Group's interest in a subsidiary diminishes, non-controlling interests are recognized at their share of the net consolidated assets, including goodwill.

(d) Joint arrangements

Joint arrangements are those in which there is a contractual agreement to share the control over an economic activity, in such a way that the decisions over relevant activities require the unanimous consent of the Group and the remaining venturers. Under IFRS 11 "Joint arrangements" investments in joint arrangements are classified as joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than on the legal structure of the joint agreement.

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated balance sheet.

The acquisition cost of investments in joint arrangements is determined consistently with that established for investments in associates.

(e) Foreign currency transactions and balances

(i) *Functional and presentation currency*

The consolidated annual accounts are presented in thousands of Euros, which is the functional and presentation currency of the Parent.

(ii) *Foreign currency transactions, balances and cash flows*

Foreign currency transactions are translated into the functional currency using the previous month's exchange rate for all transactions performed during the current month. This method does not differ significantly from applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into thousands of Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into thousands of Euros at the exchange rate at the date that the fair value was determined.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into thousands of Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognized separately in the statement of cash flows as "Effect of exchange rate fluctuations on cash and cash equivalents".

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into thousands of Euros of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

(iii) *Translation of foreign operations*

The translation into thousands of Euros of foreign operations for which the functional currency is not the currency of a hyperinflationary economy is based on the following criteria:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date;

- Income and expenses, including comparative amounts, are translated using the previous month's exchange rate for all transactions performed during the current month. This method does not differ significantly from using the exchange rate at the date of the transaction;

- Translation differences resulting from application of the above criteria are recognized in other comprehensive income.

(f) Borrowing costs

In accordance with IAS 23 "Borrowing Costs", the Group recognizes borrowing costs directly attributable to the purchase, construction or production of qualifying assets as an increase in the value of these assets. Qualifying assets are those which require a substantial period of time before they can be used or sold. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined as the actual borrowing costs incurred, less any investment income on the temporary investment of those funds. Capitalized borrowing costs corresponding to general borrowing are calculated as the weighted average of the qualifying assets without considering specific funds. The amount of borrowing costs capitalized cannot exceed the amount of borrowing costs incurred during that period. The capitalized borrowing costs include adjustments to the carrying amount of financial liabilities arising from the effective portion of hedges entered into by the Group.

The Group begins capitalizing borrowing costs as part of the cost of a qualifying asset when it incurs expenditure for the asset, interest is accrued, and it undertakes activities that are necessary to prepare the asset for its intended use or sale, and ceases capitalizing borrowing costs when all or substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Nevertheless, capitalization of borrowing costs is suspended when active development is interrupted for extended periods.

The remaining interest costs are recognized as an expense in the year in which they are incurred.

(g) Property, plant and equipment

(i) *Initial recognition*

Property, plant and equipment are recognized at cost, less accumulated depreciation and any accumulated impairment losses. Land is not subject to depreciation. The cost of self-constructed assets is determined using the same principles as for an acquired asset, while also considering the criteria applicable to production costs of inventories. Capitalized production costs are recognized by allocating the costs attributable to the asset to "Self-constructed non-current assets" in the consolidated statement of profit and loss.

(ii) *Depreciation*

Property, plant and equipment are depreciated by allocating the depreciable amount of an asset on a systematic basis over its useful life. The depreciable amount is the cost or deemed cost of an asset, less its residual value. The Group determines the depreciation charge separately for each item for a component of property, plant and equipment with a cost that is significant in relation to the total cost of the asset.

Property, plant and equipment are depreciated using the following criteria:

	Depreciation method	Rates
Buildings	Straight line	1% - 3%
Other property, technical equipment and machinery	Straight line	4%-10%
Other property, plant and equipment	Straight line	7% - 33%

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(iii) *Subsequent recognition*

Subsequent to initial recognition of the asset, only those costs incurred which will probably generate future profits and for which the amount may reliably be measured are capitalized. Costs of day-to-day servicing are recognized in profit and loss as incurred.

Replacements of property, plant and equipment which qualify for capitalization are recognized as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

(iv) *Impairment*

The Group tests for impairment and reversals of impairment losses on property, plant and equipment based on the criteria set out in note 4(j) below.

(h) Intangible assets

(i) *Goodwill*

Goodwill is generated on the business combinations and is calculated using the criteria described in the section on business combinations.

Goodwill is not amortized, but is tested for impairment annually or more frequently whenever there is an indication that goodwill may be impaired. Goodwill acquired in business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in note 7 are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Gains and losses on the sale of an entity include the carrying amount of the goodwill related to the entity sold.

(ii) *Internally generated intangible assets*

Any research and development expenditure incurred during the research phase of projects is recognized as an expense when incurred.

Costs related with development activities are capitalized when:

- The Group has technical studies that demonstrate the feasibility of the production process;
- The Group has undertaken a commitment to complete production of the asset, to make it available for sale or internal use;
- The asset will generate sufficient future economic benefits;
- The Group has sufficient technical and financial resources to complete development of the asset and has devised budget control and cost accounting systems that enable monitoring of budgetary costs,

modifications and the expenditure actually attributable to the different projects.

The cost of internally generated assets by the Group is calculated using the same criteria established for determining production costs of inventories. The production cost is capitalized by allocating the costs attributable to the asset to self-constructed non-current assets in the consolidated statement of profit and loss.

Expenditure on activities that contribute to increasing the value of the different businesses in which the Group as a whole operates is expensed when incurred. Replacements or subsequent costs incurred on intangible assets are generally recognized as an expense, except where they increase the future economic benefits expected to be generated by the assets.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(iii) *Other intangible assets*

Other intangible assets are carried at cost, or at fair value if they arise on business combinations, less accumulated amortization and impairment losses.

Intangible assets with indefinite useful lives are not amortized but tested for impairment at least annually.

(iv) *Intangible assets acquired in business combinations*

The cost of the identifiable intangible assets acquired in Biotest's business combination includes the fair value of the current contracts.

The cost of identifiable intangible assets acquired in the business combination of Hologic includes the fair value of the R&D projects and the Intellectual Property-Patents.

The cost of identifiable intangible assets acquired in the business combination of Novartis includes the fair value of the existing royalty agreements.

The cost of identifiable intangible assets acquired in the Progenika business combination includes the fair value of currently marketed products sold and which are classified under “Other intangible assets” and “Research and Development”.

The cost of identifiable intangible assets acquired in the Talecris business combination includes the fair value of currently marketed products sold and which are classified under “Other intangible assets”.

(v) *Useful life and amortization rates*

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

Intangible assets with finite useful lives are amortized by allocating the depreciable amount of an asset on a systematic basis over its useful life, by applying the following criteria:

	Amortisation method	Rates
Development expenses	Straight line	10%
Concessions, patents, licences, trademarks and similar	Straight line	4% - 20%
Computer software	Straight line	33%
Currently marketed products	Straight line	3% - 10%

The depreciable amount is the cost or deemed cost of an asset, less its residual value.

The Group does not consider the residual value of its intangible assets to be material. The Group reviews the residual value, useful life and amortization method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(i) Leases

The Group changed its accounting policies in relation to leases when it is a lessee as a result of adopting IFRS 16. The new policy is described in note 2(c) and the impact of the change in note 2 (c) and 9.

(i) Definitions

Lease contracts

A lease contract is a contract that fulfills the following conditions:

- There is an identified asset explicitly specified in the contract or implicitly specified when it is made available for use by the Group. When the asset is a portion of an asset's capacity it could also be an identified asset if it is physically distinct (a floor of a building, a storage location in a warehouse) or the Group has the right to receive substantially all its of capacity.
- The lessee has the right to direct the use of the identified asset that means the right to determine how and for what purpose the asset will be used.
- The lessee has the right to obtain all the economic benefits from that use throughout the period of use.

Non-lease contracts

Even if an asset is specified in the contract, if the lessor has a substantive substitution right throughout the period of use, the asset is not identified and the contract does not contain a lease.

When the lessee does not have the right to control the use of the asset, the contract does not contain a lease.

Non-lease contracts are not under this policy and the accounting treatment will be that of a service contract (usually recognized as an expense).

(ii) Accounting policies

Lease contracts, where the Group acts as lessee, will be recognized at inception of the contract as:

- A lease liability representing its obligation to make future lease payments and,
- A right of use representing its right to use the identified asset.

Exception: lease contracts that fulfill any of the following conditions will be recognized as monthly expense over the lease term:

- For lease contracts where the lease term is 12 months or less at the commencement date.
- For lease contracts where the value of the leased asset (individually), when new, is lower than US Dollars 5,000 or its equivalent in another currency.

Lease liability

Initial measurement

The lease liability corresponds to the present value of the lease payments during the lease term using the interest rate implicit in the lease or, if this cannot be readily determined, the incremental borrowing lending rate, as follows:

- Lease payments

Only lease components included in the lease contract are part of the liability calculation:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on a known index or a rate;
- The exercise price of the purchase option if the lessee is reasonably certain to exercise that option;
- Any amount already paid at the contract commencement date must not be included.

Non-lease components that could be included in a lease contract (e.g. maintenance services, electricity, water, gas and other services such as surveillance, cleaning, etc.) are not part of the lease liability and must be recognized as an expense as soon as the service is rendered to Grifols using the corresponding account according to its nature.

- Lease term

The lease term is the non-cancellable period considering the initial term of each contract unless Grifols has a unilateral option to extend or terminate the lease and there is reasonable certainty that this option will be exercised, in which case the corresponding extension term or early termination will be taken into account.

The lease liability is calculated at the present value of the future lease payments during the lease term, using an incremental discount rate, except for those contracts in which the implicit interest rate is used because it is specifically mentioned in the contract.

- Discount rate

Under IFRS 16, a lessee shall discount the future lease payments using the lease implicit interest rate if this can be reliably determined. Otherwise, the lessee shall use the incremental borrowing rate. The Group uses the incremental borrowing rate. This is the rate that a lessee would have to pay at the commencement date of the lease for a loan of a similar term, and with a similar security, to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate is determined considering the following criteria:

- Geographical areas
- Financial terms
- Lease contracts terms
- Reference rate: Risk free rate
- Financing spread

Subsequent measurement

Subsequently, the lease financial liability will be increased by the interest on the lease liability and reduced by the payments made. The liability will be remeasured if there are changes in the amounts payable and the lease terms.

Lease liabilities will:

- Increase the carrying amount to interest on the lease liability;
- Reduce the carrying amount to reflect the lease payments made; and
- Remeasure (increase or reduce) the carrying amount to reflect any reassessment or lease modifications. The balancing entry will be a lease expense for retrospective lease payments or right-of-use-assets for future lease payments. The discount rate to be used depends on the event causing the reassessment or modification.

Right-of-use asset (ROU asset)

Initial measurement

ROU assets are initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability,
- Any lease payments made to the lessor at or before the commencement date,
- Estimated costs to dismantle or to remove the underlying asset,
- Less any discount or incentive received from the lessor.

Subsequent measurement

The ROU asset is measured at cost, less any accumulated depreciation and any accumulated impairment losses.

Net book value of the ROU asset must be adjusted as for any re-measurement of the lease liability.

Depreciation method and useful life

Depreciation method: straight-line basis. Depreciation starts at the lease commencement date (when the asset is available for use).

Useful life:

- If the purchase option is reasonably certain to be exercised: Useful life of the underlying asset.
- Otherwise: The earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(j) Impairment of goodwill, other intangible assets and other non-financial assets subject to depreciation or amortization

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortization or depreciation, to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill, intangible assets with indefinite useful lives and intangible assets with finite useful lives that are not available for use for potential impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of their fair value less costs of disposal and their value in use. An asset's value in use is calculated, where applicable, based on an estimate of the future cash flows expected to derive from the use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows deriving from the asset.

Negative differences arising from comparison of the carrying amounts of the assets with their recoverable amounts are recognized in the consolidated statement of profit and loss. Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Impairment losses recognized for cash-generating units are first allocated to reduce, where applicable, the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset. The carrying amount of each asset may not be reduced below the highest of its fair value less costs of disposal, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognized in consolidated profit and loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortization or depreciation, had no impairment loss been recognized.

(k) Financial instruments

(i) *Classification of the financial instruments*

Financial instruments are classified at the time of their initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual agreement and with the definitions of financial assets, financial liabilities or equity instruments indicated in IAS 32 “Financial instruments: Presentation”.

For purposes of its valuation, the Group classifies financial instruments in the categories of financial assets and financial liabilities at fair value through profit or loss, separating those initially designated from those held for trading or mandatorily measured at fair value through profit or loss, financial assets and financial liabilities valued at amortized cost and financial assets measured at fair value through other comprehensive income, separating the equity instruments designated as such, from other financial assets. The classification depends on the Group's business model to manage the financial assets and the contractual terms of the cash flows.

The Group classifies a financial asset at amortized cost if it is held in the framework of a business model whose objective is to hold financial assets to obtain contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows which are only principal and interest payments on the outstanding principal amount (OPIP).

The Group classifies a financial asset at fair value through changes in other comprehensive income, if it is maintained in the framework of a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets and the contractual conditions of the financial asset give rise to, at specified dates, to cash flows that are OPIP.
The business model is determined by the key personnel of the Group and at a level that reflects the way in which they jointly manage groups of financial assets to achieve a specific business objective. The Group's business model represents the way in which it manages its financial assets to generate cash flows.

Financial assets that are part of a business model whose objective is to hold assets to receive contractual cash flows are managed to generate cash flows in the form of contractual collections during the life of the instrument. The Group manages the assets held in the portfolio to receive these specific contractual cash flows. To determine whether cash flows are obtained through the collection of contractual cash flows from financial assets, the Group considers the frequency, value and timing of sales in prior years, the reasons for those sales and expectations in relation to with the future sales activity. However, the sales themselves do not determine the business model and, therefore, cannot be considered in isolation. Instead, it is the information on past sales and future sales expectations that provides indicative data on how to achieve the stated objective of the Group with respect to the management of financial assets and, more specifically, the way where cash flows are obtained.

For assets measured at fair value, losses and gains will be recognized in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, it will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for investments in equity at fair value through other comprehensive income (COCI).

The Group reclassifies investments in debt when and only when its business model to manage those assets changes.

(ii) *Measurement*

At the time of initial recognition, the Group values a financial asset at its fair value plus, in the case of a financial asset that is not at fair value through profit or loss, the costs of the transaction that are directly attributable to the acquisition. The transaction costs of financial assets at fair value through profit or loss are taken to results.

In order to determine the fair value of financial assets or liabilities, the Group uses market data as much as possible. Based on the factors used for the measurement, the fair values are hierarchized based on the following levels:

- Level 1: quoted prices (unadjusted) within current markets for assets or liabilities identical to those under consideration.

- Level 2: factors other than the prices considered in Level 1 that come directly from the asset or liability in question, such as those that may derive directly from the price.

- Level 3: factors not based on data directly from the market.

In the event that the factors used to determine the fair value of an asset or liability are included in different levels of hierarchy, the fair value will be determined in its entirety based on the significant component located at the lowest level of hierarchy.

(iii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Group has the legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iv) *Financial assets and liabilities at fair value through profit or loss*

Financial assets or liabilities at fair value through profit or loss are those that are classified as held for trading or have been designated from the moment of initial recognition.

A financial asset or liability is classified as held for trading if:

• It is acquired or incurred mainly for the purpose of selling it or repurchasing it in the near term.

• On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking, or

• It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial assets and liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs directly attributable to the purchase or issue are recognized as an expense as incurred.

After initial recognition, they are recognized at fair value through profit or loss. The fair value is not reduced by the transaction costs that may be incurred by their eventual sale or disposal by other means.

The Group does not reclassify any financial asset or liability to or from this category as long as it is recognized in the consolidated statement of financial position.

(v) *Financial assets at amortized cost*

Financial assets at amortized cost are initially recognized at their fair value, including the transaction costs incurred, and are subsequently measured at amortized cost, using the effective interest method.

(vi) *Debt instruments*

The subsequent valuation of the debt instruments depends on the Group's business model to manage the asset and the characteristics of the cash flows of the asset. The Group's debt instruments consist mainly of trade and other receivables, which the Group classifies as financial assets at amortized cost.

Financial assets at amortized cost are assets that the Group holds for the collection of contractual cash flows when these cash flows represent only payments of principal and interest, and are valued at amortized cost. Interest income from these financial assets is included in finance income in accordance with the effective interest rate method.

(vii) *Equity instruments*

The Group holds financial assets owned, mainly equity instruments, which are measured at fair value. When Group management has chosen to present the gains and losses on the fair value of the equity investments in other comprehensive income, after the initial recognition, the equity instruments are measured at fair value, recognizing the loss or gain in other comprehensive income. The amounts recognized in other comprehensive income are not subject to reclassification to profit or loss, without prejudice to reclassification to reserves at the time when the instruments are derecognized. Dividends from such investments continue to be recognized in income for the year as other income when the Group's right to receive payments is established.

(viii) *Impairment*

As of 1 January 2018, the Group evaluates, on a prospective basis, the expected credit losses associated with its debt instruments recorded at amortized cost. The Group uses the practical expedients permitted by IFRS 9 to assess the expected credit losses related to commercial accounts using a simplified approach, eliminating the need to evaluate when there has been a significant increase in credit risk. The simplified approach requires that the expected losses be recorded from the initial recognition of receivables, so that the Group determines expected credit losses as a probability-weighted estimate of such losses over the expected life of the financial instrument.

The practical expedient applied is the use of a provision matrix based on the segmentation into groups of homogeneous assets, applying the historical information of percentages of non-payment for said groups and applying reasonable information about the future economic conditions.

The percentage of non-payment is calculated according to the current experience of non-payment during the last year, as it is a very dynamic market and is adjusted for the differences between current and historical economic conditions and considering projected information, which is reasonably available.

(ix) *Derecognition of financial assets*

The Group applies the criteria for the derecognition of financial assets to a part of a financial asset or to a part of a group of similar financial assets or to a financial asset or a group of similar financial assets.

Financial assets are derecognized when the rights to receive cash flows related to them have expired or have been transferred and the Group has substantially transferred the risks and rewards derived from their ownership.

(x) *Financial liabilities at amortized cost*

Financial liabilities, including trade payables and other accounts payable, that are not classified at fair value through profit or loss, are initially recognized at their fair value, less, if applicable, the transaction costs that are directly attributable to the issue. Subsequent to the initial recognition, liabilities classified under this category are valued at amortized cost using the effective interest rate method.

(xi) *Derecognition and modification of financial liabilities*

The Group derecognizes a financial liability or part thereof when it has complied with the obligation contained in the liability, or is legally exempt from the main liability contained in the liability, either by virtue of a judicial process or by the creditor.

The Group considers that the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any commission paid net of any commission received, and using the original effective interest rate to make the discount, differs at least at 10 percent of the discounted present value of the cash flows that still remain of the original financial liability.

If the exchange is recorded as a cancellation of the original financial liability, the costs or commissions are recognized in consolidated results forming part of the result of the same. Otherwise, the costs or commissions adjust the carrying amount of the liability and are amortized by the amortized cost method during the remaining life of the modified liability.

The Group recognizes the difference between the carrying amount of the financial liability or a part of it that is canceled or assigned to a third party and the consideration paid, including any assigned asset different from the cash or liability assumed in profit or loss.

(l) Equity instruments

The Group's acquisition of equity instruments of the Parent is recognized separately at cost of acquisition in the consolidated balance sheet as a reduction in equity, regardless of the motive of the purchase. Any gains or losses on transactions with treasury equity instruments are not recognized in consolidated profit and loss.

The subsequent redemption of Parent shares, where applicable, leads to a reduction in share capital in an amount equivalent to the par value of such shares. Any positive or negative difference between the cost of acquisition and the par value of the shares is debited or credited to reserves. Transaction costs related with treasury equity instruments, including issue costs related to a business combination, are accounted for as a reduction in equity, net of any tax effect.

(m) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of conversion of inventories include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.

The raw material used to produce hemoderivatives is human plasma, which is obtained from our donation centers using the plasmapheresis method. The cost of inventories includes the amount paid to plasma donors, or the amount billed by the seller when purchased from third parties, as well as the cost of products and devices used in the collection process, rental expenses and storage. This plasma has to be stored before use, which is an essential part of the production process. During the storage period, the plasma undergoes various virological

tests and should be kept in quarantine in accordance with FDA and European Medicines Agency regulations, in order to guarantee that all the plasma is suitable for use in the production process.
To the extent that plasma storage costs are necessary to the production process, they are included as cost of inventories.

Indirect costs such as general management and administration costs are recognized as expenses in the period in which they are incurred.

The cost of raw materials and other supplies and the cost of merchandise are allocated to each inventory unit on a weighted average cost basis.

The transformation cost is allocated to each inventory unit on a FIFO (first-in, first-out) basis.

The Group uses the same cost model for all inventories of the same nature and with a similar use.

Volume discounts extended by suppliers are recognized as a reduction in the cost of inventories when it is probable that the conditions for discounts to be received will be met. Discounts for prompt payment are recognized as a reduction in the cost of the inventories acquired.
When the cost of inventories exceeds net realizable value, materials are written down to net realizable value, which is understood to be:

- For raw materials and other supplies, replacement cost. Nevertheless, raw materials and other supplies are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production;

- Merchandise and finished goods, estimated selling price less costs to sell;

- Work in progress, the estimated selling price of related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale.

The previously recognized write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances. The reversal of the write-down is limited to the lower of the cost and revised net realizable value of the inventories. Write-downs may be reversed with a credit to “Cost of sales”.

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group classifies cash flows relating to interest received and paid as operating activities, and dividends received and distributed are classified under investing and financing activities, respectively.

(o) Government grants

Government grants are recognized when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(i) *Capital grants*

Outright capital grants are initially recognized as deferred income in the consolidated balance sheet. Income from capital grants is recognized in the consolidated statement of profit and loss in line with the depreciation of the corresponding financed assets.

(ii) *Operating grants*

Operating grants received to offset expenses or losses already incurred, or to provide immediate financial support not related to future disbursements, are recognized in the consolidated statement of profit and loss.

(iii) *Interest rate grants*

Financial liabilities comprising implicit assistance in the form of below-market interest rates are initially recognized at fair value. The difference between this value, adjusted where necessary for the issue costs of the financial liability and the amount received, is recognized as a government grant based on the nature of the grant awarded.

(p) Employee benefits

(i) *Defined contribution plans*

The Group recognizes the contributions payable to a defined contribution plan in exchange for a service in the period in which contributions are accrued. Accrued contributions are recognized as an employee benefit expense in the corresponding consolidated statement of profit and loss in the year that the contribution was made.

(ii) *Termination benefits*

Termination benefits are recognized at the earlier of the date when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring that involves the payment of termination benefits.

For termination benefits payable as a result of an employee's decision to accept an offer of benefits, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction on the Group's ability to withdraw the offer takes effect.

For termination benefits payable as a result of the Group's decision to make an employee redundant, the Group can no longer withdraw the offer when it has informed the affected employees or union representatives of the plan and the actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made. The plan must identify the number of employees to be made redundant, their job classifications or functions and their locations and the expected completion date. The plan must also establish the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

If the Group expects to settle the termination benefits in full more than twelve months after year end, the liability is discounted using the market yield on high quality corporate bonds.

(iii) *Short-term employee benefits*

The Group recognizes the expected cost of short-term employee benefits in the form of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. In the case of non-accumulating compensated absences, the expense is recognized when the absences occur.

The Group recognizes the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(iv) *Restricted Share Unit Retention Plan (RSU)*

The Group gives share-based payments to certain employees who render services to the Company. The fair value of the services received is determined based on the estimated fair value of the shares given at the grant date. Because the equity instruments granted do not vest until the employees complete a specified period of service, those services are accounted for during the vesting period in the statement of profit and loss as an expense for the year, with the corresponding increase in equity. The amount recognized corresponds to that settled once the agreed terms have been met and it will not be adjusted or revalued during the accrual period, as the commitment is settled in the form of shares.

The total amount recognized is calculated based on the incentive payable in shares, increasing in line with percentages agreed by the Group. If an employee decides to leave his/her job prior to the end of the accrual period, he/she will only receive the agreed incentive in the form of shares and the Company will be able to choose whether to settle in cash or using equity instruments.

(q) Provisions

Provisions are recognized when the Group has a present obligation (legal or implicit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. No provisions are recognized for future operating losses.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognized as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate used to determine the present value is a pre-tax rate that reflects the evaluations that the current market is making of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

If it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the consolidated statement of profit and loss item where the corresponding expense was recognized.

(r) Revenue recognition

Revenue from the sale of goods or services is recognized at an amount that reflects the consideration that the Group expects to be entitled to receive in exchange for transferring goods or services to a customer, at the time when the customer obtains control of the goods or services rendered, this means when the customer has the ability to direct the use of the asset. The consideration that is committed in a contract with a client can include fixed amounts, variable amounts, or both. The amount of the consideration may vary due to discounts, reimbursements, incentives, performance bonuses, penalties or other similar items. Contingent consideration is included in the transaction price when it is highly probable that the amount of revenue recognized is not subject to future significant reversals. Revenue is presented net of the value added tax and any other amount or tax, which in substance corresponds to amounts received on behalf of third parties.

(i) *Sale of goods*

Revenue from the sale of goods is recognized when the Group meets the performance obligation by transferring the assets committed to the customer. An asset is transferred when the customer obtains control of that asset. When evaluating the satisfaction of the performance obligation, the Group considers the following indicators of the transfer of control, which include, but are not limited to the following:

- The Group has a present right to payment for the asset
- The customer has the legal right to the asset
- The Group has transferred the physical possession of the asset
- The customer has the significant risks and rewards of ownership of the asset

- The customer has accepted the asset

The nature of the assets that the Group is committed to transfer is mainly: sale of goods, sale of equipment, fragmentation agreements, maintenance and technical support, training, licenses, royalties and know-how and engineering projects among others.

Transaction price is set under the assumption that goods and/or services are transferred in accordance with the contract terms. The committed consideration to customers can include fixed amounts, variable amounts or both. The transaction price must be estimated taking into account the effect of the variable compensation (when applicable) related to returns, chargeback discounts, volume discounts or other incentives, as long as it is highly probable.

The Group participates in the government-managed Medicaid programs in the United States, accounting for Medicaid rebates by recognizing an accrual at the time a sale is recorded for an amount equal to the estimated claims for Medicaid rebates attributable to the sale. Medicaid rebates are estimated based on historical experience, legal interpretations of the applicable laws relating to the Medicaid program and any new information regarding changes in the program regulations and guidelines that would affect rebate amounts. Outstanding Medicaid claims, Medicaid payments and inventory levels are analyzed for each distribution channel and the accrual is adjusted periodically to reflect actual experience. While rebate payments are generally made in the following or subsequent quarter, any adjustments for actual experience have not been material.

As is common practice in the sector, the purchase contracts signed by some customers with the Group entitle these customers to price discounts for a minimum purchase volume, volume discounts or prompt payment discounts. The Group recognizes these discounts as a reduction in sales and receivables in the same month that the corresponding sales are invoiced based on the customer's actual purchase figures or on past experience when the customer's actual purchases will not be known until a later date.

In the USA, the Group enters into agreements with certain customers to establish contract pricing for the products, which these entities purchase from the authorized wholesaler or distributor (collectively, wholesalers) of their choice. Consequently, when the products are purchased from wholesalers by these entities at the contract price which is less than the price charged by the Group to the wholesaler, the Group provides the wholesaler with a credit referred to as a chargeback. The Group records the chargeback accrual at the time of the sale. The allowance for chargebacks is based on Group's estimate of the wholesaler inventory levels, and the expected sell-through of the products by the wholesalers at the contract price based on historical chargeback experience and other factors. The Group periodically monitors the factors that influence the provision for chargebacks, and makes adjustments when it considers that actual chargebacks may differ from established allowances. These adjustments occur in a relatively short period of time. As these chargebacks are typically settled within 30 to 45 days of the sale, adjustments for actual experience have not been material.

The amount at closing related to other discounts is settled during the following year within a period of 90 to 180 days depending on the type of provision.

(ii) *Services rendered*

Revenues associated with the rendering of service transactions are recognized by reference to the stage of completion at the consolidated balance sheet date when the outcome of the transaction can be estimated reliably. The outcome of a transaction can be estimated reliably when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Group.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of costs incurred that are recoverable.

(s) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or consolidated tax loss for the year. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, whereas deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses, and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Current and deferred tax are recognized as income or an expense and included in profit and loss for the year, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different year, directly in equity, or from a business combination.

Grifols periodically evaluates the positions taken in the tax declarations regarding the situations in which the applicable tax regulations are subject to interpretation and establishes provisions, if necessary, based on the amounts expected to be paid to the taxation authorities, whose provision is reflected in the tax gain (loss).

(i) *Taxable temporary differences*

Taxable temporary differences are recognized in all cases except where:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income;

- They are associated with investments in subsidiaries over which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the temporary difference will reverse in the foreseeable future.

(ii) *Deductible temporary differences*

Deductible temporary differences are recognized provided that:

- It is probable that sufficient taxable income will be available against which the deductible temporary difference can be utilized, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income;

- The temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and sufficient taxable income is expected to be generated against which the temporary difference can be offset.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets and if the Group intends to use these opportunities or it is probable that they will be utilized.

(iii) *Measurement*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group

expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

At year end the Group reviews the fair value of deferred tax assets to write down the balance if it is not probable that sufficient taxable income will be available to apply the tax asset.

Deferred tax assets which do not meet the above conditions are not recognized in the consolidated balance sheet. At year end the Group assesses whether deferred tax assets which were previously not recognized now meet the conditions for recognition.

(iv) *Offset and classification*

The Group only offsets current tax assets and current tax liabilities if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group only offsets deferred tax assets and liabilities where it has a legally enforceable right, where these relate to income taxes levied by the same taxation authority and where the taxation authority permits the entity to settle on a net basis, or to realize the asset and settle the liability simultaneously for each of the future years in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognized in the consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment, assess its performance and, based on which, differentiated financial information is available.

(u) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realized or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realized within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorized for issue.

(v) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities. Property, plant and equipment acquired by the Group for long-term use to minimize the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's operations, are recognized as assets applying the measurement, presentation and disclosure criteria described in note 4(g).

(5) Financial Risk Management Policy

(a) General

The Group is exposed to the following risks associated with the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk: includes interest rate risk, currency risk and other price risks.

This note provides information on the Group's exposure to each of these risks, the Group's objectives and procedures to measure and mitigate this risk, and the Group's capital management strategy. More exhaustive quantitative information is disclosed in note 30 to the consolidated annual accounts.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, define appropriate risk limits and controls and to control risks and comply with limits. Risk management policies and procedures are reviewed regularly so that they reflect changes in market conditions and the Group's activities. The Group's management procedures and rules are designed to create a strict and constructive control environment in which all employees understand their duties and obligations.

The Group's Audit Committee supervises how management controls compliance with the Group's risk management procedures and policies and reviews whether the risk management policy is suitable considering the risks to which the Group is exposed. This committee is assisted by Internal Audit which acts as supervisor. Internal Audit performs regular and ad hoc reviews of the risk management controls and procedures and reports its findings to the Audit Committee.

Credit risk

Credit risk is the risk to which the Group is exposed in the event that a customer or counterparty to a financial instrument fails to discharge a contractual obligation, and mainly results from trade receivables and the Group's investments in financial assets.

Trade receivables

The Group does not predict any significant insolvency risks as a result of delays in receiving payment from some European countries due to their current economic situation. The main risk in these countries is that of late payments, which is mitigated through the possibility of claiming interest as foreseen by prevailing legislation. No significant bad debt or late payment issues have been detected for sales to private entities.

The Group recognizes impairment based on its best estimate of the expected losses on trade and other receivables. The main impairment losses recognized are due to specific losses relating to individually identified risks. At year end, these impairment losses are immaterial.

Concentration of credit risk

For trade receivables the Group uses the simplified approach, estimating lifetime expected credit losses, while for all other financial assets the Group uses the general approach for calculating expected credit losses. In both cases, due to the customers' credit rating, as well as the internal classification systems currently in place for new customers, and considering that collection periods are mostly under 30 days, there is no significant impact for the Group.
In this context, Grifols made an assessment of possible changes in the credit risk through the estimation of the expected credit loss model, to ensure that it is reflecting the global economic impact of COVID-19. This assessment took into consideration available information on past events, the current situation and future economic forecasts having a potential impact on the credit risk. The update of the model mainly entailed the application of an incremental coefficient to the historical default rate to reflect the greater uncertainty regarding future economic scenarios and its impact on the expected credit loss. Based on the available information, it was concluded that there is no significant impact on the credit portfolio impairment as a result of the economic consequences of COVID-19. In addition, at 31 December 2020, no significant changes were observed in the payment profile of the main customers with which Grifols holds outstanding balances that are not subject to receivable sales and purchases with financial institutions.

Details of exposure to credit risk are disclosed in note 30.

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure where possible, that it always has sufficient liquidity to settle its obligations at the maturity date, both in normal conditions and in times of tension, to avoid incurring unacceptable losses or tarnishing the Group's reputation.

The Group manages liquidity risk on a prudent basis, based on availability of cash and sufficient committed unused long-term credit facilities, enabling the Group to implement its business plans and carry out operations using stable and secure sources of financing.

On 7 May 2020, the Group concluded the upsize of the multi-currency revolving credit facility from US Dollars 500 million to US Dollars 1,000 million with maturity in November 2025.

On 15 November 2019 the Group concluded the refinancing process of its senior secured debt for approximately Euros 5,800 million. The new financing includes a Term Loan B for US Dollars 2,500 million and Euros 1,360 million, both aimed at institutional investors; the issue of two bonds for Euros 1,675 million (Senior Secured Notes); and the extension of a multi-currency revolving credit facility up to US Dollars 500 million.

In September 2018 the Group received an additional non-current loan from the European Investment Bank totaling Euros 85,000 thousand. The loan will be used to support certain investments in R&D which are mainly focused on searching for new therapeutic for plasmatic proteins. Financial terms include a fixed interest rate for a period of 10 years with a grace period of two years. At 31 December 2020, the carrying amount of the loans obtained from the European Investment Bank is Euros 212,500 thousand (Euros 233,750 thousand at 31 December 2019).

At 31 December 2020 the Group has total cash and cash equivalents of Euros 579,647 thousand (Euros 741,982 thousand at 31 December 2019). The Group also has approximately Euros 922,553 thousand in unused credit facilities (Euros 532,169 thousand at 31 December 2019), including Euros 817,394 thousand on the revolving credit facility (Euros 445,434 thousand at 31 December 2019).

As in previous years, the Group continues with its quarterly program for optimization of working capital, which is mainly based on contracts to sell receivables without recourse.

Market risk

Market risk comprises the risk of changes in market prices, for example, exchange rates, interest rates, or the prices of equity instruments affecting the Group's revenues or the value of financial instruments it holds. The objective of managing market risk is to manage and control the Group's exposure to this risk within reasonable parameters at the same time as optimizing returns.

(i) Currency risk

The Group operates internationally and is therefore exposed to currency risk when operating with foreign currencies, especially with regard to the US Dollar. Currency risk is associated with future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The Group holds significant investments in foreign operations, the net assets of which are exposed to currency risk. The conversion risk affecting net assets of the Group's foreign operations in US Dollars is mitigated primarily through borrowings in this foreign currency.

The Group's main exposure to currency risk is with regard to the US Dollar, which is used in a significant percentage of transactions in foreign functional currencies.

Details of the Group's exposure to currency risk at 31 December 2020 and 2019 of the most significant financial instruments are shown in note 30.

(ii) Interest rate risk

The Group's interest rate risks arise from current and non-current borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. Fixed-rate borrowings expose the Group to fair value interest rate risk.

The objective of the management of interest rate risk is to achieve a balance in the structure of the debt, keeping part of the external resources issued at a fixed rate and covering part of the variable rate debt through hedges.

A significant part of the financing obtained accrues interest at fixed rates. This fixed interest debt (Senior Notes) amounts to Euros 2,675 million, which represents approximately 63% of the Group's total debt in Euros. The additional loans of Euros 212,500 thousand received from the European Investment Bank represent approximately 5% of the Group's total debt in Euros.

Senior debt in Euros represents approximately 40% of the Group's total Senior debt at 31 December 2020 (38% at 31 December 2019).

Total fixed-interest debt represents 46% of total debt at 31 December 2020 (45% at 31 December 2019).

(iii) Market price risk

Price risk affecting raw materials is mitigated by the vertical integration of the hemoderivatives business in a highly-concentrated sector.

(b) Capital management

The directors' policy is to maintain a solid capital base in order to ensure investor, creditor and market confidence and sustain future business development. The board of directors defines and proposes the level of dividends paid to shareholders.

The directors consider various arguments to calculate capital structure:

- The directors control capital performance using rates of returns on equity (ROE). In 2020 the ROE stood at 12% (13% in 2019). The ROE is calculated by dividing profit attributable to the Parent by the equity attributable to the Parent.

	Thousand of Euros	
	2020	2019
Profit attributable to the parent	618,546	625,146
Equity attributable to the Parent	5,108,392	4,822,119
ROE	12%	13%

- In accordance with the senior secured debt contract, the Group is subject to compliance with some covenants. At 31 December 2020 and 2019, the Group complies with the covenants in the contract.

- Consideration of the Company's credit rating (see note 21 (d)).

The Parent held Class B treasury stock equivalent to 0.4% of its capital at 31 December 2020 (0.5% at 31 December 2019). The Group does not have a formal plan for repurchasing shares.

(6) Segment Reporting

In accordance with IFRS 8 "Operating Segments", financial information for operating segments is reported in the accompanying Appendix II, which forms an integral part of this note to the consolidated annual accounts.

Group companies are divided into four areas: companies from the industrial area, companies from the commercial area, companies from the services area and companies from the research area. Within each of these areas, activities are organized based on the nature of the products and services manufactured and marketed.

Assets, liabilities, income and expenses for segments include directly and reliably attributable items. Items which are not attributed to segments by the Group are:

- Balance sheet: equity, cash and cash equivalents and loans and borrowings.

- Statement of profit and loss: finance result and income tax.

(a) Operating segments

The operating segments defined by the steering committee are as follows:

- Bioscience: including all activities related with products derived from human plasma for therapeutic use.

- Hospital: comprising all non-biological pharmaceutical products and medical supplies manufactured by Group companies earmarked for hospital pharmacy. Products related with this business which the Group does not manufacture but markets as supplementary to its own products are also included.

- Diagnostic: including the marketing of diagnostic testing equipment, reagents and other equipment, manufactured by Group or other companies.

- Bio Supplies: groups together all transactions related to biological products for non-therapeutic use, Kedrion production agreements, and third-party plasma sales channeled through Haema and Biotest.

- Others: including the rendering of manufacturing services to third party companies and other investing activities.

The net revenue from the sale of goods and services by groups of products for 2020, 2019 and 2018 is as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Bioscience			
Haemoderivatives	4,242,502	3,993,462	3,516,704
Diagnostic			
Transfusional medicine	714,164	680,766	650,180
Other diagnostic	27,630	19,937	19,797
Hospital			
Fluid therapy and nutrition	41,359	47,677	52,574
Hospital supplies	58,303	67,489	58,014
Bio supplies	224,090	266,540	167,004
Others	31,990	22,820	22,451
Total	5,340,038	5,098,691	4,486,724

At December 31, 2020, 97.2% of the income from the sale of goods and services has been recognized at point-in-time (97.2% in 2019 and 97.3% in 2018).

The Group has concluded that hemoderivative products are sufficiently alike to be considered as a whole for the following reasons:

- All these products are human plasma derivatives and are manufactured in a similar way.
- The customers and methods used to distribute these products are similar.
- All these products are subject to the same regulations regarding production and the same regulatory environment.

(b) Geographical information

Geographical information is grouped into four areas:

- United States of America and Canada
- Spain
- Rest of the European Union
- Rest of the world

The definition of these four segments is mainly due to the geographical level that Group management sets to manage its revenue as they respond to specific economic scenarios. The main framework of the Group is consistent with this geographical segment grouping, including the monitoring of its commercial operations and its information systems.

The financial information reported for geographical areas is based on sales to third parties in these markets as well as the location of assets.

(c) Main customers

In 2020, the revenue of one Bioscience segment customer represents approximately 10.38% of the Group's gross revenues. In 2019, there were no customers representing more than 10% of the Group's gross revenue. In 2018, the revenue of one Bioscience segment customer represented approximately 10.06% of the Group's gross revenues.

(7) Goodwill

Details of and movement in this caption of the consolidated balance sheet at 31 December 2019 were as follows:

		Thousands of Euros			
		Balance at	Business	Translation	**Balance at**
	Segment	**31/12/2018**	Combination	differences	**31/12/2019**
Net value					
Grifols UK.Ltd. (UK)	Bioscience	7,682	--	425	8,107
Grifols Italia.S.p.A. (Italy)	Bioscience	6,118	--	--	6,118
Biomat USA, Inc.(USA)	Bioscience	255,114	(4,278)	5,060	255,896
Grifols Australia Pty Ltd. (Australia) / Medion Diagnostics AG (Switzerland)	Diagnostic	9,271	--	201	9,472
Grifols Therapeutics, Inc. (USA)	Bioscience	1,940,776	--	38,902	1,979,678
Araclon Biotech, S.L. (Spain)	Diagnostic	6,000	--	--	6,000
Progenika Biopharma, S.A. (Spain)	Diagnostic	40,516	--	--	40,516
Grifols Diagnostic (Novartis & Hologic) (USA, Spain and Hong Kong)	Diagnostic	2,550,256	--	50,694	2,600,950
Kiro Grifols S.L. (Spain)	Hospital	24,376	--	--	24,376
Goetech LLC (USA)	Hospital	58,945	--	1,181	60,126
Haema AG (Germany)	Bioscience	171,134	18,880	--	190,014
BPC Plasma, Inc. (formerly Biotest Pharma Corp; USA)	Bioscience	139,042	10,943	2,963	152,948
Interstate Blood Bank, Inc. (USA)	Bioscience	--	172,663	199	172,862
		5,209,230	198,208	99,625	5,507,063

(See note 3)

Details of and movement in this caption of the consolidated balance sheet at 31 December 2020 are as follows:

		Thousands of Euros				
		Balance at	Business		Translation	**Balance at**
	Segment	**31/12/2019**	Combination	Disposals	differences	**31/12/2020**
Net value						
Grifols UK.Ltd. (UK)	Bioscience	8,107	--	--	(433)	7,674
Grifols Italia.S.p.A. (Italy)	Bioscience	6,118	--	--	--	6,118
Biomat USA, Inc.(USA)	Bioscience	255,896	--	--	(21,105)	234,791
Grifols Australia Pty Ltd. (Australia) / Medion Diagnostics AG (Switzerland)	Diagnostic	9,472	--	--	66	9,538
Grifols Therapeutics, Inc. (USA)	Bioscience	1,979,678	--	--	(163,274)	1,816,404
Araclon Biotech, S.L. (Spain)	Diagnostic	6,000	--	--	--	6,000
Progenika Biopharma, S.A. (Spain)	Diagnostic	40,516	--	--	--	40,516
Grifols Diagnostic (Novartis & Hologic) (USA, Spain and Hong Kong)	Diagnostic	2,600,950	--	(12,902)	(211,070)	2,376,978
Kiro Grifols S.L. (Spain)	Hospital	24,376	--	--	--	24,376
Goetech LLC (USA)	Hospital	60,126	--	--	(4,959)	55,167
Haema AG (Germany)	Bioscience	190,014	--	--	--	190,014
BPC Plasma, Inc. (formerly Biotest Pharma Corp; USA)	Bioscience	152,948	--	--	(12,614)	140,334
Interstate Blood Bank, Inc. (USA)	Bioscience	172,862	--	--	(14,383)	158,479
Plasmavita Healthcare GmbH (Germany)	Bioscience	--	9,987	--	--	9,987
Alkahest, Inc (USA)	Others	--	74,372	--	(2,462)	71,910
Green Cross Biotherapeutics, Inc. (Canada)	Bioscience	--	133,443	--	1,126	134,569
Green Cross America Inc.(USA)	Bioscience	--	51,299	--	(1,883)	49,416
		5,507,063	269,101	(12,902)	(430,991)	5,332,271

(See note 3)

Impairment testing:

As a result of the acquisition of Talecris in 2011, and for impairment testing purposes, the Group combines the CGUs allocated to the Bioscience segment, grouping them together at segment level, because substantial synergies were expected to arise on the acquisition of Talecris, and due to the vertical integration of the business and the lack of an independent organized market for the products. Because the synergies benefit the Bioscience segment globally they cannot be allocated to individual CGUs. The Bioscience segment represents the lowest level to which goodwill is allocated and is subject to control by Group management for internal control purposes.

As a result of the acquisition of Novartis' Diagnostic business unit in 2014, the Group decided to combine Araclon, Progenika, Australia and Hologic's share of NAT (later acquired) donor screening unit acquisition into a single CGU for the Diagnostic business as the acquisition is supporting not only the vertically integration business but also cross-selling opportunities. In addition, for management purposes, the Group's management is focused on the business more than geographical areas or individual companies.

Due to the acquisition of an additional 40% stake in Kiro Grifols S.L. and a 51% stake in Goetech LLC (Medkeeper), the Group decided to group Kiro Grifols S.L., Laboratorios Grifols S.A. and Medkeeper into a single CGU for the Hospital business since the acquisitions are supporting cross-selling opportunities.

The CGUs established by management are:

- Bioscience
- Diagnostic
- Hospital

The COVID-19 pandemic has caused unprecedented turmoil in the global economy, the breadth and duration of which remain unknown. While some industries and companies may be more vulnerable than others, the effects of the pandemic have affected social and economic behavior, increasing the overall uncertainty.

Our products from Bioscience CGU are considered lifesaving and have been identified as a strategic industry for most governments and therefore are prevented from being suspended. However, at the preparation date of the financial statements, Grifols has estimated a temporary impact derived from COVID-19 (see note 34).
The recoverable amount of the Bioscience CGU and Hospital CGU has been calculated based on its value in use calculated as the present value of the future cash flows approved by the management discounted at a discount rate considering the related inherent risk.

In the current uncertain environment, the recoverable amount calculations of the Bioscience and Hospital CGU use expected cash flow projections for five and six years respectively, based on two different scenarios considered in respect of COVID-19 impact (base case and worst case) and the assigned weighting of these scenarios according to the following details:

	Main assumption	Assigned weighting
Base case	Gradual recovery in 2021	70%
Worst case	Total recovery in 2022	30%

The recoverable amount of the Diagnostic CGU has been calculated based on its fair value less costs of disposal calculated as the present value of the future cash flows for five years approved by the management discounted at a discount rate considering the related inherent risk. In 2019, the fair value less costs of disposal was calculated considering the EBITDA multiple, defined as Operating Result before Interests, Tax and Amortization and Depreciation, used in connection with the agreement for the acquisition of a 45% stake in Grifols Diagnostic Solutions, Inc. by Shanghai RAAS blood products Co, Ltd.
In contrast to the Bioscience and Hospital CGUs, new opportunities have arisen from the COVID-19 pandemic which have offset the potential negative impact deriving therefrom. Therefore, the recoverable amount of the Diagnostic CGU has not been calculated using expected cash flow projections based on different scenarios

considered in respect of the COVID-19 impact since the different resulting scenarios would be similar in terms of figures.
Management has determined the gross margin based on past experience and the current situation derived from the COVID-19 pandemic, investments in progress which would imply significant growth in production capacity and its forecast international market development.

Cash flows estimated as of the year in which stable growth in the CGU has been reached are extrapolated using the estimated growth rates indicated below. Perpetual growth rates are consistent with the forecasts included in industry reports.

The key assumptions used in impairment testing of the CGUs for 2019 were as follows:

	Perpetual Growth rate	Pre-tax discount rate	EBITDA multiple
Bioscience	2%	8.80%	--
Diagnostic	--	--	14.5x
Hospital	1.50%	10.80%	--

The key assumptions used in impairment testing of the CGUs for 2020 have been as follows:

	Perpetual Growth rate	Pre-tax discount rate
Bioscience	1.9%	8.9%
Diagnostic	1.9%	9.5%
Hospital	1.4%	10.8%

The discount rate used reflects specific risks relating to the CGUs and the countries in which they operate. The main assumptions used for determining the discount rate are as follows:

- Risk free rate: normalized government bonds at 10 years
- Market risk premium: premium based on market research
- Unlevered beta: average market beta
- Debt to equity ratio: average market ratio

In 2020, the reasonably possible changes considered for the Bioscience, Diagnostic and Hospital CGUs are a variation in the discount rate, as well as in the estimated perpetual growth rate, as follows:

	Perpetual Growth rate	Pre-tax discount rate
Bioscience	+/- 50 bps	+/- 50 bps
Diagnostic	+/- 50 bps	+/- 50 bps
Hospital	+/-100 bps	+/-100 bps

In 2019, the reasonably possible changes considered for the Bioscience, Diagnostic and Hospital CGUs are a variation in the discount rate, as well as in the estimated perpetual growth rate, as follows:

	Perpetual Growth rate	Pre-tax discount rate	EBITDA Margin
Bioscience	+/- 50 bps	+/- 50 bps	-
Diagnostic	-	-	+/- 250 bps
Hospital	+/- 50 bps	+/- 50 bps	-

The reasonably possible changes in key assumptions considered by management in the calculation of the Bioscience and Diagnostic CGU's recoverable amount would not cause the carrying amount of the respective CGU to exceed its recoverable amount.

The reasonably possible changes in key assumptions considered by management in the calculation of the Hospital CGU's recoverable amount would cause the carrying amount to exceed its recoverable amount as follows:

	Perpetual Growth rate -100bps	Pre-tax discount rate +100bps
Potential impairment	3.5%	11.7%

At 31 December 2020 Grifols' stock market capitalization totals Euros 14,207 million (Euros 18,831 million at 31 December 2019).

(8) Other Intangible Assets

Details of other intangible assets and movement during the years ended 31 December 2020 and 2019 are included in Appendix III, which forms an integral part of these notes to the consolidated annual accounts.

Intangible assets acquired from Talecris mainly include currently marketed products. Identifiable intangible assets correspond to Gamunex and have been recognized at fair value at the acquisition date of Talecris and classified as currently marketed products. Intangible assets recognized comprise the rights on the Gamunex product, its commercialization and distribution license, trademark, as well as relations with hospitals. Each of these components is closely linked and fully complementary, are subject to similar risks and have a similar regulatory approval process.

Intangible assets acquired from Progenika mainly include currently marketed products. Identifiable intangible assets correspond to blood, immunology and cardiovascular genotyping. These assets have been recognized at fair value at the acquisition date of Progenika and classified as currently marketed products.

The cost and accumulated amortization of currently marketed products acquired from Talecris and Progenika at 31 December 2019 was as follows:

	Thousands of Euros			
	Balance at 31/12/2018	Additions	Translation differences	**Balance at 31/12/2019**
Cost of currently marketed products - Gamunex	1,048,035	--	21,007	1,069,042
Cost of currently marketed products - Progenika	23,792	--	--	23,792
Accumulated amortisation of currently marketed products - Gamunex	(264,920)	(35,661)	(5,284)	(305,865)
Accumulated amortisation of currently marketed products - Progenika	(13,875)	(2,379)	--	(16,254)
Carrying amount of currently marketed products	793,032	(38,040)	15,723	770,715

The cost and accumulated amortization of currently marketed products acquired from Talecris and Progenika at 31 December 2020 is as follows:

	Thousands of Euros			
	Balance at 31/12/2019	Additions	Translation differences	**Balance at 31/12/2020**
Cost of currently marketed products - Gamunex	1,069,042	--	(88,169)	980,873
Cost of currently marketed products - Progenika	23,792	--	--	23,792
Accumulated amortisation of currently marketed products - Gamunex	(305,865)	(35,360)	27,890	(313,335)
Accumulated amortisation of currently marketed products - Progenika	(16,254)	(2,379)	0	(18,633)
Carrying amount of currently marketed products	770,715	(37,739)	(60,279)	672,697

The estimated useful life of the currently marketed products acquired from Talecris is considered limited, has been estimated at 30 years on the basis of the expected life cycle of the product (Gamunex) and is amortized on a straight-line basis.

At 31 December 2020 the residual useful life of currently marketed products is 20 years and 5 months (21 years and 5 months at 31 December 2019).

The estimated useful life of the currently marketed products acquired from Progenika is considered limited, has been estimated at 10 years on the basis of the expected life cycle of the product and is amortized on a straight-line basis.

At 31 December 2020 the residual useful life of currently marketed products acquired from Progenika is 2 years and 2 months (3 years and 2 months at 31 December 2019).

(a) Self – constructed intangible assets

At 31 December 2020 the Group has recognized Euros 32,548 thousand as self-constructed intangible assets (Euros 48,797 thousand at 31 December 2019).

(b) Purchase commitments

At 31 December 2020 the Group has intangible asset purchase commitments amounting to Euros 9 thousand (Euros 381 thousand at 31 December 2019).

(c) Intangible assets with indefinite useful lives and other intangibles in progress

At 31 December 2020 the Group recognizes plasma center licenses with indefinite useful lives under intangible assets for a carrying amount of Euros 27,351 thousand (Euros 29,960 thousand at 31 December 2019).

The Group has also an amount of Euros 350,626 thousand as development costs in progress (Euros 223,161 thousand at 31 December 2019).

In 2019, Grifols reached an agreement with the US biotech company Rigel Pharmaceuticals to exclusively commercialize fostamatinib disodium hexahydrate in all potential future indications in Europe and Turkey.

Under terms of the agreement, Grifols made an initial payment of US Dollars 30 million and an additional payment of US Dollars 17.5 million related to compliance with certain regulatory milestones. The Group recognized these payments as an intangible asset in accordance with IAS 38 .

This asset has not begun to be commercialized and amortized until 2020, as soon as it has been available for use, that is, after the final approval of the regulator.

(d) Results on disposal of intangible assets

No profit on disposal and sale of intangible assets has been recognized in 2019 or 2020.

(e) Impairment testing

Indefinite-lived intangible assets have been allocated to the cash-generating unit (CGU) of the Bioscience segment. These assets have been tested for impairment together with goodwill (see note 7).

Impairment testing has been analyzed for each of the intangible assets in progress by calculating its recoverable amount based on their fair value.

(9) Leases

Details of leases in the consolidated balance sheet at 31 December 2020 and 2019 are as follows:

Right-of-use assets	Thousands of Euros	
	31/12/2020	31/12/2019
Land and Buildings	665,002	685,405
Machinery	3,671	4,469
Computer equipment	3,588	4,324
Vehicles	6,435	9,660
	678,696	703,858

Lease liabilities	Thousands of Euros	
	31/12/2020	31/12/2019
Non-current	690,857	696,285
Current	42,642	44,405
	733,499	740,690

Details by maturity are as follows:

Maturity:	Thousands of Euros	
	31/12/2020	31/12/2019
Up to one year	42,642	44,464
Two years	40,961	41,444
Between 3 and 5 years	158,032	155,300
More than 5 years	491,864	499,482
	733,499	740,690

At 31 December 2020, the Group has recognized an amount of Euros 75,077 thousand related to additions of right-of- use assets (Euros 747,843 thousand at 31 December 2019, of which Euros 664,948 thousand corresponded to the initial additions). Movements at 31 December 2020 and 2019 are included in Appendix IV, which forms an integral part of these notes to the consolidated annual accounts.

At 31 December 2020 and 2019, the amounts recognized in the consolidated statement of profit and loss related to lease agreements are:

Right-of-use depreciation	Thousands of Euros	
	31/12/2020	31/12/2019
Buildings	52,774	49,786
Machinery	1,588	1,768
Computer equipment	3,012	2,204
Vehicles	5,206	4,613
	62,580	58,371

	Thousands of Euros	
	31/12/2020	31/12/2019
Finance lease expenses (note 27)	35,205	34,558
	35,205	34,558

	Thousands of Euros	
	31/12/2020	31/12/2019
Expenses related to short-term agreements	3,569	7,397
Expenses related to low-value agreements	11,254	12,850
Other operating lease expenses	13,353	12,988
	28,176	33,235

At 31 December 2020, the Group has paid a total of Euros 79,037 thousand related to lease contracts (Euros 73,785 thousand at 31 December 2019).

The total amount recognized in the balance sheet corresponds to lease contracts in which the Group is the lessee.

(10) Property, Plant and Equipment

Details of property, plant and equipment and movement in the consolidated balance sheet at 31 December 2020 and 2019 are included in Appendix V, which forms an integral part of this note to the consolidated annual accounts.

Property, plant and development under construction at 31 December 2020 and 2019 mainly comprise investments made to extend the companies' equipment and to increase their productive capacity.

In 2020, the Group has capitalized interests for a total amount of Euros 16,606 thousand (Euros 14,894 thousand in 2019)

a) Insurance

Group policy is to contract sufficient insurance coverage for the risk of damage to property, plant and equipment. At 31 December 2020 the Group has a combined insurance policy for all Group companies, which more than adequately covers the carrying amount of all the Group's assets.

b) Losses on disposal of property, plant and equipment

Total losses incurred on disposals of property, plant and equipment for 2020 amount to Euros 150 thousand (losses of Euros 1,408 thousand in 2019).

c) Self – constructed property, plant and equipment

At 31 December 2020 the Group has recognized Euros 85,691 thousand as self -constructed property, plant and equipment (Euros 102,229 thousand at 31 December 2019).

d) Purchase commitments

At 31 December 2020 the Group has property, plant and equipment purchase commitments amounting to Euros 44,007 thousand (Euros 52,519 thousand at 31 December 2019).

(11) Equity-Accounted Investees

Details of this caption in the consolidated balance sheet for equity accounted investees with similar activity to that of the Group at 31 December 2020 and 2019 are as follows:

		Thousands of Euros		Thousands of Euros
	% ownership	**31/12/2020**	% ownership	**31/12/2019**
Access Biologicals LLC	49.00%	46,782	49.00%	49,922
Plasmavita HealthCare	50.00%	--	50.00%	10,368
Shanghai RAAS Blood Products Co., Ltd.	26.20%	1,800,578	--	--
		1,847,360		60,290

Movement in the investments in equity-accounted investees with similar activity to that of the Group for the years ended 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	**2019**
Balance at 1 January	60,290	--
Acquisitions	1,807,351	--
Transfer accounted investees with similar activity to that of the Group	--	147,289
Transfers	(10,674)	(94,127)
Share of profit / (losses)	20,799	8,972
Share of other comprehensive income / translation differences	(20,250)	2,624
Collected dividends	(10,156)	(4,468)
Balance at 31 December	1,847,360	60,290

Shanghai RAAS Blood Products Co. Ltd.

In March 2019, Grifols entered into a share exchange agreement with Shanghai RAAS Blood Products Co. Ltd. (hereinafter SRAAS), through which Grifols would deliver 90 shares of its US subsidiary Grifols Diagnostic Solutions Inc. (hereinafter GDS) (representing 45% of the economic rights and 40% of the voting rights), and in exchange would receive 1,766 million of SRAAS shares (representing 26.2% of the share capital). Therefore, such transaction does not entail a cash flow movement nor has it required any external financing.

The exchange ratio determined on that date, was estimated using different valuation methods, among others the stock price for SRAAS and discounted cash flows and market multiples for GDS.

At 30 September 2019, Grifols obtained the authorization from the US agency, "Committee on Foreign Investment in the United States" (CFIUS) and on 13 November 2019, Shanghai RAAS Blood Products, Co. Ltd. obtained the authorization from the Chinese Securities Regulatory Commission (CRSC).

At 31 December 2019, Grifols delivered 90 shares of its subsidiary GDS in exchange for a contractual right to receive equity instruments in an associate (equivalent to 1,766 million of SRAAS shares), because at that date no shares of SRAAS were received. As a consequence, at 31 December 2019, SRAAS was the minority shareholder owner of 45% of GDS. Such contractual right meets the definition of a financial asset under IFRS 9 – Financial Instruments and was classified as a financial asset at fair value through profit or loss as it did not comply with the principal and interest payment criteria (because shares in SRAAS would be received). Grifols registered the aforementioned contractual right for the fair value of the GDS shares delivered and subsequently, the right was measured based on its fair value through profit or loss.

The delivery of GDS shares had no impact on the consolidated results of the Grifols Group for 2019 in accordance with IFRS 10 – Consolidated Financial Statements, since it is considered a transaction with non-controlling interest where Grifols retained control over GDS. The impact in the consolidated balance sheet at 31 December 2019 resulted in an increase in the following items: Other current financial assets amounting to Euros 1,717 million (note 12); Equity attributable to non-controlling interests amounting to Euros 1,511 million (note 18); Reserves amounting to Euros 227 million (note 16), a decrease in translation differences for an amount of Euros 22 million and a profit in the consolidated statement of profit and loss for 2019 amounting to Euros 1 million due to the change in the contractual right value (note 27).

On 30 March 2020, the share exchange agreement was closed and Grifols received SRAAS shares corresponding to 26.2% of its share capital. Therefore, Grifols becomes the largest shareholder of SRAAS, while maintaining operational, political and economic control of GDS.

Consequently, the consolidated balance sheet at 31 December 2020, no longer shows any financial asset related to the contractual right, but the interest in SRAAS has been registered as an investment in an associate company because the Group exercises significant influence in accordance with the criteria established in IAS 28 – Investment in Associates and Joint Ventures. SRAAS' equity-accounted investment has been recognized at the value of the shares at the closing date of the transaction. The difference between the contractual right value recognized at 31 December 2019 and SRAAS quoted value at 30 March 2020 has been Euros 56,526 thousand which has been recognized as finance income in the consolidated statement of profit and loss (see note 27).

The impact on the consolidated statement of profit and loss related to the equity method result is included in the Operating Result under "Profit/(loss) of equity accounted investees with similar activity to that of the Group", since SRAAS is a company dedicated to the plasma product sector.

The transaction costs have been recognized as part of the investment value and totaled Euros 34,088 thousand.

Movement in SRAAS' equity-accounted investment for the year ended 31 December 2020 is as follows:

	Thousand of Euros
	31/12/2020
Balance at 1 January	--
Acquisitions	1,807,351
Share of profit / (losses)	11,531
Share of other comprehensive income / translation differences	(16,090)
Collected dividends	(2,214)
Balance at 31 December	1,800,578

At 31 December 2020, the quoted value of SRAAS shares was CNY 7.4. In accordance with IAS 28 – Investments in associates and joint ventures, possible indications of losses have been analyzed without detecting objective evidence of impairment in the investment.

Plasmavita Healthcare GmbH

In 2017, Grifols established PLASMAVITA GmbH, a joint venture between Grifols (50%) and two European partners (50%).

On 14 April 2020, Grifols made a contribution of Euros 10 million in cash that was recognized as a shareholder contribution in Plasmavita. The equity share of 50% has remained unchanged after the contribution. However, in assessing the existence of control due to the new shareholder agreement signed on that date, it can be concluded that Grifols has control over Plasmavita and, therefore, it is considered part of the group and it has been fully consolidated (see note 3 (a)).

Access Biologicals LLC.

On 12 January 2017, the group announced the acquisition of 49% of the voting rights in Access Biologicals LLC, a company based in San Diego, California, USA, for the amount of US Dollars 51 million. Grifols entered into an option agreement to purchase the remaining 51% voting rights in five years, in 2022. Grifols also signed a supply agreement to sell biological products not meant for therapeutic use to Access Biologicals.

The principal business activity of Access Biologicals is the collection and manufacturing of an extensive portfolio of biological products. Combined with closed-loop material sourcing, it provides critical support for various markets such as in-vitro diagnostic manufacturing, biopharmaceutical, cell culture and diagnostic research & development.

Movement in Access Biological LLC's investment for the years ended 31 December 2020 and 2019 are as follows:

	Thousand of Euros	
	31/12/2020	**31/12/2019**
Balance at 1 January	49,922	47,742
Share of profit / (losses)	8,962	3,938
Share of other comprehensive income / translation differences	(4,160)	967
Collected dividends	(7,942)	(2,725)
Balance at 31 December	46,782	49,922

Details of this caption in the consolidated balance sheet for the rest of equity accounted investees at 31 December 2020 and 2019 are as follows:

		Thousands of Euros		Thousands of Euros
	% ownership	**31/12/2020**	% ownership	**31/12/2019**
Alkahest, Inc.	100.00%	--	47.58%	14,708
Albajuna Therapeutics, S.L	49.00%	3,378	49.00%	5,228
GigaGen, Inc	43.96%	15,677	43.96%	23,997
Mecwins, S.A.	24.99%	2,605	24.99%	2,338
Medcom Advance, S.A	45.00%	--	45.00%	7,912
		21,660		54,183

Movement in the investments in the rest of equity-accounted investees at 31 December 2020, 2019 and 2018 is as follows:

	Thousands of Euros		
	2020	**2019**	**2018**
Balance at 1 January	54,183	79,616	219,009
Acquisitions	--	12,369	12,222
Transfers	(91,023)	--	500
Share of profit / (losses)	68,078	(19,744)	(11,038)
Share of other comprehensive income / translation differences	(1,666)	1,736	9,270
Losses for Impairment	(7,912)	(19,794)	--
Collected dividends	--	--	(3,058)
Balance at 31 December	21,660	54,183	226,905

Alkahest, Inc.

On 2 September 2020, Grifols signed an agreement to acquire all the shares of Alkahest Inc. ("Alkahest") for a total amount of Euros 123,425 thousand (US Dollars 146,000 thousand), which was subject to approval by regulatory authorities.

Likewise, as a result of agreements between shareholders, Grifols obtained control of Alkahest on 2 September 2020. Until that date, the previous 42.45% stake in Alkahest was equity accounted. The difference between the fair value of the previous stake and the book value is Euros 86,743 thousand (US Dollars 102,552 thousand), recognizing a profit for such amount under "Profit/(loss) of equity accounted investees" in the statement of profit and loss.

As from this date, Alkahest was incorporated into the Group's consolidation perimeter by the full consolidation method.

Movement in Alkahest's equity-accounted investment for the years ended 31 December 2020 and 2019 is as follows:

	Thousand of Euros	
	31/12/2020	**31/12/2019**
Balance at 1 January	14,708	28,336
Transfers	(91,023)	--
Share of profit / (losses)	76,414	(14,218)
Share of other comprehensive income / translation differences	(99)	590
Balance at 31 December	0	14,708

Medcom Advance, S.A.

In February 2019, the Group completed the acquisition of 45% of the shares in Medcom Advance, S.A. for an amount of Euros 8,602 thousand. Medcom Advance, S.A. is a company dedicated to research and development with a view to create proprietary patents using nanotechnology. The company is equity-accounted. At 31 December 2020, this investment is fully impaired.

Mecwins, S.A.

On 22 October 2018 Grifols allocated Euros 2 million to the capital increase of Mecwins through Progenika Biopharma, reaching 24.99% of the total capital.

Mecwins is a spin-off of the Institute of Micro and Nanotechnology of the Center for Scientific Research (CSIC), specialized in the development of innovative nanotechnological analysis tools for the diagnosis and prognosis of diseases.

Mecwins has developed ultrasensitive optical reading immunoassay technology from nanosensors for the detection of protein biomarkers in blood. This technology has potential applications in fields such as oncology, cardiovascular and infectious diseases.

The injection of capital, in which CRB Inverbio also participated with an additional Euros 2 million, will enable Mecwins to start developing pre-commercial prototypes of this technology and for Grifols to position itself in the field of nanotechnology applied to diagnosis.

GigaGen Inc.

On 5 July 2017, Grifols through its 100% subsidiary Grifols Innovation and New Technologies Limited ("GIANT") acquired a 43.96% shareholding in GigaGen, Inc., a company based in San Francisco (USA) for the amount of US Dollars 35 million.

GIANT and GigaGen entered into a Research and Collaboration Agreement whereby in exchange of a collaboration fee of US Dollars 15 million in the aggregate, GigaGen will commit to carry out research activities to develop recombinant polyclonal immunoglobulin therapies derived from human B cells for the treatment of human diseases.

Movement in Gigagen's investment for the years ended 31 December 2020 and 2019 is as follows:

	Thousand of Euros	
	31/12/2020	**31/12/2019**
Balance at 1 January	23,997	28,363
Share of profit / (losses)	(6,725)	(5,002)
Share of other comprehensive income / translation differences	(1,595)	636
Balance at 31 December	15,677	23,997

Singulex, Inc.

On 17 May 2016 Grifols subscribed and paid a capital increase for an amount of US Dollars 50 million (Euros 44,107 thousand) in the US company Singulex, Inc. ("Singulex"). As a result, Grifols held a 19.33% common stock interest in Singulex on a fully diluted basis at a pre-money valuation of US Dollars 200 million. Grifols was entitled to appoint a director to serve the board of directors of Singulex. As a result, Singulex granted Grifols an exclusive worldwide license for the use and sale of Singulex' technology for the blood donor and plasma screening which has ensured the safety of blood and plasma products.

During the second half of 2019, Singulex announced the cease of all its operations, after entering bankruptcy. Therefore, the Group impaired both the investment made and loans granted by Grifols to this company.

Movement in Singulex, Inc.'s investment for the year ended 31 December 2019 is as follows:

	Thousand of Euros
	31/12/2019
Balance at 1 January	19,256
Share of other comprehensive income / translation differences	538
Losses for Impairment	(19,794)
Balance at 31 December	0

Interstate Blood Bank, Inc. (IBBI)

On 11 May 2016 Grifols acquired a 49.19% stake in Interstate Blood Bank, Inc. (IBBI), 48.97% of Bio-Blood Components, Inc. (Bio-Blood) and 48.90% of Plasma Biological Services, LLC. (PBS) ("IBBI Group"), with headquarters in Memphis, USA, for the price of US Dollars 100 million (Euros 88,215 thousand). The Group also entered into a call option on the remaining shares for a price of US Dollars 100 million, having agreed a payment of US Dollars 10 million (Euros 9,007 thousand) for the call option. The purchase price and the call right were paid upon signature of the contract. The principal business activity of IBBI and its affiliates is the collection of plasma for the plasma fractionation industry, with 26 plasma collection centers, 9 blood donation centers and one laboratory.

In April 2019, the Group exercised the call option and completed the acquisition of the remaining shares of the IBBI group companies (see note 3).

Movement in Interstate Blood Bank, Inc., Bio-blood Components, Inc. and Plasma Biological Services, LLC.'s investment for the year ended 31 December 2019 is as follows:

	Thousands of Euros			
	31/12/2019			
	IBBI	Bio-Blood	PBS	**TOTAL 2019**
Balance at 1 January	29,595	38,223	21,809	89,627
Transfers	(31,453)	(38,606)	(24,068)	(94,127)
Share of profit / (losses)	6,853	(2,543)	276	4,586
Share of other comprehensive income / translation differences	(3,251)	2,926	1,983	1,658
Collected dividend	(1,744)	--	--	(1,744)
Balance at 31 December	0	0	0	0

The last financial statements available of the main equity-accounted investments of Grifols are the following:

	Thousand of Euros		
	SRAAS	**Access Biologicals**	**GigaGen**
Non-current assets	2,617,024	2,795	1,488
Current assets	402,876	19,619	5,610
Cash and cash equivalents	250,073	4,178	13,483
Non-current liabilities	(5,074)	(1,497)	(8,208)
Non-current financial liabilities	--	--	(98)
Current liabilities	(29,088)	(3,670)	(3,096)
Current financial liabilities	(969)	(1,486)	(609)
Net assets	**3,234,842**	**19,939**	**8,570**

	Thousand of Euros		
	SRAAS	**Access Biologicals**	**GigaGen**
Net revenue	259,429	50,093	1,577
Profit for the year	139,459	17,221	(9,030)

(12) Financial Assets

Details of non-current financial assets on the consolidated balance sheet at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Financial investments in shares with stock market	3,008	7
Total Non-current financial assets measured at fair value	3,008	7
Non-current guarantee deposits	6,268	5,433
Other non-current financial assets (a)	108,030	29,504
Non-current loans to related parties (see note 31)	80,851	86,363
Non-current loans to associates (b) (see note 31)	--	17,623
Total Non-current financial assets measured at amortized cost	195,149	138,923

Details of current financial assets on the consolidated balance sheet at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Other current financial assets (c) (see note 30)	--	1,716,738
Total Non-current financial assets measured at fair value	--	1,716,738

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Deposits and guarantees	162	713
Other current financial assets (a)	10,861	10,691
Current loans to third parties	95	65
Current loans to associates (b) (see note 31)	--	719
Total other current financial assets	11,118	12,188

(a) Other financial assets

The closing balance is mainly related to balances with other related parties (see note 31).

(b) Loans to associates

During fiscal year 2018, the Group granted a credit line of US Dollars 100 million to Alkahest, which bears interest at an annual rate of 5% and matures in 2021. At 31 December 2019, Alkahest drew down an amount of US Dollars 20 million (Euros 18,342 thousand). As from 2 September 2020, Alkahest is considered part of the group and has

been incorporated into the Group's consolidation perimeter by the full consolidation method instead of the equity method (see notes 3 and 11).

(c) Other current financial assets

At 31 December 2019, Grifols delivered 90 shares of its subsidiary GDS in exchange for a contractual right resulting in an investment in an associate (equivalent to 1,766 million of SRAAS shares), because at that date no shares of SRAAS were received. As a consequence, at 31 December 2019, SRAAS was the minority shareholder owner of 45% of GDS. Such contractual right meets the definition of a financial asset under IFRS 9 – Financial Instruments and was classified as a financial asset at fair value through profit or loss as it did not comply with the principal and interest payment criteria (because shares in SRAAS would be received). Grifols recognised the aforementioned contractual right for the fair value of the GDS shares delivered and subsequently this right was measured based on its fair value through profit or loss. This asset amounted to Euros 1,717 million (see notes 11 and 30).

(13) Inventories

Details of inventories at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Goods for resale	158,049	139,738
Raw materials and supplies	595,392	766,089
Work in progress and semi-finished goods	654,724	921,240
Finished goods	594,116	515,523
	2,002,281	2,342,590

Movement in the inventory provision was as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Balance at 1 January	104,251	48,840	35,764
Net charge for the year	42,255	42,096	10,398
Cancellations for the year	(189)	(118)	(558)
Translation differences	(23,704)	13,433	3,236
Balance at 31 December	122,613	104,251	48,840

(14) Trade and Other Receivables

Details at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Trade receivables	404,771	390,205
Receivables from associates (note 31)	1,447	1,883
Impairment losses (note 30)	(22,985)	(22,291)
Trade receivables	**383,233**	**369,797**
Other receivables (note 30)	8,324	8,403
Personnel	822	2,163
Advance payments (note 30)	16,053	20,864
Taxation authorities, VAT recoverable	38,747	46,561
Other public entities	8,414	4,518
Other receivables	**72,360**	**82,509**
Current income tax assets	**64,565**	**38,269**
Total trade and other receivables	**520,158**	**490,575**

Other receivables

During 2020, 2019 and 2018 the Grifols Group has sold receivables without recourse to some financial institutions (factors), to which the risks and benefits inherent to the ownership of the assigned credits are substantially transferred. Also, the control over the assigned credits, understood as the factor's ability to sell them to an unrelated third party, unilaterally and without restrictions, has been transferred to the factor.

The main conditions of these contracts include the advanced collection of the assigned credits that vary between 70% and 100% of the nominal amount and a percentage of insolvency risk coverage on the factor side that varies between 90% and 100% of the nominal of the assigned credits.

These contracts have been considered as without recourse factoring and the amount advanced by the factors has been derecognized from the balance sheet

Likewise, in financial year 2020, some receivables assignment contracts were signed with a financial institution, in which Grifols retains the risks and benefits inherent to the ownership of the assigned credits. These contracts have been considered as with resource and the assigned amount remains in the consolidated balance sheet at 31 December 2020 and a short-term debt has been recognized for an amount equal to the consideration received from the factor for the assignment. The amount recognized is Euros 18,264 thousand at 31 December 2020 (see note 21).

Total receivables without recourse sold to financial institutions through the aforementioned contracts in 2020 amount to Euros 2,735,973 thousand (Euros 1,593,260 thousand in 2019 and Euros 1,188,216 thousand in 2018).

The finance cost of these operations for the Group totals approximately Euros 10,964 thousand which has been recognized under finance costs in the consolidated statement of profit and loss for 2020 (Euros 9,171 thousand in 2019 and Euros 6,053 thousand in 2018) (see note 27).

Details of balances with related parties are shown in note 31.

(15) Cash and Cash Equivalents

Details of this caption of the consolidated balance sheet at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Current deposits	134,875	63
Cash in hand and at banks	444,772	741,919
Total cash and cash equivalents	579,647	741,982

(16) Equity

Details of consolidated equity and movement are shown in the consolidated statement of changes in equity.

(a) Share capital

At 31 December 2020 and 2019, the Company's share capital amounts to Euros 119,603,705 and comprises:

- Class A shares: 426,129,798 ordinary shares of Euros 0.25 par value each, subscribed and fully paid and of the same class and series.

- Class B shares: 261,425,110 non-voting preference shares of 0.05 Euros par value each, of the same class and series, and with the preferential rights set forth in the Company's by-laws.

The main characteristics of the Class B shares are as follows:

- Each Class B share entitles its holder to receive a minimum annual preferred dividend out of the distributable profits at the end of each year equal to Euros 0.01 per Class B share provided that the aggregate preferred dividend does not exceed the distributable profits of that year and a distribution of dividends has been approved by the Company's shareholders. This preferred dividend is not cumulative if sufficient distributable profits are not obtained in the period.

- Each Class B share is entitled to receive, in addition to the above-mentioned preferred dividend, the same dividends and other distributions as for one Grifols ordinary share.

- Each Class B share entitles the holder to its redemption under certain circumstances, if a takeover bid for all or part of the shares in the Company has been made, except if holders of Class B shares have been entitled to participate in the bid on the same terms as holders of Class A shares. The redemption terms and conditions reflected in the Company's by-laws limit the amount that may be redeemed, requiring that sufficient distributable reserves be available, and limit the percentage of shares to be redeemed in line with the ordinary shares to which the bid is addressed.

- In the event the Company were to be wound up and liquidated, each Class B share entitles the holder to receive, before any amounts are paid to holders of ordinary shares, an amount equal to the sum of (i) the par value of the Class B share, and (ii) the share premium paid for the Class B share when it was subscribed. In addition to the Class B liquidation preference amount, each holder is entitled to receive the same liquidation amount that is paid for each ordinary share.

These shares are freely transferable.

Since 23 July 2012 the ADSs (American Depositary Shares) representing Grifols' Class B shares (non-voting shares) have had an exchange ratio of 1:1 in relation to Class B shares, ie.1 ADS represents 1 Class B share. The previous rate was 2 ADS per 1 Class B share.

The Company's knowledge of its shareholders is based on information provided voluntarily or in compliance with applicable legislation. According to the information available to the Company, there are no interests representing more than 10% of the Company's total capital at 31 December 2020 and 2019.

At 31 December 2020 and 2019, the number of outstanding shares is equal to the total number of Company shares, less treasury stock.

Movement in outstanding shares during 2019 is as follows:

	Class A shares	Class B shares
Balance at 1 January 2019	426,129,798	257,606,659
(Acquisition) / disposal of treasury stock (note 16 (d))	--	403,399
Balance at 31 December 2019	426,129,798	258,010,058

Movement in outstanding shares during 2020 is as follows:

	Class A shares	Class B shares
Balance at 1 January 2020	426,129,798	258,010,058
(Acquisition) / disposal of treasury stock (note 16 (d))	--	402,888
Balance at 31 December 2020	426,129,798	258,412,946

(b) Share premium

Movement in the share premium is described in the consolidated statement of changes in equity, which forms an integral part of this note to the consolidated annual accounts.

(c) Reserves

The drawdown of accumulated gains is subject to legislation applicable to each of the Group companies. At 31 December 2020, Euros 40,362 thousand equivalent to the carrying amount of development costs pending amortization of certain Spanish companies (Euros 12,891 thousand at 31 December 2019) (see note 8) are, in accordance with applicable legislation, restricted reserves which cannot be distributed until these development costs have been amortized.

In June 2018, Grifols made the decision to divest in TiGenix and participated in the takeover bid made by Takeda in the first half of 2018. This divestment generated a positive impact on reserves of Euros 4,900 thousand and a negative impact of Euros 4,900 thousand in "Other comprehensive income".

In June 2018, Grifols executed the purchase option for 6.41% of the shares of Progenika owned by Ekarpen Private Equity, S.A. for an amount of Euros 5,300 thousand. As a result, the Group increased its interest from 90.23% to 96.64%. The difference between the acquisition carried out by the Group and the non-controlling interest was recognized in reserves.

In September 2018, the Group acquired 41,387 shares of Progenika Biopharma, S.A for an amount of Euros 4,333 thousand. As a result, the Group increased its interest from 96.64% to 99.99%. The difference between the acquisition carried out by the Group and the non-controlling interest was recognized against reserves.

In June 2019, Kiro Grifols, S.L. increased capital by an amount of Euro 7,500 thousand. The Group continues to hold a 90% interest, with an increase in non-controlling interest that corresponds to 10% of the capital increase (see note 18).

In July 2019, the Group acquired 33 shares of Progenika Biopharma, S.A for an amount of Euros 4 thousand. As a result, the Group increased its interest from 99.99% to 100%. With this acquisition, the Group has the full control of Progenika Biopharma, S.A and therefore it ceased to have non-controlling interest (see note 18).

In April 2019 and December 2019 the Group subscribed two share capital increases in Araclon Biotech, S.L of Euros 16.8 million and Euros 5.9 million, respectively. After the latter capital increase Grifols' interest rises to 75.1% (see note 18).

At 31 December 2019, Grifols delivered 90 shares of its subsidiary Grifols Diagnostic Solutions, Inc. in exchange fora contractual right to receive equity instruments in an associate (equivalent to 1,766 million of SR shares), because at that date no shares of Shanghai RAAS Blood Products Co. Ltd. were received. This transaction generated an impact on reserves of Euros 227 million (see note 11).

On 30 March 2020, the share exchange agreement was closed and Grifols received SRAAS shares corresponding to 26.2% of its share capital. Therefore, Grifols becomes the largest shareholder of SRAAS, while maintaining operational, political and economic control of GDS (see notes 11 and 18). This transaction generated an impact in reserves of Euros 408 million.

On 14 April 2020, Grifols made a contribution of Euros 10 million in cash that was recognized as a shareholder contribution in Plasmavita. The equity share of 50% has remained unchanged after the contribution. However, with the new shareholder agreement signed on this date, it can be concluded that Grifols has control over Plasmavita and, therefore, it is considered part of the group and it has been fully consolidated (see note 3 (a), notes 11 and 18).

On 2 September 2020, Grifols signed an agreement to acquire all the shares of Alkahest Inc. ("Alkahest") for a total amount of Euros 123,425 thousand (US Dollars 146,000 thousand). Likewise, as a result of agreements between shareholders, Grifols obtained control of Alkahest on 2 September 2020. As from this date, Alkahest is considered a group company and it is fully consolidated (see notes 3, 11 and 18).

In December 2020 the Group subscribed a share capital increase in VCN Biosciences, S.L. of Euros 5 million. After this capital increase Grifols' interest rises to 86.827% (see note 18).

In December 2020, Kiro Grifols, S.L. increased capital by an amount of Euro 10,000 thousand. The Group continues to hold a 90% interest, with an increase in non-controlling interest that corresponds to 10% of the capital increase (see note 18).

At 31 December 2020 and 2019 reserves include the IFRS-EU first-time adoption revaluation reserves and legal reserve of certain Group companies.

Legal reserve

Companies in Spain are obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase.

At 31 December 2020 and 2019 the legal reserve of the Company amounts to Euros 23,921 thousand which corresponds to 20% of the share capital.

Distribution of the legal reserves of Spanish companies is subject to the same restrictions as those of the Company and at 31 December 2020 and 2019 the balance of the legal reserve of other Spanish companies amounts to Euros 2,066 thousand.

Other foreign Group companies have a legal reserve amounting to Euros 3,677 thousand at 31 December 2020 (Euros 892 thousand at 31 December 2019).

(d) Treasury stock

At 31 December 2020 and December 2019 the Company does not have any Class A treasury stock.

Movement in Class B treasury stock during 2019 was as follows:

	No. of Class B shares	Thousands of Euros
Balance at 1 January 2019	3,818,451	55,441
Disposal Class B shares	(403,399)	(5,857)
Balance at 31 December 2019	3,415,052	49,584

Movement in Class B treasury stock during 2020 is as follows:

	No. of Class B shares	Thousands of Euros
Balance at 1 January 2020	3,415,052	49,584
Disposal Class B shares	(402,888)	(5,850)
Balance at 31 December 2020	3,012,164	43,734

In March 2020 the Group delivered 402,888 treasury stocks (Class B shares) to eligible employees as compensation for the Restricted Share Unit Retention Plan (see note 29).

In March 2019 the Group delivered 403,399 treasury stocks (Class B shares) to eligible employees as compensation for the Restricted Share Unit Retention Plan (see note 29).

The Parent held Class B treasury stock equivalent to 0.4% of its capital at 31 December 2020 (0.5% at 31 December 2019).

(e) Distribution of profit

The profits of Grifols, S.A. and subsidiaries will be distributed as agreed by respective shareholders at their general meetings.

The proposed distribution of profit of the Parent Grifols, S.A. for the years ended 31 December 2020, and the distribution of profit approved for 2019, presented at the general meeting held on 8 October 2020, is as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Voluntary reserve	62,134	1,380,207
Dividends	2,614	250,058
Profit of the Parent	64,748	1,630,265

Likewise, the Parent Company will propose a distribution of dividends charged to voluntary reserves for and amount of Euros 247,520 thousand.

The following dividends were paid in 2019:

	31/12/2019		
	% of par value	Euros per share	Thousands of Euros
Ordinary shares	58%	0.15	61,850
Non-voting shares	290%	0.15	37,448
Non-voting shares (preferred dividend)	20%	0.01	2,614
Total dividends paid			101,912

	31/12/2019		
	% of par value	Euros per share	Thousands of Euros
Ordinary shares (interim dividend)	80%	0.20	85,226
Non-voting shares (interim dividend)	400%	0.20	51,602
Total interim dividends paid			136,828

The following dividends were paid in 2020:

	31/12/2020		
	% of par value	Euros per share	Thousands of Euros
Ordinary shares	65%	0.16	68,859
Non-voting shares	323%	0.16	41,757
Non-voting shares (preferred dividend)	20%	0.01	2,614
Total dividends paid			113,230

During 2020 no interim dividend has been paid.

At the meeting held on 25 October, 2019, the Board of Directors of Grifols approved the distribution of interim dividend for 2019, of Euros 0.20 for each Class A and B share, recognizing a total of Euros 136,828 thousand as interim dividend.

These amounts to be distributed did not exceed the profits generated by the Company since the end of the last reporting period, less the estimated income tax payable on these profits, in accordance with article 277 of the Revised Spanish Companies Act.

The Statement of Liquidity for Distribution of Interim Dividend of Grifols, S.A. prepared in accordance with legal requirements and which shows the existence of sufficient liquidity to be able to distribute the aforementioned interim dividend is provided in Appendix VI.

At a general meeting held on 8 and 9 October 2020 the shareholders of Grifols S.A. approved the distribution of a preferred dividend of Euros 0.01 for every Class B non-voting share.

The distribution of the profit for the years ended 31 December 2019 and 2020 is presented in the consolidated statement of changes in equity.

(f) Restricted Share Unit Retention Plan

The Group has set up a Restricted Share Unit Retention Plan (hereinafter RSU Plan) for certain employees (see note 29). This commitment will be settled using equity instruments and the cumulative accrual amounts to Euros 13,880 thousand at 31 December 2020 (Euros 12,498 thousand at 31 December 2019).

(17) Earnings Per Share

The calculation of basic earnings per share is based on the profit for the year attributable to the shareholders of the Parent divided by the weighted average number of ordinary shares in circulation throughout the year, excluding treasury stock.

Details of the calculation of basic earnings per share are as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Profit for the year attributable to shareholders of the Parent (thousands of Euros)	618,546	625,146	596,642
Weighted average number of ordinary shares outstanding	685,515,740	685,115,836	684,709,377
Basic earnings per share (Euros per share)	0.90	0.91	0.87

The weighted average of the ordinary shares outstanding (basic) is as follows:

	Number of shares		
	31/12/2020	**31/12/2019**	**31/12/2018**
Issued shares outstanding at 1 January	685,198,238	684,794,839	684,346,294
Effect of shares issued	--	--	--
Effect of treasury stock	317,502	320,997	363,083
Average weighted number of ordinary shares outstanding (basic) at 31 December	685,515,740	685,115,836	684,709,377

Diluted earnings per share are calculated by dividing profit for the year attributable to shareholders of the Parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares.

The RSU Plan granted by the Group and payable in shares, assumes the existence of dilutive potential shares. Diluted earnings per share have been calculated as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Profit for the year attributable to shareholders of the Parent (thousands of Euros)	618,546	625,146	596,642
Weighted average number of ordinary shares outstanding (diluted)	685,142,749	684,719,195	684,686,164
Diluted earnings per share (Euros per share)	0.90	0.91	0.87

The weighted average number of ordinary shares outstanding diluted has been calculated as follows:

	Number of shares		
	31/12/2020	**31/12/2019**	**31/12/2018**
Issued shares outstanding at 1 January	685,198,238	684,794,839	684,346,294
Effect of RSU shares	(372,991)	(396,641)	(23,213)
Effect of shares issued	--	--	--
Effect of treasury stock	317,502	320,997	363,083
Average weighted number of ordinary shares outstanding (diluted) at 31 December	685,142,749	684,719,195	684,686,164

(18) Non-Controlling Interests

Details of non-controlling interests and movement at 31 December 2019 are as follows:

	Thousands of Euros					
	Balance at 31/12/2018	Additions	Disposals	Business combinations / Perimeter additions	Translation differences	**Balance at 31/12/2019**
Grifols (Thailand) Pte Ltd	3,935	193	--	--	421	4,549
Grifols Malaysia Sdn Bhd	1,735	380	--	--	56	2,171
Araclon Biotech, S.A.	(3,488)	(1,975)	--	5,892	--	429
Progenika Biopharma, S.A.	9	--	(9)	--	--	0
VCN Bioscience, S.L	140	(292)	--	--	--	(152)
Kiro Grifols , S.L.	(352)	(374)	--	750	--	24
Haema AG	220,190	5,881	--	--	--	226,071
BPC Plasma, Inc (formerly Biotest US Corporation)	248,881	19,685	--	--	11,444	280,010
Grifols Diagnostic Solutions, Inc.	--	1,510,547	--	--	--	1,510,547
	471,050	1,534,045	(9)	6,642	11,921	2,023,649

Details of non-controlling interests and movement at 31 December 2020 are as follows:

	Thousands of Euros				
	Balance at 31/12/2019	Additions	Business combinations / Perimeter additions	Translation differences	**Balance at 31/12/2020**
Grifols (Thailand) Pte Ltd	4,549	221	--	(432)	4,338
Grifols Malaysia Sdn Bhd	2,171	932	--	(180)	2,923
Araclon Biotech, S.A.	429	(1,517)	0	--	(1,088)
VCN Bioscience, S.L	(152)	(235)	703	--	316
Kiro Grifols , S.L.	24	(426)	1,000	--	598
Haema AG	226,071	5,213	--	--	231,284
BPC Plasma, Inc (formerly Biotest US Corporation)	280,010	19,032	--	(24,047)	274,995
Grifols Diagnostic Solutions, Inc.	1,510,547	69,520	(408,675)	(83,760)	1,087,632
Plasmavita Healthcare (see note 3)	--	(22)	10,687	--	10,665
Alkahest, Inc.	--	(2,274)	2,274	--	0
	2,023,649	90,444	(394,011)	(108,419)	1,611,663

At 31 December 2020 and 2019, the summary financial information on the non-controlling interests of Haema AG and BPC Plasma, Inc., is as follows:

	Thousands of Euros		Thousands of Euros	
	31/12/2020		31/12/2019	
	Haema AG	**BPC Plasma, Inc (formerly Biotest US Corporation)**	**Haema AG**	**BPC Plasma, Inc (formerly Biotest US Corporation)**
Non-current assets	249,806	336,321	244,107	299,045
Current assets	31,237	43,750	32,576	60,099
Total Assets	281,043	380,071	276,683	359,144
Non-current liabilities	27,123	52,977	22,226	56,425
Current liabilities	22,636	52,099	28,386	22,709
Total Liabilities	49,759	105,076	50,612	79,134
Total equity	231,284	274,995	226,071	280,010

At 31 December 2020 and 2019, the summary financial information on the non-controlling interests of GDS Group is as follows:

	Thousands of Euros	Thousands of USD	Thousands of Euros	Thousands of USD
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
Non-current assets	3,393,188	4,151,227	3,416,366	3,834,871
Current assets	277,834	339,902	273,259	306,734
Total Assets	3,671,022	4,491,129	3,689,625	4,141,605
Non-current liabilities	256,244	313,489	224,635	252,153
Current liabilities	131,754	161,187	108,220	121,478
Total Liabilities	387,998	474,676	332,855	373,631
Total equity	3,283,024	4,016,453	3,356,770	3,767,974

(19) Grants

Details are as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Capital grants	16,509	10,785
Interest rate grants (preference loans) (See note 21 (d))	499	592
	17,008	11,377

Interest-rate grants (preference loans) reflect the implicit interest on loans extended by the Spanish Ministry of Science and Technology as these are interest free.

Grants totaling Euros 1,683 thousand have been recognized in the consolidated statement of profit and loss for the year ended 31 December 2020 (Euros 1,388 thousand for the year ended 31 December 2019).

(20) Provisions

Details of provisions at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
Non-current provisions (a)	**31/12/2020**	**31/12/2019**
Provisions for pensions and similar obligations	6,767	5,991
Other provisions	20,504	2,039
Non-current provisions	27,271	8,030

	Thousands of Euros	
Current provisions (b)	**31/12/2020**	**31/12/2019**
Trade provisions	11,175	53,109
Current provisions	11,175	53,109

(a) Non-current provisions

At 31 December 2020, 2019 and 2018 provisions for pensions and similar obligations mainly comprise a provision made by certain foreign subsidiaries in respect of labor commitments with certain employees.

Movement in provisions during 2018 was as follows:

	Thousands of Euros					
	Balance at 31/12/2017	Net charge	Cancellations	Reclassifications	Translation differences	**Balance at 31/12/2018**
Non-current provisions	5,763	635	(565)	277	4	6,114
	5,763	635	(565)	277	4	6,114

Movement in provisions during 2019 was as follows:

	Thousands of Euros					
	Balance at 31/12/2018	Net charge	Cancellations	Reclassifications	Translation differences	**Balance at 31/12/2019**
Non-current provisions	6,114	1,467	(30)	464	15	8,030
	6,114	1,467	(30)	464	15	8,030

Movement in provisions during 2020 is as follows:

	Thousands of Euros					
	Balance at 31/12/2019	Net charge	Cancellations	Reclassifications	Translation differences	**Balance at 31/12/2020**
Non-current provisions	8,030	414	(175)	20,527	(1,525)	27,271
	8,030	414	(175)	20,527	(1,525)	27,271

(b) Current provisions

Movement in trade provisions during 2018 was as follows:

	Thousands of Euros				
	Balance at 31/12/2017	Net charge	Cancellations	Translation differences	**Balance at 31/12/2018**
Trade provisions	106,995	(30,668)	(290)	4,018	80,055
	106,995	(30,668)	(290)	4,018	80,055

Movement in trade provisions during 2019 was as follows:

	Thousands of Euros				
	Balance at 31/12/2018	Net charge	Cancellations	Translation differences	**Balance at 31/12/2019**
Trade provisions	80,055	(25,249)	(3,142)	1,445	53,109
	80,055	(25,249)	(3,142)	1,445	53,109

Movement in trade provisions during 2020 is as follows:

	Thousands of Euros						
	Balance at 31/12/2019	Business combination	Net charge	Cancellations	Reclassifications	Translation differences	**Balance at 31/12/2020**
Trade provisions	53,109	954	(21,998)	(247)	(20,059)	(584)	11,175
	53,109	954	(21,998)	(247)	(20,059)	(584)	11,175

(21) Financial Liabilities

This note provides information on the contractual conditions of the Group's financial liabilities, which are measured at amortized cost. For further information on exposure to interest rate risk, currency risk and liquidity risk and the fair values of financial liabilities, please refer to note 30.

Details at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
Financial liabilities	**31/12/2020**	**31/12/2019**
Non-current obligations (a)	2,675,000	2,675,000
Senior secured debt (b)	3,335,415	3,551,300
Other loans (b)	183,771	216,686
Other non-current financial liabilities (d)	10,272	59,981
Non-current lease liabilities (note 9)	690,857	696,285
Loan transaction costs	(293,215)	(353,184)
Total non-current financial liabilities	6,602,100	6,846,068
Current obligations (a)	125,843	111,378
Senior secured debt (b)	34,035	35,872
Other loans (b)	170,730	184,164
Other current financial liabilities (d)	105,041	41,768
Current lease liabilities (note 9)	42,642	44,405
Loan transaction costs	(53,679)	(56,275)
Total current financial liabilities	424,612	361,312

On 7 May 2020, the Group concluded the upsize of the multi-currency revolving credit facility from US Dollars 500 million to US Dollars 1,000 million with maturity in November 2025.

On 15 November 2019 the Group concluded the refinancing process of its senior secured debt for Euros 5,800 million. The new financing includes a Term Loan B for US Dollars 2,500 million and Euros 1,360 million, both aimed at institutional investors; the issue of two bonds for Euros 1,675 million (Senior Secured Notes); and the extension of a multi-currency revolving credit facility up to US Dollars 500 million.

Grifols calculated the impact of the IFRS 9 in the new financing process concluding that it did not result in a derecognition of the liability as it has not passed the 10% quantitative test. According to the IASB's interpretation, when a financial liability measured at amortized cost is modified or exchanged and does not result in the derecognition of the financial liability, a gain or loss should be recognized in profit or loss, calculated as the difference between the original contractual cash flows from the liability and the modified cash flows, discounted at the original effective interest rate of the liability. Following the standard, the Group recognized an income of Euros 97,850 thousand in the 2019 statement of profit and loss (see note 27).

In September 2018, Grifols obtained a new non-current loan from the European Investment Bank totaling Euros 85,000 thousand that will be used by Grifols to support its investments in R&D, mainly focused on the search for new therapeutic indications for plasma-derived protein therapies. The financial terms include a fixed interest rate, a maturity of 10 years with a grace period of 2 years. On 5 December 2017 and 28 October 2015, the Group arranged loans with the same entity and with the same conditions for amounts of Euros 85,000 thousand and Euros 100,000 thousand, respectively. At 31 December 2020, the carrying amount of the loans obtained from the European Investment Bank amounts to Euros 212,500 thousand (Euros 233,750 thousand at 31 December, 2019).

(a) Senior Notes

On 15 November 2019, as part of its refinancing process, Grifols, S.A. issued Euros 1,675 million of Senior Secured Notes segmented in two notes of Euros 770 million and Euros 905 million. These notes will mature in 2027 and 2025 and will bear annual interest at a rate of 2.25% and 1.625%, respectively. On 15 November 2019 the notes were admitted to listing on the Irish Stock Exchange.

On 18 April 2017, Grifols, S.A., issued Euros 1,000 million of Senior Unsecured Notes that will mature in 2025 and will bear annual interest at a rate of 3.20%. On 2 May 2017 the Notes were admitted to listing on the Irish Stock Exchange.

There has been no movement regarding the Senior Notes in 2020.

Details of movement in the Senior Notes at 31 December 2019 are as follows:

	Thousands of Euros		
	Opening outstanding balance 01/01/19	Refinancing	Closing outstanding balance 31/12/19
Senior Unsecured Notes (nominal amount)	1,000,000	--	1,000,000
Senior Secured Notes (nominal amount)	--	1,675,000	1,675,000
Total	1,000,000	1,675,000	2,675,000

At 31 December 2020 and 2019 the current obligations caption includes the issue of bearer promissory notes to Group employees, as follows:

	31/12/2019						
	Issue date	Maturity date	Nominal amount of promissory notes (Euros)	Interest rate	Promissory notes subscribed (Thousands of Euros)	Buy back (Thousands of Euros)	Interest pending accrual (Thousands of Euros)
Issue of bearer promissory notes	05/05/19	04/05/20	3,000	5.00%	103,122	(1,170)	(1,686)

	31/12/2020						
	Issue date	Maturity date	Nominal amount of promissory notes (Euros)	Interest rate	Promissory notes subscribed (Thousands of Euros)	Buy back (Thousands of Euros)	Interest pending accrual (Thousands of Euros)
Issue of bearer promissory notes	04/05/20	04/05/21	3,000	3.00%	116,352	(3,612)	(1,118)

(b) Loans and borrowings

Details of loans and borrowings at 31 December 2020 and 2019 are as follows:

					Thousands of Euros			
					31/12/2020		**31/12/2019**	
Credit	Currency	Interest rate	Date awarded	Maturity date	Amount extended	Carrying amount	Amount extended	Carrying amount
Senior debt - Tranche B	Euros	Euribor + 2.25%	15/11/2019	15/11/2027	1,360,000	1,332,800	1,360,000	1,346,400
Senior debt - Tranche B	US Dollars	Libor + 2.00%	15/11/2019	15/11/2027	2,227,171	2,002,615	2,227,171	2,204,900
Total senior debt					3,587,171	3,335,415	3,587,171	3,551,300
EIB Loan	Euros	2.40%	20/11/2015	20/11/2025	100,000	42,500	100,000	53,125
EIB Loan	Euros	2.02%	22/12/2017	22/12/2027	85,000	63,750	85,000	74,375
EIB Loan	Euros	2.15%	25/09/2018	25/09/2028	85,000	74,375	85,000	85,000
Total EIB Loan					270,000	180,625	270,000	212,500
Revolving Credit	US Dollars	Libor + 1.5%	15/11/2019	15/11/2025	817,394	--	445,434	--
Total Revolving Credit					817,394	--	445,434	--
Other non-current loans	Euros	1.93%	21/11/2014	30/09/2024	10,000	3,146	10,000	4,186
Loan transaction costs					--	(223,944)	--	(266,214)
Non-current loans and borrowings					**4,684,565**	**3,295,242**	**4,312,605**	**3,501,772**

					Thousands of Euros			
					31/12/2020		**31/12/2019**	
Credit	Currency	Interest rate	Date awarded	Maturity date	Amount extended	Carrying amount	Amount extended	Carrying amount
Senior debt - Tranche B	Euros	Euribor + 2.25%	15/11/2019	15/11/2027	(*)	13,600	(*)	13,600
Senior debt - Tranche B	US Dollars	Libor + 2.00%	15/11/2019	15/11/2027	(*)	20,435	(*)	22,271
Total senior debt					--	34,035	--	35,871
EIB Loan	Euros	2.40%	20/11/2015	20/11/2025	(*)	10,625	(*)	10,625
EIB Loan	Euros	2.02%	22/12/2017	22/12/2027	(*)	21,250	(*)	10,625
Total EIB Loan					--	31,875	--	21,250
Other current loans		0.10% - 4.06%			241,895	138,855	239,782	162,914
Loan transaction costs					--	(35,209)	--	(34,068)
Current loans and borrowings					**241,895**	**169,556**	**239,782**	**185,967**

(*) See amount granted under non-current debt

Current loans and borrowings include accrued interest amounting to Euros 7,262 thousand at 31 December 2020 (Euros 6,266 thousand at 31 December 2019).

On 15 November 2019 the Group refinanced its Senior Secured Debt with the existing lenders. The new senior debt consists of a Term Loan B ("TLB"), which amount US Dollars 2,500 million and Euros 1,360 million with a 2.00% margin pegged to Libor and a 2.25% margin pegged to Euribor respectively, maturity in 2027 and quasi-bullet repayment structure. The borrowers of the total senior debt are Grifols, S.A. and Grifols Worldwide Operations USA, Inc.
The present value discounted from cash flows under the new agreement, including any fees paid and discounted using the original effective interest rate differed by less than 10% of the present value discounted from cash flows remaining in the original debt, whereby it was considered that the debt instrument was not been substantially modified.

The costs of refinancing the senior debt have amounted to Euros 84.4 million. Based on an analysis of the quantitative and qualitative factors, the Group concluded that the renegotiation of the terms of the senior debt did not imply a derecognition of the liability. According to the IASB's interpretation published in October 2017, when a financial liability measured at amortized cost is modified or exchanged and does not result in the derecognition of the financial liability, a gain or loss should be recognized in profit or loss, calculated as the difference between the original contractual cash flows from the liability and the modified cash flows, discounted at the original effective interest rate of the liability. Following the standard, the Group recognized income of Euros 97,850 thousand in the statement of profit and loss for the year 2019 (see note 27).

The terms and conditions of the senior secured debt are as follows:

- **Tranche B**: eight-year loan divided into two tranches: US Tranche B and Tranche B in Euros:

  - **Tranche B in US Dollars:**
    - Original principal amount of US Dollars 2,500 million.
    - Applicable margin of 200 basis points (bp) pegged to US Libor.
    - Quasi-bullet repayment structure.
    - Maturity in 2027.

  - **Tranche B in Euros:**
    - Original principal amount of Euros 1,360 million.
    - Applicable margin of 225 basis points (bp) pegged to Euribor.
    - Quasi-bullet repayment structure.
    - Maturity in 2027.

Details of Tranche B by maturity at 31 December 2020 are as follows:

	US Tranche B			Tranche B in Euros	
	Currency	Amortization in thousands of US Dollars	Amortization in thousands of Euros	Currency	Amortization in thousands of Euros
Maturity					
2021	US Dollars	25,000	20,435	Euros	13,600
2022	US Dollars	25,000	20,435	Euros	13,600
2023	US Dollars	25,000	20,435	Euros	13,600
2024	US Dollars	25,000	20,435	Euros	13,600
2025	US Dollars	25,000	20,435	Euros	13,600
2026	US Dollars	25,000	20,435	Euros	13,600
2027	US Dollars	2,325,000	1,900,441	Euros	1,264,800
Total	US Dollars	2,475,000	2,023,051	Euros	1,346,400

- **US Dollar 1,000 million senior revolving credit facility:** On 7 May 2020, the Group concluded the upsize of the multi-currency revolving credit facility from US Dollars 500 million to US Dollars 1,000 million with maturity in November 2025 and an applicable margin of 150 basis points (bp) pegged to US Libor. At 31 December 2020 no amount has been drawn down on this facility. The costs of refinancing of the revolving credit facility have amounted to Euros 9.3 million

Both the Senior Term Loans and the Revolving Loans are secured by Grifols, S.A. and certain significant subsidiaries of Grifols, S.A., which together with Grifols, S.A., represent, in the aggregate, at least 70% of the consolidated EBITDA of the Group.

The Notes have been issued by Grifols S.A. and are guaranteed on a senior secured basis by subsidiaries of Grifols, S.A. that are guarantors and co-borrower under the New Credit Facilities. The guarantors are Grifols Worldwide Operations Limited, Biomat USA, Inc., Grifols Biologicals Inc., Grifols Shared Services North America, Inc., Talecris Plasma Resources, Inc.., Grifols Therapeutics, Inc., Instituto Grifols, S.A., Grifols Worldwide Operations USA, Inc., Grifols USA, Llc. and Grifols International, S.A.

(c) Credit rating

In December 2020 and December 2019 Moody's Investors Service confirmed the 'Ba3' corporate family rating, 'Ba2' rating to the senior secured bank debt that was used to refinance the existing debt structure. The outlook is downgraded to negative (stable in December 2019). The credit rating of the senior unsecured notes is B2.

In December 2020 and December 2019 Standard & Poor's has confirmed its 'BB' rating on Grifols and has assigned 'BB+ ratings to Grifols' senior secured debt that was used to refinance the existing debt structure. The outlook for the rating is stable. The credit rating of the senior unsecured notes is B+.

(d) Other financial liabilities

At 31 December 2020 "other financial liabilities" include interest-free loans extended by governmental institutions amounting to Euros 12,060 thousand (Euros 14,787 thousand at 31 December 2019). The portion of the loans considered a grant and still to be taken to profit and loss amounts to Euros 499 thousand (Euros 592 thousand at 31 December 2019) (see note 19).

At 31 December 2020 "other current financial liabilities" include mainly the amount payable relating to the Alkahest, Inc. acquisition amounting to Euros 100,492 thousand (see note 3). At 31 December 2019, it mainly included the purchase option of Goetech, LLC amounting to US Dollars 20 million and an outstanding balance with a related party.

Details of the maturity of other financial liabilities are as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Maturity at:		
Up to one year	105,041	41,768
Two years	3,945	50,585
Three years	1,976	2,977
Four years	1,580	1,870
Five years	1,141	1,420
Over five years	1,630	3,129
	115,313	101,749

(e) Changes in liabilities derived from financing activities

	Thousand of Euros				
	Obligations	Senior Secured debt & Other loans	Finance lease liabilities	Other financial liabilities	Total
Book value at January 1, 2019	1,102,978	5,165,765	12,885	95,217	6,376,845
New financing	1,778,218	(1,522,466)	--	12,249	268,001
Refunds	(100,215)	(145,261)	(73,785)	(8,152)	(327,413)
Bear of interests	37,095	171,535	34,558	1,166	244,354
Other movements (note 2)	(108,874)	24,121	761,682	--	676,929
Collection / Payment of interests	(32,000)	(204,179)	--	--	(236,179)
Business combination (note 3)	--	10,233	--	--	10,233
Foreign exchange differences	--	187,991	5,350	1,269	194,610
Balance at December 31, 2019	2,677,202	3,687,739	740,690	101,749	7,207,380
New financing	116,352	--	--	--	116,352
Refunds	(105,564)	(66,047)	(79,037)	(22,681)	(273,329)
Bear of interests	81,880	124,840	35,084	2,073	243,877
Other movements	--	(10,468)	88,867	4,837	83,236
Collection / Payment of interests	(60,355)	(95,433)	--	--	(155,788)
Business combination (note 3)	--	--	--	34,778	34,778
Foreign exchange differences	--	(172,246)	(52,105)	(5,443)	(229,794)
Balance at December 31, 2020	2,709,515	3,468,385	733,499	115,313	7,026,712

(22) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Suppliers	**601,618**	**581,882**
VAT payable	11,694	9,999
Taxation authorities, withholdings payable	6,829	26,839
Social security payable	32,640	15,150
Other public entities	89,926	113,644
Other payables	**141,089**	**165,632**
Current income tax liabilities	**3,482**	**5,966**
	746,189	**753,480**

Suppliers

Details of balances with related parties are shown in note 31.

The Group's exposure to currency risk and liquidity risk associated with trade and other payables is described in note 30.

In accordance with the second final provision of Law 31/2014 that amends Law 15/2010 of 5 July, for fiscal years 2020 and 2019 information concerning the average payment period to suppliers is included.

	Days	
	31/12/2020	**31/12/2019**
Average payment period to suppliers	71.56	72.9
Paid invoices ratio	72.5	74.0
Outstanding invoices ratio	65.7	65.3

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Total invoices paid	635,214	577,017
Total outstanding invoices	96,121	85,550

(23) Other Current Liabilities

Details at 31 December are as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Salaries payable	121,972	175,079
Other payables	1,046	847
Deferred income	22,934	9,791
Advances received	7,210	11,682
Other current liabilities	153,162	197,399

(24) Net Revenues

Net revenues are mainly generated from the sale of goods.

The distribution of net consolidated revenues for 2020, 2019 and 2018 by segment is as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Bioscience	4,242,502	3,993,462	3,516,704
Diagnostic	775,889	733,604	702,265
Hospital	118,675	134,441	119,454
Bio supplies	224,090	266,540	167,004
Others	31,989	22,820	22,451
Intersegments	(53,107)	(52,176)	(41,154)
	5,340,038	5,098,691	4,486,724

The geographical distribution of net consolidated revenues is as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
USA and Canada	3,599,746	3,390,811	2,974,429
Spain	339,169	268,287	264,913
European Union	495,323	588,375	535,361
Rest of the world	905,800	851,218	712,021
Consolidated	5,340,038	5,098,691	4,486,724

Details of discounts and other reductions in gross income are as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Gross sales	6,806,005	6,429,762	5,588,257
Chargebacks	(1,247,153)	(1,119,540)	(923,023)
Cash discounts	(68,912)	(70,340)	(62,518)
Volume rebates	(57,858)	(56,426)	(46,922)
Medicare and Medicaid	(61,089)	(50,442)	(40,343)
Other discounts	(30,955)	(34,323)	(28,727)
Net sales	5,340,038	5,098,691	4,486,724

Movement in discounts and other reductions in gross income during 2018 were as follows:

	Thousands of Euros						
	Chargebacks	Cash discounts	Volume rebates	Medicare / Medicaid	Other discounts	Total	
Balance at 31 December 2017	105,890	5,114	17,991	16,204	10,143	155,342	
Current estimate related to sales made in current and prior year	923,023	62,518	46,922	40,343	28,727	1,101,533	(1)
(Actual returns or credits in current period related to sales made in current period)	(957,695)	(56,568)	(24,648)	(21,324)	(26,493)	(1,086,728)	(2)
(Actual returns or credits in current period related to sales made in prior periods)	--	(4,909)	(16,384)	(13,232)	(3,781)	(38,306)	(3)
Translation differences	3,957	286	916	950	241	6,350	
Balance at 31 December 2018	**75,175**	**6,441**	**24,797**	**22,941**	**8,837**	**138,191**	

Movement in discounts and other reductions to gross income during 2019 was as follows:

	Thousands of Euros						
	Chargebacks	Cash discounts	Volume rebates	Medicare / Medicaid	Other discounts	Total	
Balance at 31 December 2018	75,175	6,441	24,797	22,941	8,837	138,191	
Current estimate related to sales made in current and prior year	1,119,540	70,340	56,426	50,442	34,323	1,331,071	(1)
(Actual returns or credits in current period related to sales made in current period)	(1,104,493)	(64,523)	(28,014)	(34,486)	(22,490)	(1,254,006)	(2)
(Actual returns or credits in current period related to sales made in prior periods)	275	(6,385)	(25,050)	(20,375)	(5,652)	(57,187)	(3)
Translation differences	(9)	24	546	389	53	1,003	
Balance at 31 December 2019	**90,488**	**5,897**	**28,705**	**18,911**	**15,071**	**159,072**	

Movement in discounts and other reductions to gross income during 2020 was as follows:

	Thousands of Euros						
	Chargebacks	Cash discounts	Volume rebates	Medicare / Medicaid	Other discounts	Total	
Balance at 31 December 2019	90,488	5,897	28,705	18,911	15,071	159,072	
Current estimate related to sales made in current and prior year	1,247,153	68,912	57,858	61,089	30,955	1,465,966	(1)
(Actual returns or credits in current period related to sales made in current period)	(1,033,053)	(61,387)	(27,798)	(34,564)	(30,509)	(1,187,311)	(2)
(Actual returns or credits in current period related to sales made in prior periods)	(97,504)	(6,030)	(26,481)	(14,526)	(3,615)	(148,156)	(3)
Translation differences	(16,215)	(597)	(2,614)	(2,459)	(139)	(22,023)	
Balance at 31 December 2020	**190,869**	**6,795**	**29,670**	**28,451**	**11,763**	**267,548**	

(1) Net impact in income statement: estimate for the current year plus prior years' adjustments. Adjustments made during the year corresponding to prior years' estimates have not been significant.

(2) Amounts credited and posted against provisions for current period

(3) Amounts credited and posted against provisions for prior period

(25) Personnel Expenses

Details of personnel expenses by function are as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Cost of sales	1,058,132	988,689	810,512
Research and development	110,682	106,472	93,817
Selling, general & administration expenses	383,851	382,472	345,224
	1,552,665	1,477,633	1,249,553

Details by nature are as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Wages and salaries	1,234,761	1,178,527	1,000,682
Contributions to pension plans (see note 29)	33,226	29,941	21,363
Other social charges	27,462	28,785	29,055
Social Security	257,216	240,380	198,453
	1,552,665	1,477,633	1,249,553

The average headcount during 2020 and 2019, by department, was approximately as follows:

	Average headcount	
	31/12/2020	**31/12/2019**
Manufacturing	17,697	17,027
R&D - technical area	1,050	994
Administration and others	1,550	1,405
General management	288	252
Marketing	205	187
Sales and Distribution	1,305	1,282
	22,095	21,147

The headcount of the Group employees and the Company's directors at 31 December 2019, by gender, was as follows:

	31/12/2019		
	Male	Female	Total number of employees
Directors	9	4	13
Manufacturing	7,303	12,380	19,683
Research&development - technical area	406	623	1,029
Administration and others	887	587	1,474
General management	157	157	314
Marketing	75	120	195
Sales and Distribution	682	626	1,308
	9,519	14,497	24,016

The headcount of the Group employees and the Company's directors at 31 December 2020, by gender, is as follows:

	31/12/2020		
	Male	Female	Total number of employees
Directors	9	4	13
Manufacturing	7,169	11,880	19,049
Research&development - technical area	427	688	1,115
Administration and others	992	669	1,661
General management	145	156	301
Marketing	89	130	219
Sales and Distribution	691	619	1,310
	9,522	14,146	23,668

(26) Expenses by Nature

(a) Amortization and depreciation

Expenses for the amortization and depreciation of intangible assets, right of use assets and property, plant and equipment, incurred during 2020, 2019 and 2018 classified by functions are as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Cost of sales	198,310	193,081	146,530
Research and development	32,814	22,471	19,836
Selling, general & administration expenses	90,409	86,903	62,243
	321,533	302,455	228,609

(b) Other operating income and expenses

Other operating income and expenses incurred during 2020, 2019 and 2018 by function are as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Cost of sales	500,415	467,705	432,803
Research and development	156,994	166,177	152,670
Selling, general & administration expenses	499,218	457,921	410,753
	1,156,627	1,091,803	996,226

Details by nature are as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Changes in trade provisions	(14,059)	(19,811)	(23,125)
Professional services	265,539	244,355	211,305
Commissions	27,147	32,178	21,941
Supplies and auxiliary materials	187,370	170,021	149,831
Operating leases (note 9)	28,176	33,235	84,299
Freight	137,466	130,663	112,340
Repair and maintenance expenses	147,039	136,377	107,806
Advertising	55,073	59,063	44,659
Insurance	30,776	25,647	22,632
Royalties	40,634	10,674	10,726
Travel expenses	23,005	61,346	51,428
External services	71,240	64,099	53,391
R&D Expenses	101,410	103,053	100,889
Other	55,811	40,903	48,104
Other operating income&expenses	1,156,627	1,091,803	996,226

(27) Finance Result

Details are as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Finance income	8,021	114,197	13,995
Finance cost from Senior Unsecured Notes	(85,182)	(41,920)	(35,471)
Finance cost from senior debt (note 21 (b))	(119,140)	(262,797)	(247,646)
Finance cost from sale of receivables (note 14)	(10,964)	(9,171)	(6,053)
Capitalized interest (note 10)	16,606	14,894	8,955
Finance lease expense (note 9)	(35,205)	(34,558)	--
Other finance costs	(15,754)	(9,413)	(13,058)
Finance costs	(249,639)	(342,965)	(293,273)
Impairment and gains / (losses) on disposal of financial instruments	--	(37,666)	30,280
Change in fair value of financial instruments (note 11)	55,703	1,326	--
Exchange differences	8,246	(9,616)	(8,246)
Finance result	(177,669)	(274,724)	(257,244)

2019 finance income from senior debt includes an income of Euros 97,850 thousand related to the refinancing effect (see note 21).

During 2020 the Group has capitalized interest at a rate of between 3.72% and 4.70% based on the financing received (between 5.34% and 5.46% during 2019) (see note 4 (f)).

"Change in fair value of financial instruments" includes the difference between the contractual right value recognized at 31 December 2019 and SRAAS quoted value at 30 March 2020 for an amount of Euros 56,526 thousand (see note 11).

At 31 December 2019, as part of the share exchange agreement with Shanghai RAAS Blood Products Co. Ltd., Grifols delivered 90 shares of its subsidiary Grifols Diagnostic Solutions, Inc. in exchange for a contractual right to receive equity instruments in an associate, which generated a profit related to the measurement of the contractual right amounting to Euros 1 million at 31 December 2019 (see note 11).

(28) Taxation

Grifols, S.A. is authorized to file consolidated tax returns in Spain with Grifols Movaco, S.A., Laboratorios Grifols, S.A., Instituto Grifols, S.A., Biomat, S.A., Grifols Viajes, S.A., Grifols International, S.A., Grifols Engineering, S.A., Gripdan Invest, S.L., Araclon Biotech, Aigües Minerals de Vilajuiga, S.A. and VCN Biosciences, S.L. Grifols, S.A., in its capacity as Parent, is responsible for the filing and settlement of the consolidated tax return. Under prevailing tax law, Spanish companies pay 25% tax, which may be reduced by certain deductions.

The North American company Grifols Shared Services North America, Inc. is also authorized to file consolidated tax returns in the USA with Grifols Biologicals Inc., Grifols USA, LLC., Biomat USA, Inc., Grifols Therapeutics Inc., Talecris Plasma Resources, Inc, Interstate Blood Bank, Inc. and Goetech, LLC.. The profits of the companies domiciled in the USA, determined in accordance with prevailing tax legislation, are subject to tax of approximately 22% of taxable income, which may be reduced by certain deductions.

Grifols assesses the effect of uncertain tax treatments and recognizes the effect of the uncertainty on taxable earnings. At 31 of December 2020, the potential obligations deriving from tax claims are properly covered. There are no lawsuits or uncertain tax treatments that are individually material.

(a) Reconciliation of accounting and taxable income

Details of the income tax expense and income tax related to profit for the year are as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Profit before income tax from continuing operations	878,629	817,103	725,842
Tax at 25%	219,657	204,276	181,461
Permanent differences	(7,181)	6,104	(2,000)
Effect of different tax rates	(30,686)	(22,564)	(29,543)
Tax credits (deductions)	(14,980)	(12,702)	(18,226)
Prior year income tax expense	517	(3,722)	381
Other income tax expenses/(income)	2,312	(2,933)	(637)
Total income tax expense	169,639	168,459	131,436
Deferred tax	43,138	58,275	(21,189)
Current tax	126,501	110,184	152,625
Total income tax expense	169,639	168,459	131,436

The effect of the different tax rates is basically due to a change of country mix in profits

(b) Deferred tax assets and liabilities

Details of deferred tax assets and liabilities are as follows:

	Thousands of Euros		
	Tax effect		
	31/12/2020	**31/12/2019**	**31/12/2018**
Assets			
Provisions	3,942	6,228	7,936
Inventories	59,129	51,838	41,029
Tax credits (deductions)	57,896	61,476	57,357
Tax loss carryforwards	53,063	36,066	32,769
Other	11,004	6,531	8,611
Subtotal, assets	185,034	162,139	147,702
Goodwill	(30,040)	(27,721)	(24,691)
Fixed assets, amortisation and depreciation	(3,011)	(2,821)	(3,922)
Intangible assets	(2,062)	(8,573)	(6,550)
Subtotal, net liabilities	(35,113)	(39,115)	(35,163)
Deferred assets, net	149,921	123,024	112,539
Liabilities			
Goodwill	(215,907)	(194,964)	(150,644)
Intangible assets	(270,145)	(214,993)	(220,752)
Fixed assets	(78,325)	(88,498)	(99,819)
Debt cancellation costs	(66,720)	(65,967)	(42,319)
Subtotal, liabilities	(631,097)	(564,422)	(513,534)
Tax loss carryforwards	12,024	24,734	20,833
Inventories	1,673	2,408	5,644
Provisions	36,663	39,366	53,290
Other	23,924	34,087	29,369
Subtotal, net assets	74,284	100,595	109,135
Net deferred Liabilities	(556,813)	(463,827)	(404,398)

Movement in deferred tax assets and liabilities is as follows:

	Thousands of Euros		
Deferred tax assets and liabilities	**31/12/2020**	**31/12/2019**	**31/12/2018**
Balance at 1 January	(340,803)	(291,859)	(322,755)
Movements during the year	(43,138)	(58,275)	21,189
Business combination (note 3)	(47,988)	--	21,328
Translation differences	25,037	9,331	(11,621)
Balance at 31 December	(406,892)	(340,803)	(291,859)

Detail of assets and liabilities by jurisdiction at 31 December 2020 are as follows:

	USA 31/12/2020	Spain 31/12/2020	Other 31/12/2020	Total 31/12/2020
Net deferred tax	(466,961)	(36,298)	(26,616)	(529,875)
Tax credit rigths	--	57,861	35	57,896
Tax loss carryforwards	21,277	4,928	38,882	65,087
	(445,684)	26,491	12,301	(406,892)

Detail of assets and liabilities by jurisdiction at 31 December 2019 are as follows:

	USA 31/12/2019	Spain 31/12/2019	Other 31/12/2019	Total 31/12/2019
Net deferred tax	(392,040)	(35,117)	(35,921)	(463,078)
Tax credit rigths	54,340	5,162	1,297	60,799
Tax loss carryforwards	--	61,476	--	61,476
	(337,700)	31,521	(34,624)	(340,803)

Detail of assets and liabilities by jurisdiction at 31 December 2018 are as follows:

	USA 31/12/2018	Spain 31/12/2018	Other 31/12/2018	Total 31/12/2018
Net deferred tax	(353,116)	(34,441)	(15,260)	(402,817)
Tax credit rigths	46,722	5,669	1,210	53,601
Tax loss carryforwards	--	57,357	--	57,357
	(306,394)	28,585	(14,050)	(291,859)

The Spanish companies have opted to apply accelerated depreciation to certain additions to property, plant and equipment, which has resulted in the corresponding deferred tax liability.

The remaining assets and liabilities recognized in 2020, 2019 and 2018 were recognized in the statement of profit and loss.

Estimated net deferred tax assets to be reversed in a period of less than 12 months amount to Euros 89,750 thousand at 31 December 2020 (Euros 26,840 thousand at 31 December 2019).

The majority of the tax deductions pending application from Spanish companies related mainly to research and development, mature in 18 years. Likewise, the Group estimates that practically the entire amount will be applied in 5 years.

Tax loss carryforwards pending to be offset derived from the US companies are available for 20 years from their date of origin whilst tax losses carryforwards pending to be offset from Spanish companies registered in the Basque Country are available for 15 years and there is no maturity date for other remaining Spanish companies. The Group estimates that of the total amount of tax credits for tax losses recognized in the balance sheet at 31 December 2020 for an amount of Euros 65,087 thousand, approximately Euros 42,363 thousand will be recovered in a period of less than 5 years.

The Group has not recognized as deferred tax assets the tax effect of the unused tax loss carryforwards of Group companies, which amount to Euros 93,585 thousand (Euros 66,364 thousand at 31 December 2019).

The commitments from Spanish companies from the reversal of deferred tax related to provisions of investments in subsidiaries are not significant.

(c) Years open to inspection

Under prevailing legislation, taxes cannot be considered to be definitively settled until the returns filed have been inspected by the taxation authorities, or the prescription period has elapsed.

The main tax audits currently open in the Group are as follows:

- Grifols Shared Services North America, Inc. and subsidiaries: In 2020 notification of an inspection was received relating to the State Income Tax for the fiscals year 2017 and 2018.

- Grifols, S.A., Grifols Movaco, S.A., Diagnostic Grifols, S.A. and Instituto Grifols, S.A: In 2019 notification of an inspection has been received from 2014 to 2016 for corporate income tax and from 2015 to 2016 for VAT and withholding tax.

Group management does not expect any significant liability to derive from these inspections.

Based on its experience of the different tax inspections in the different jurisdictions in which Grifols operates, the Group considers it unlikely that there will be a scenario of discrepancy with the taxation authorities that will require significant adjustments to be made to the tax result or to the asset and/or liability balances relating to corporate income tax.

(29) Other Commitments with Third Parties and Other Contingent Liabilities

(a) Guarantees

The Group has no significant guarantees extended to third parties.

(b) Guarantees committed with third parties

The Group has no significant guarantees extended to third parties, except for those described in note 21.

(c) Obligations with personnel

The Group's annual contribution to defined contribution pension plans of Spanish Group companies for 2020 has amounted to Euros 896 thousand (Euros 833 thousand for 2019).

In successive years this contribution will be defined through labor negotiations.

In the event that control is taken of the Company, the Group has agreements with 57 employees/directors whereby they can unilaterally rescind their employment contracts with the Company and are entitled to termination benefits ranging from 2 to 5 years' salary.

The Group has contracts with five executives entitling them to termination benefits ranging from one to four years of their salary in different circumstances.

Restricted Share Unit Retention Plan

For the annual bonus, the Group established a Restricted Share Unit Retention Plan (RSU Plan), for eligible employees. Under this plan, employees can choose to receive up to 50% of their yearly bonus in non-voting

Class B ordinary shares (Grifols Class B Shares) or Grifols American Depositary Shares (Grifols ADS), and the Group will match this with an additional 50% of the employee's choice of RSUs.

Grifols Class B Shares and Grifols ADS are valued at grant date.

These RSU's will have a vesting period of 2 years and 1 day and, subsequently, the RSU's will be exchanged for Grifols Class B Shares or Grifols ADS (American Depositary Share representing 1 Class B Share).

If an eligible employee leaves the Company or is terminated before the vesting period, he/she will not be entitled to the additional RSU's.

At 31 December 2020, the Group has settled the RSU plan of 2017 for an amount of Euros 7,552 thousand (Euros 8,546 thousand at 31 December 2019 corresponding to the RSU plan of 2016).

This commitment is treated as equity instrument and the amount totals Euros 13,880 thousand at 31 December 2020 (Euros 12,498 thousand at 31 December 2019).

Savings plan and profit-sharing plan

The Group has a defined contribution plan (savings plan), which qualifies as a deferred salary arrangement under Section 401 (k) of the Internal Revenue Code (IRC). Once eligible, employees may elect to contribute a portion of their salaries to the savings plan, subject to certain limitations. The Group matches 100% of the first 4% of employee contributions and 50% of the next 2%. Group and employee contributions are fully vested when contributed. The total cost of matching contributions to the savings plan was US Dollars 32.2 million in 2020 (US Dollars 29.4 million in 2019).

Other plans

The Group has a defined benefit pension plan for certain former Talecris Biotherapeutics, GmbH employees in Germany as required by statutory law. The pension cost relating to this plan is not material for the periods presented.

(d) Purchase commitments

Details of the Group's raw material purchase commitments s at 31 December 2020 are as follows:

	Thousands of Euros
2021	182,710
2022	113,555
2023	77,385
2024	1,033
2025	1,033
More than 5 years	603

(e) Judicial procedures and arbitration

Details of legal proceedings in which the Company or Group companies are involved are as follows:

- **ORTHO-CLINICAL DIAGNOSTICS, INC., GRIFOLS DIAGNOSTIC SOLUTIONS, INC. adv. SIEMENS HEALTHCARE DIAGNOSTICS, INC.**

  Served: 20 November 2018

  Contract Dispute

  Ortho-Clinical Diagnostics, Inc. ("Ortho") and Grifols Diagnostic Solutions, Inc. ("GDS") dispute with Siemens Healthcare Diagnostics, Inc. ("Siemens") regarding sales and commissions under the Supply and Agency Agreement.

  NEXT ACTION: Dispute Resolution initiated per the Supply and Agency Agreement. Common Interest and Joint Defense Agreement entered between Ortho and GDS. Several meetings with executives and counsel took place in June, September and October 2019. Notice of arbitration filed on 4 December 2019. Siemens filed counterclaims on 10 December 2019. Arbitration panel selected and schedule established. Expert reports are due to be filed and expert discovery concluded by mid-February. Motion practice to limit arguments also underway and expected to be heard in March.

- **ABBOTT LABORATORIES v. GRIFOLS DIAGNOSTIC SOLUTIONS INC., GRIFOLS WORLDWIDE OPERATIONS LIMITED AND NOVARTIS VACCINES AND DIAGNOSTICS, INC.**

  Served: 8 October 2019

  US District Court, Northern District of Illinois
  Patent Infringement, Civil Action No. 1:19-cv-6587

  Abbott Laboratories (“Abbott”), GDS, GWWO and Novartis Vaccines and Diagnostics, Inc. are in dispute over unpaid royalties payable by Abbott to GDS and Ortho-Clinical Diagnostics (“Ortho”) under an HIV License and Option agreement dated 16 August 2019 (the “HIV License”). On 12 September 2019, GDS and Ortho filed Notice of Arbitration. On 3 October 2019, Abbott terminated the HIV License and filed for Declaratory Relief seeking to invalidate the licensed patent. GDS filed Motions to Dismiss and to Compel Arbitration, but the Court continued all pending Motions and referred the parties to a magistrate for a mandatory settlement conference. On 5 February 2020 the parties attended a Mandatory Settlement Conference ordered by the District Judge, with the Magistrate Judge presiding. No satisfactory settlement was reached. On 16 March , 2020, Grifols and Ortho filed an answer and counterclaim to the litigation, while simultaneously pursuing arbitration for the pre-termination amount owed by Abbot. The arbitration hearing was 15-16 June, 2020. As a result, the arbitrator awarded Grifols/Ortho US Dollars 4 Million. The court litigation is continuing. Abbott’s Motion to Dismiss was denied on 1 December, 2020. Discovery is now underway.

(30) Financial Instruments

Classification

Disclosure of financial instruments by nature, category and fair value is as follows:

Thousand of Euros

	31/12/2019									
	Carrying amount						Fair Value			
	Financial assets at amortised costs	Financial assets at FV to profit or loss	Financial assets at FV to OCI	Financial liabilities at amortised costs	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Non-current financial assets	--	7	--	--	--	7	7	--	--	7
Current Financial derivatives	--	1,716,738	--	--	--	1,716,738	--	--	1,716,738	1,716,738
Trade receivables	--	--	298,346	--	--	298,346	--	298,346	--	298,346
Financial assets measured at fair value	**--**	**1,716,745**	**298,346**	**--**	**--**	**2,015,091**				
Non-current financial assets	138,923	--	--	--	--	138,923				
Other current financial assets	12,188	--	--	--	--	12,188				
Trade and other receivables	153,960	--	--	--	--	153,960				
Cash and cash equivalents	741,982	--	--	--	--	741,982				
Financial assets not measured at fair value	**1,047,053**	**--**	**--**	**--**	**--**	**1,047,053**				
Senior Unsecured Notes	--	--	--	(2,576,935)	--	(2,576,935)	(2,749,557)	--	--	(2,749,557)
Promissory Notes	--	--	--	(100,267)	--	(100,267)				
Senior secured debt	--	--	--	(3,286,889)	--	(3,286,889)	--	(3,623,233)	--	(3,623,233)
Other bank loans	--	--	--	(400,850)	--	(400,850)				
Finance lease payables	--	--	--	(740,690)	--	(740,690)				
Other financial liabilities	--	--	--	(101,749)	--	(101,749)				
Debts with associates	--	--	--	(1,258)	--	(1,258)				
Other non-current debts	--	--	--	--	(983)	(983)				
Trade and other payables	--	--	--	(747,514)	--	(747,514)				
Other current liabilities	--	--	--	--	(197,399)	(197,399)				
Financial liabilities not measured at fair value	**--**	**--**	**--**	**(7,956,152)**	**(198,382)**	**(8,154,534)**				
	1,047,053	**1,716,745**	**298,346**	**(7,956,152)**	**(198,382)**	**(5,092,390)**				

The Group does not provide details of the fair value of certain financial instruments as their carrying amount is very similar to their fair value because of its short term.

Thousand of Euros

	31/12/2020									
	Carrying amount						Fair Value			
	Financial assets at amortised costs	Financial assets at FV to profit or loss	Financial assets at FV to OCI	Financial liabilities at amortised costs	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Non-current financial assets	--	1,128	1,880	--	--	3,008	1,128	--	1,880	3,008
Trade receivables	--	--	308,485	--	--	308,485	--	308,485	--	308,485
Financial assets measured at fair value	**--**	**1,128**	**310,365**	**--**	**--**	**311,493**				
Non-current financial assets	195,149	--	--	--	--	195,149				
Other current financial assets	11,118	--	--	--	--	11,118				
Trade and other receivables	147,108	--	--	--	--	147,108				
Cash and cash equivalents	579,647	--	--	--	--	579,647				
Financial assets not measured at fair value	**933,022**	**--**	**--**	**--**	**--**	**933,022**				
Senior Unsecured & Secured Notes	--	--	--	(2,601,479)	--	(2,601,479)	(2,705,437)	--	--	(2,705,437)
Promissory Notes	--	--	--	(111,622)	--	(111,622)				
Senior secured debt	--	--	--	(3,110,298)	--	(3,110,298)	--	(3,358,729)	--	(3,358,729)
Other bank loans	--	--	--	(354,501)	--	(354,501)				
Lease liabilities	--	--	--	(733,499)	--	(733,499)				
Other financial liabilities	--	--	--	(115,313)	--	(115,313)				
Other non-current debts	--	--	--	--	(16,391)	(16,391)				
Trade and other payables	--	--	--	(742,707)	--	(742,707)				
Other current liabilities	--	--	--	--	(153,162)	(153,162)				
Financial liabilities not measured at fair value	**--**	**--**	**--**	**(7,769,419)**	**(169,553)**	**(7,938,972)**				
	933,022	**1,128**	**310,365**	**(7,769,419)**	**(169,553)**	**(6,694,457)**				

The Group does not provide details of the fair value of certain financial instruments as their carrying amount is very similar to their fair value because of its short term.

Credit risk

(a) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk. At 31 December 2020 and 2019 the maximum level of exposure to credit risk is as follows:

		Thousands of Euros	
Carrying amount	Note	**31/12/2020**	**31/12/2019**
Non-current financial assets	12	198,157	138,930
Other current financial assets	12	11,118	1,728,926
Trade receivables	14	383,233	369,797
Other receivables	14	24,377	29,267
Cash and cash equivalents	15	579,647	741,982
		1,196,532	3,008,902

The maximum level of exposure to risk associated with receivables at 31 December 2020 and 2019, by geographical area, is as follows.

	Thousands of Euros	
Carrying amount	**31/12/2020**	**31/12/2019**
Spain	62,358	58,363
EU countries	84,962	44,887
United States of America	157,395	171,345
Other European countries	10,525	13,485
Other regions	92,370	110,984
	407,610	399,064

(b) Impairment losses

A breakdown of the trade and other receivables net of the bad debt provision by ageing as of 31 December 2019 is as follows:

	Thousands of Euros			
	ECL Rate	**Total gross carrying amount**	**Provision**	**Total net trade receivable third party**
Not matured	0.19%	285,942	(585)	285,357
Past due 0-30 days	0.19%	48,212	(57)	48,155
Past due 31-60 days	0.62%	15,831	(101)	15,730
Past due 61-90 days	2.03%	10,364	(156)	10,208
Past due 91-180 days	3.01%	8,606	(243)	8,363
Past due 181-365 days	8.52%	2,216	(232)	1,984
More than one year	100.00%	3,056	(3,056)	--
Customers with objective evidence of impairment		17,861	(17,861)	--
		392,088	(22,291)	369,797

A breakdown of the trade and other receivables net of the bad debt provision by seniority at 31 December 2020 is as follows:

	Thousands of Euros			
	ECL Rate	**Total gross carrying amount**	**Provision**	**Total net trade receivable third party**
Not matured	0.19%	283,612	(515)	283,097
Past due 0-30 days	0.19%	34,282	(54)	34,228
Past due 31-60 days	0.62%	9,157	(57)	9,100
Past due 61-90 days	2.03%	6,155	(125)	6,030
Past due 91-180 days	3.01%	16,546	(211)	16,335
Past due 181-365 days	8.52%	34,768	(325)	34,443
More than one year	100.00%	4,861	(4,861)	--
Customers with objective evidence of impairment		16,837	(16,837)	--
		406,218	(22,985)	383,233

Unimpaired receivables that are past due mainly relate to public entities.

Movement in the bad debt provision was as follows:

	Thousands of Euros		
	31/12/2020	**31/12/2019**	**31/12/2018**
Opening balance	22,291	20,531	19,706
Net charges for the year	2,436	4,971	6,443
Net cancellations for the year	(124)	(3,142)	(5,650)
Transfers	(29)	(19)	--
Translation differences	(1,589)	(50)	32
Closing balance	22,985	22,291	20,531

An analysis of the concentration of credit risk is provided in note 5 (a).

Liquidity risk

The management of the liquidity risk is explained in note 5.

Details of the contractual maturity dates of financial liabilities including committed interest calculated using interest rate forward curves are as follows:

		Thousands of Euros						
Carrying amount	Note	**Carrying amount at 31/12/19**	**Contractual flows**	**6 months or less**	**6 - 12 months**	**1-2 years**	**2- 5 years**	**More than 5 years**
Financial liabilities								
Bank loans	21	3,687,739	4,826,286	204,851	100,083	183,525	715,443	3,622,384
Other financial liabilities	21	101,749	101,749	21,000	20,708	50,646	7,416	1,979
Bonds and other marketable securities	21	2,677,202	3,167,075	128,606	32,016	64,031	2,137,772	804,650
Finance lease payables	21	740,690	740,690	22,334	22,130	41,444	155,300	499,482
Debts with associates	31	1,258	1,258	--	1,258	--	--	--
Payable to suppliers	22	581,882	581,882	581,867	15	--	--	--
Other current liabilities	23	22,320	22,320	21,612	708	--	--	--
Total		7,812,840	9,441,260	980,270	176,918	339,646	3,015,931	4,928,495

		Thousands of Euros						
Carrying amount	Note	**Carrying amount at 31/12/20**	**Contractual flows**	**6 months or less**	**6 - 12 months**	**1-2 years**	**2- 5 years**	**More than 5 years**
Financial liabilities								
Bank loans	21	3,464,799	4,176,075	190,659	89,704	134,789	502,605	3,258,318
Other financial liabilities	21	115,313	115,314	103,397	1,645	3,372	5,515	1,385
Bonds and other marketable securities	21	2,713,101	3,119,194	144,756	32,016	64,031	2,091,066	787,325
Lease liabilities	21	733,499	733,499	21,896	20,746	40,961	158,032	491,864
Payable to suppliers	22	601,618	601,618	601,585	33	--	--	--
Other current liabilities	23	31,190	31,190	30,369	821	--	--	--
Total		7,659,520	8,776,890	1,092,662	144,965	243,153	2,757,218	4,538,892

Currency risk

The Group's exposure to currency risk is as follows:

	Thousands of Euros	
	31/12/2019	
	Euros (*)	Dollars (**)
Trade receivables	4,978	29,022
Receivables from Group companies	101,685	3,829
Loans to Group companies	16,053	595
Cash and cash equivalents	(8,603)	1,698
Trade payables	(18,908)	(13,826)
Payables to Group companies	(75,435)	(93,713)
Loans from Group companies	(42,388)	(4,151)
Bank loans	(63,750)	--
Balance sheet exposure	(86,368)	(76,546)

(*) Balances in Euros in subsidiaries with US Dollars functional currency
(**) Balances in US Dollars in subsidiaries with Euros functional currency

	Thousands of Euros	
	31/12/2020	
	Euros (*)	Dollars (**)
Trade receivables	1,468	19,938
Receivables from Group companies	112,442	6,140
Loans to Group companies	221,135	55
Cash and cash equivalents	35,034	416
Trade payables	(46,318)	(10,822)
Payables to Group companies	(61,421)	(72,693)
Loans from Group companies	(18,391)	(1,726)
Bank loans	(53,125)	--
Balance sheet exposure	190,824	(58,692)

(*) Balances in Euros in subsidiaries with US Dollars functional currency
(**) Balances in US Dollars in subsidiaries with Euros functional currency

The most significant exchange rates applied at 2020 and 2019 year ends are as follows:

	Closing exchange rate	
Euros	**31/12/2020**	**31/12/2019**
US Dollars	1.2234	1.1225

A sensitivity analysis for foreign exchange fluctuations is as follows:

Had the US Dollar strengthened by 10% against the Euro at 31 December 2020, equity would have increased by Euros 750,646 thousand (Euros 799,565 thousand at 31 December 2019) and profit due to foreign exchange differences would have increased by Euros 13,213 thousand (would have decreased by Euros 16,291 thousand at 31 December 2019). This analysis assumes that all other variables are held constant, especially that interest rates remain constant.

A 10% weakening of the US Dollar against the Euro at 31 December 2020 and 2019 would have had the opposite effect for the amounts shown above, all other variables being held constant.

Interest rate risk

(a) Interest-rate profile

To date, the profile of interest on interest-bearing financial instruments is as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Fixed-interest financial instruments		
Financial liabilities	(2,887,500)	(2,908,750)
	(2,887,500)	(2,908,750)
Variable-interest financial instruments		
Financial liabilities	(3,369,451)	(3,587,171)
	(3,369,451)	(3,587,171)
	(6,256,951)	(6,495,921)

(b) Sensitivity analysis

If the interest rate had been 100 basis points higher at 31 December 2020, the interest expense would have increased by Euros 36,153 thousand. As the Group does not have any hedging derivatives in place, the net effect on cash interest payments would have increased by the same amount.

If the interest rate had been 100 basis points higher at 31 December 2019, the interest expense would have increased by Euros 51,412 thousand. As the Group does not have any hedging derivatives in place, the net effect on cash interest payments would have increased by the same amount.

(31) Balances and Transactions with Related Parties

Details of balances with related parties are as follows:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Receivables from associates (note 14)	1,447	1,883
Trade payables associates	(133)	(114)
Loans to associates (note 12)	--	18,342
Loans to other related parties (note 12)	80,851	86,363
Other financial assets with other related parties	114,825	34,367
Debts with associates	--	(1,258)
Debts with key management personnel	(5,934)	(4,005)
Payables to members of the board of directors	--	--
Payables to other related parties	(6,613)	(4,878)
Other financial liabilities with other related parties	--	(13,000)
	184,443	117,700

Payables are included in trade and other payables (see note 22).

(a) Group transactions with related parties

Group transactions with related parties during 2018 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net sales	5,846	--	--	--
Purchases	(97,941)	--	--	--
Other service expenses	(21,065)	--	(4,282)	(844)
Operating lease expense	--	--	(5,469)	--
Remuneration	--	(16,070)	--	(5,848)
R&D agreements	(50)	--	--	--
Sale of investments (note 3)	--	--	469,881	--
Finance income	3,951	--	--	--
Finance cost	(579)	--	--	--
	(109,838)	(16,070)	460,130	(6,692)

Group transactions with related parties during 2019 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net sales	10,196	--	--	--
Purchases	(48,300)	--	--	--
Other service expenses	(25,638)	--	(5,586)	(220)
Remuneration	--	(16,795)	--	(5,517)
Payments for rights of use	--	--	(7,104)	--
Finance income	2,265	--	--	--
Finance cost	(158)	--	--	--
	(61,635)	(16,795)	(12,690)	(5,737)

Group transactions with related parties during 2020 are as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net sales	10,522	--	--	--
Purchases	(459)	--	--	--
Other service expenses	(15,010)	--	(10,344)	--
Remuneration	--	(17,164)	--	(4,966)
Payments for rights of use	--	--	(5,137)	--
Purchase of property, plant and equipment	--	--	(13,500)	--
Finance income	10,939	--	--	--
	5,992	(17,164)	(28,981)	(4,966)

Every year the Group contributes 0.7% of its profits before tax to a non-profit organization.

"Other service expenses" include contributions to non-profit organizations totaling Euros 10,344 thousand in 2020 (Euros 5,586 thousand in 2019 and Euros 4,282 thousand in 2018).

During 2011 one of the Company's directors signed a three-year consulting services contract. The director received annual fees of US Dollars 1 million for these services and an additional bonus of US Dollars 2 million for complying with certain conditions. In the years 2014, 2015, 2017 and 2018 the contract was renewed and the amount of the fees corresponded to US Dollars 1 million per year. The contract expired on 31 March 2019 and during 2019 the fees amounted to US Dollars 250 thousand.

On 28 December 2018, the Group sold Biotest and Haema to Scranton Enterprises B.V (shareholder of Grifols) for US Dollars 538,014 thousand (see note 3). For the payment of the mentioned amount of the sale, Scranton signed a loan contract dated 28 December 2018 for an amount of US Dollars 95,000 thousand (Euros 82,969 thousand) with Grifols Worldwide Operations Limited. The compensation is 2%+EURIBOR and due on 28 December 2025.

Directors representing shareholders´ interests have received remuneration of Euros 965 thousand in 2020 (Euros 1,501 thousand in 2019).

The Group has not extended any advances or loans to the members of the board of directors or key management personnel nor has it assumed any guarantee commitments on their behalf. It has also not assumed any pension or life insurance obligations on behalf of former or current members of the board of directors or key management personnel. In addition, certain Company directors and key management personnel have termination benefit commitments (see note 29 (c)).

(b) Conflicts of interest concerning the directors

The Company's directors and their related parties have not entered into any conflict of interest that should have been reported in accordance with article 229 of the revised Spanish Companies Act.

(32) Environmental Issues

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2019 were as follows:

Project	Thousands of Euros		
	Cost	Accumulated depreciation	Net value
Waste water treatment	10,588	(3,038)	7,550
Waste management	4,189	(1,860)	2,329
Reduction of electricity consumption	14,172	(5,135)	9,037
Reduction of water consumption	13,887	(4,329)	9,558
Energy	300	(6)	294
Other	6,763	(1,155)	5,608
	49,899	(15,523)	34,376

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2020 are as follows:

Project	Thousands of Euros		
	Cost	Accumulated depreciation	Net value
Waste water treatment	10,646	(3,673)	6,973
Waste management	4,735	(2,098)	2,637
Reduction of electricity consumption	14,247	(6,181)	8,066
Reduction of water consumption	14,664	(5,164)	9,500
Energy	374	(23)	351
Other	7,798	(1,673)	6,125
	52,464	(18,812)	33,652

Expenses incurred by the Group for protection and improvement of the environment during 2020 totaled approximately Euros 20,495 thousand (Euros 19,521 thousand during 2019 and Euros 15,474 thousand during 2018).

The Group considers that the environmental risks are adequately controlled by the procedures currently in place.

The Group has not received environmental grants during 2020, 2019 and 2018.

(33) Other Information

Audit fees:

KPMG Auditores, S.L. has invoiced the following fees for professional services during 2020 and 2019:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Audit services	1,644	1,615
Audit-related services	572	880
	2,216	2,495

Amounts included in table above, includes the total amount of fees related to services incurred during 2020 and 2019 without considering the invoice date.

Other assurance services in 2020 and 2019 include limited reviews of the interim financial statements, the audit of the consolidated financial statements under PCAOB, the audit of the consolidated financial statements of Grifols Diagnostic solutions and agreed-upon procedures.

Other entities affiliated to KPMG International have invoiced the Group for the following fees for professional services during 2020 and 2019:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Audit services	3,044	3,036
Audit-related	706	200
Tax advisory fees	11	53
Other services	105	87
	3,866	3,376

Other audit firms have invoiced the Group for the following fees for professional services during 2020 and 2019:

	Thousands of Euros	
	31/12/2020	**31/12/2019**
Audit services	58	62
	58	62

(34) COVID-19 Impact

In 2020, Grifols has continued to demonstrate its resilience and commitment to sustainable growth during the COVID-19 pandemic.

Grifols keeps its plasma centers, production facilities and the supply of products and services operational. In addition, to continue strengthening its commitment to society, Grifols works through its talent pool, R&D projects and capital expenditures to continue helping to fight the pandemic.

Due to these unprecedented times and in accordance to IAS 2 “Inventories”, Grifols recognized a total estimated impact of Euros 205 million to adjust Grifols’ inventory value primarily during the COVID-19 pandemic in the second quarter of the year.

In addition, in line with its prudence and commitment to profitability, Grifols has implemented an operating expense containment plan to yield a positive impact of Euros 112 million in the statement of profit and loss for 2020. The plan has no impact on the company’s labor force or innovation investments.

Noteworthy is the contribution mainly in Spain of the specific diagnostic test developed by Grifols for the detection of SARS-CoV-2.With all this, Grifols estimates that the net impact on operating result caused by the COVID-19 pandemic amounts to Euros 155 million. This figure includes the negative impact on inventory value and the reduced revenues from the Bioscience Division, and the positive impact of the operating expense containment plan and the contribution of the molecular test for the detection of the SARS-CoV-2 virus.

At 31 December, 2020 Grifols’ liquidity position stands at close to Euros 1,500 million, including Euros 580 million corresponding to the cash position and nearly Euros 900 million of undrawn lines of credit.

The company is equipped to respond to the demands of the current context and remains committed to its long-term growth strategy. Grifols will continue to monitor any potential impacts on operations and will take all necessary actions to mitigate any potential effect on its supply chain.

APPENDIX I
GRIFOLS, S.A. AND SUBSIDIARIES
Information on Group Companies, Associates and others for the years ended 31 December 2020, 2019 and 2018
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Name	Registered Office	Acquisition / Incorporation date	Activity	Statutory Activity	31/12/2020 % shares		31/12/2019 % shares		31/12/2018 % shares	
					Direct	Indirect	Direct	Indirect	Direct	Indirect
Fully Consolidated Companies										
Diagnostic Grifols, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1987	Industrial	Development and manufacture of diagnostic equipment, instruments and reagents.	---	100.000%	---	100.000%	---	100.000%
Instituto Grifols, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1987	Industrial	Plasma fractioning and the manufacture of haemoderivative pharmaceutical products.	99.998%	0.002%	99.998%	0.002%	99.998%	0.002%
Grifols Worldwide Operations Spain, S.A (formerly Logister, S.A.) Merged with Grifols International in 2018	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1987	Services	Manufacture, sale and purchase, commercialisation and distribution of all types of computer products and materials.	---	---	---	---	---	---
Laboratorios Grifols, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1989	Industrial	Production of glass- and plastic-packaged parenteral solutions, parenteral and enteral nutrition products and blood extraction equipment and bags.	98.600%	1.400%	98.600%	1.400%	98.600%	1.400%
Biomat, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1991	Industrial	Analysis and certification of the quality of plasma used by Instituto Grifols, S.A. It also provides transfusion centres with plasma virus inactivation services (I.P.T.H).	99.900%	0.100%	99.900%	0.100%	99.900%	0.100%
Grifols Engineering, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	2000	Industrial	Design and development of the Group's manufacturing installations and part of the equipment and machinery used at these premises. The company also renders engineering services to external companies.	99.950%	0.050%	99.950%	0.050%	99.950%	0.050%
Biomat USA, Inc.	2410 Lillyvale Avenue Los Angeles (California) United States	2002	Industrial	Procuring human plasma.	---	100.000%	---	100.000%	---	100.000%
Grifols Biologicals LLC.	5555 Valley Boulevard Los Angeles (California) United States	2003	Industrial	Plasma fractioning and the production of haemoderivatives.	---	100.000%	---	100.000%	---	100.000%
Grifols Australia Pty Ltd.	Unit 5/80 Fairbank Clayton South Victoria 3149 Australia	2009	Industrial	Distribution of pharmaceutical products and the development and manufacture of reagents for diagnostics.	100.000%	---	100.000%	---	100.000%	---
Medion Grifols Diagnostic AG	Bonnstrasse,9 3186 Düdingen Switzerland	2009	Industrial	Development and manufacturing activities in the area of biotechnology and diagnostics.	---	55.000%	---	55.000%	---	100.000%
Grifols Therapeutics LLC.	4101 Research Commons (Principal Address), 79 T.W. Alexander Drive, Research Triangle Park, North Carolina 277709, United States	2011	Industrial	Plasma fractioning and the production of haemoderivatives.	---	100.000%	---	100.000%	---	100.000%
Talecris Plasma Resources, Inc.	4101 Research Commons (Principal Address), 79 T.W. Alexander Drive, Research Triangle Park, North Carolina 277709, United States	2011	Industrial	Procurement of human plasma.	---	100.000%	---	100.000%	---	100.000%
Grifols Worldwide Operations Limited	Grange Castle Business Park, Grange Castle , Clondalkin, Dublin 22, Ireland	2012	Industrial	Packaging, labelling, storage, distribution, manufacture and development of pharmaceutical products and rendering of financial services to Group companies.	100.000%	---	100.000%	---	100.000%	---
Progenika Biopharma, S.A.	Parque Tecnológico de Vizcaya, Edificio 504 48160 Derio (Vizcaya) Spain	2013	Industrial	Development, production and commercialisation of biotechnological solutions.	91.880%	8.120%	91.880%	8.120%	99.998%	---
Asociación I+D Progenika	Parque Tecnológico de Vizcaya, Edificio 504 48160 Derio (Vizcaya) Spain	2013	Industrial	Coordination, representation, management and promotion of the common interests of associated companies, in addition to contributing to the development, growth and internationalisation of its associates and of the biosciences sector in the Basque Country.	---	---	---	---	---	99.998%
Grifols Diagnostics Solutions Inc (formerly G-C Diagnostics Corp.)	4560 Horton Street 94608 Emeryville, California United States	2013	Industrial	Manufacture and sale of blood testing products	---	55.000%	---	55.000%	100.000%	---

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					Direct	Indirect	Direct	Indirect	Direct	Indirect
Fully Consolidated Companies										
Grifols Worldwide Operations USA Inc.	13111 Temple Avenue, City of Industry, California 91746-1510 Estados Unidos	2014	Industrial	The manufacture, warehousing, and logistical support for biological products.	---	100.000%	---	100.000%	---	100.000%
Grifols Asia Pacific Pte, Ltd	501 Orchard Road nº20-01 238880 Wheelock Place, Singapore	2003	Commercial	Distribution and sale of medical and pharmaceutical products.	100.000%	---	100.000%	---	100.000%	---
Grifols Movaco, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1987	Commercial	Distribution and sale of reagents, chemical products and other pharmaceutical specialities, and of medical and surgical materials, equipment and instruments for use by laboratories and health centres.	99.999%	0.001%	99.999%	0.001%	99.999%	0.001%
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	Rua de Sao Sebastiao,2 Zona Industrial Cabra Figa 2635-448 Rio de Mouro Portugal	1988	Commercial	Import, export and commercialisation of pharmaceutical and hospital equipment and products, particularly Grifols products.	0.010%	99.990%	0.010%	99.990%	0.010%	99.990%
Grifols Chile, S.A.	Avda. Americo Vespucio, 2242 Comuna de Conchali Santiago de Chile Chile	1990	Commercial	Development of pharmaceutical businesses, which can involve the import, production, commercialisation and export of related products.	99.000%	---	99.000%	---	99.000%	---
Grifols USA, LLC.	2410 Lillyvale Avenue Los Angeles (California) United States	1990	Commercial	Distribution and marketing of company products.	---	100.000%	---	100.000%	---	100.000%
Grifols Argentina, S.A.	Bartolomé Mitre 3690/3790, CPB1605BUT Munro Partido de Vicente Lopez Argentina	1991	Commercial	Clinical and biological research. Preparation of reagents and therapeutic and diet products. Manufacture and commercialisation of other pharmaceutical specialities.	95.010%	4.990%	95.010%	4.990%	95.010%	4.990%
Grifols s.r.o.	Calle Zitna,2 Prague Czech Republic	1992	Commercial	Purchase, sale and distribution of chemical-pharmaceutical products, including human plasma.	100.000%	---	100.000%	---	100.000%	---
Grifols (Thailand) Ltd	191 Silom Complex Building, 21st Follor, Silom Road, Silom, Bangrak 10500 Bangkok Thailand	2003	Commercial	Import, export and distribution of pharmaceutical products.	---	48.000%	---	48.000%	---	48.000%
Grifols Malaysia Sdn Bhd	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Malaysia	2003	Commercial	Distribution and sale of pharmaceutical products.	---	30.000%	---	30.000%	---	30.000%
Grifols International, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1997	Commercial	Coordination of the marketing, sales and logistics for all the Group's subsidiaries operating in other countries.	99.998%	0.002%	99.998%	0.002%	99.998%	0.002%
Grifols Italia S.p.A	Via Carducci, 62d 56010 Ghezzano Pisa, Italy	1997	Commercial	Purchase, sale and distribution of chemical-pharmaceutical products.	100.000%	---	100.000%	---	100.000%	---
Grifols UK Ltd.	Gregory Rowcliffe & Milners, 1 Bedford Row, London WC1R 4BZ United Kingdom	1997	Commercial	Distribution and sale of therapeutic and other pharmaceutical products, especially haemoderivatives.	100.000%	---	100.000%	---	100.000%	---
Grifols Brasil, Lda.	Rua Umuarama, 263 Condominio Portal da Serra Vila Perneta CEP 83.325-000 Pinhais Paraná, Brazil	1998	Commercial	Import and export, preparation, distribution and sale of pharmaceutical and chemical products for laboratory and hospital use, and medical-surgical equipment and instruments.	100.000%	0.000%	100.000%	0.000%	100.000%	---
Grifols France, S.A.R.L.	Arteparc, Rue de la Belle du Canet, Bât. D, Route de la Côte d'Azur, 13590 Meyreuil France	1999	Commercial	Commercialisation of chemical and healthcare products.	99.990%	0.010%	99.990%	0.010%	99.990%	0.010%
Grifols Polska Sp.z.o.o.	Grzybowska 87 street00-844 Warsaw, Poland	2003	Commercial	Distribution and sale of pharmaceutical, cosmetic and other products.	100.000%	---	100.000%	---	100.000%	---
Logística Grifols, S.A. de C.V.	Calle Eugenio Cuzin, nº 909-913 Parque Industrial Belenes Norte 45150 Zapopán Jalisco, Mexico	2008	Commercial	Manufacture and commercialisation of pharmaceutical products for human and veterinary use.	99.990%	0.010%	99.990%	0.010%	99.990%	0.010%

This appendix forms an integral part of note 2 to the consolidated annual accounts.

APPENDIX I

GRIFOLS, S.A. AND SUBSIDIARIES

Information on Group Companies, Associates and others for the years ended 31 December 2020, 2019 and 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Name	Registered Office	Acquisition / Incorporation date	Activity	Statutory Activity	31/12/2020 % shares		31/12/2019 % shares		31/12/2018 % shares	
					Direct	Indirect	Direct	Indirect	Direct	Indirect
Fully Consolidated Companies										
Grifols México, S.A. de C.V.	Calle Eugenio Cuzin, nº 909-913 Parque Industrial Belenes Norte 45150 Zapopán Jalisco, Mexico	1993	Commercial	Production, manufacture, adaptation, conditioning, sale and purchase, commissioning, representation and consignment of all kinds of pharmaceutical products and the acquisition of machinery, equipment, raw materials, tools, movable goods and property for the aforementioned purposes.	99.980%	0.020%	99.980%	0.020%	99.980%	0.020%
Medion Diagnostics GmbH	Lochamer Schlag, 12D 82166 Gräfelfing Germany	2009	Commercial	Distribution and sale of biotechnological and diagnostic products.	---	---	---	---	---	100.000%
Grifols Nordic, AB	Sveavägen 166 11346 Stockholm Sweden	2010	Commercial	Research and development, production and marketing of pharmaceutical products, medical devices and any other asset deriving from the aforementioned activities.	100.000%	---	100.000%	---	100.000%	---
Grifols Colombia, Ltda	Carrera 7 No. 71 52 Torre B piso 9 Bogotá. D.C. Colombia	2010	Commercial	Sale, commercialisation and distribution of medicines, pharmaceutical (including but not limited to haemoderivatives) and hospital products, medical devices, biomedical equipment, laboratory instruments and reagents for diagnosis and/or healthcare software.	99.990%	0.010%	99.990%	0.010%	99.990%	0.010%
Grifols Deutschland GmbH	Lyoner Strasse 15, D-60528 Frankfurt am Main Germany	2011	Commercial	Procurement of the official permits and necessary approval for the production, commercialisation and distribution of products deriving from blood plasma, as well as the import, export, distribution and sale of reagents and chemical and pharmaceutical products, especially for laboratories and health centres and surgical and medical equipment and instruments.	100.000%	---	100.000%	---	100.000%	---
Grifols Canada, Ltd.	5060 Spectrum Way, Sute 405 (Principal Address) Mississauga, Ontario L4W 5N5 Canada	2011	Commercial	Distribution and sale of biotechnological products.	---	100.000%	---	100.000%	---	100.000%
Grifols Pharmaceutical Technology (Shanghai) Co., Ltd. (formerly Grifols Pharmaceutical Consulting (Shanghai) Co., Ltd.)	Unit 901-902, Tower 2, No. 1539, West Nanjing Rd., Jing'an District, Shanghai 200040 China	2013	Commercial	Pharmaceutical consultancy services (except for diagnosis), technical and logistical consultancy services, business management and marketing consultancy services.	100.000%	---	100.000%	---	100.000%	---
Grifols Switzerland AG	Steinengraben, 5 40003 Basel Switzerland	2013	Commercial	Research, development, import and export and commercialisation of pharmaceutical products, devices and diagnostic instruments.	100.000%	---	100.000%	---	100.000%	---
Grifols (H.K.), Limited	Units 1505-7 BerKshire House, 25 Westlands Road Hong Kong	2014	Commercial	Distribution and sale of diagnostic products.	---	100.000%	---	100.000%	---	100.000%
Grifols Japan K.K.	Hilton Plaza West Office Tower, 19th floor. 2-2, Umeda 2-chome, Kita-ku Osaka-shi Japan	2014	Commercial	Research, development, import and export and commercialisation of pharmaceutical products, devices and diagnostic instruments.	100.000%	---	100.000%	---	100.000%	---
Grifols India Healthcare Private Ltd	Regus Business Centre Pvt.Ltd.,Level15,Dev Corpora, Plot No.463,Nr. Khajana East.Exp.Highway,Thane (W), Mumbai - 400604, Maharashtra India	2014	Commercial	Distribution and sale of pharmaceutical products.	99.984%	0.016%	99.984%	0.016%	99.984%	0.016%
Grifols Diagnostics Equipment Taiwan Limited	8F., No.367, Fuxing N. RD., Songshang Dist., Taipei City 10543, Taiwan	2016	Commercial	Distribution and sale of diagnostic products.	100.000%	---	100.000%	---	100.000%	---
Grifols Viajes, S.A.	Can Guasch, 2 08150 Parets del Vallès Barcelona, Spain	1995	Services	Travel agency exclusively serving Group companies.	99.900%	0.100%	99.900%	0.100%	99.900%	0.100%
Squadron Reinsurance Designated Activity Company (formerly Squadron Reinsurance Ltd.)	The Metropolitan Building, 3rd Fl. James Joyce Street, Dublin Ireland	2003	Services	Reinsurance of Group companies' insurance policies.	---	100.000%	---	100.000%	---	100.000%
Grifols Shared Services North America, Inc. (formerly Grifols Inc.)	2410 Lillivale Avenue 90032 Los Angeles, California United States	2011	Services	Support services for the collection, manufacture, sale and distribution of plasma derivatives and related products.	100.000%	---	100.000%	---	100.000%	---
Gripdan Invest, S.L	Avenida Diagonal 477 Barcelona, Spain	2015	Services	Rental of industrial buildings	100.000%	---	100.000%	---	100.000%	---
Gri-Cel, S.A. (merged with Instituto Grifols, S.A. in 2019)	Avenida de la Generalitat 152 Sant Cugat del Valles (Barcelona) Spain	2009	Research	Research and development in the field of regenerative medicine, awarding of research grants, subscription to collaboration agreements with entities and participation in projects in the area of regenerative medicine.	---	---	---	---	0.001%	99.999%

This appendix forms an integral part of note 2 to the consolidated annual accounts.

APPENDIX I

GRIFOLS, S.A. AND SUBSIDIARIES

Information on Group Companies, Associates and others for the years ended 31 December 2020, 2019 and 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Name	Registered Office	Acquisition / Incorporation date	Activity	Statutory Activity	31/12/2020 % shares		31/12/2019 % shares		31/12/2018 % shares	
					Direct	Indirect	Direct	Indirect	Direct	Indirect
Fully Consolidated Companies										
Araclon Biotech, S.L.	Paseo de Sagasta, 17 2º izqda. Zaragoza, Spain	2012	Research	Creation and commercialisation of a blood diagnosis kit for the detection of Alzheimer's and development of effective immunotherapy (vaccine) against this disease.	---	75.100%	---	75.100%	---	73.220%
VCN Bioscience, S.L.	Avenida de la Generalitat 152 Sant Cugat del Valles (Barcelona) Spain	2012	Research	Research and development of therapeutic approaches for tumours for which there is currently no effective treatment.	---	86.830%	---	81.340%	---	81.340%
Grifols Innovation and New Technologies Limited	Grange Castle Business Park, Grange Castle , Clondalkin, Dublin 22, Ireland	2016	Research	Biotechnology research and development	---	100.000%	---	100.000%	---	100.000%
PBS Acquisition Corp. (merged with IBBI in 2019)	2711 Centerville Road Suite 400, Wilmington, Delaware, New Castle County United States	2016	Services	Engage in any lawful act or activity for which corporations may be organized under the DGCL (Delaware Code)	---	---	---	---	---	100.000%
Kiro Grifols S.L (formerly Kiro Robotics S.L)	Polígono Bainuetxe, 5, 2º planta, Aretxabaleta, Guipúzcoa Snain	2014	Research	Development of machines and equipment to automate and control key points of hospital processes, and hospital pharmacy processes.	90.000%	---	90.000%	---	90.000%	---
Chiquito Acquisition Corp.	2711 Centerville Road Suite 400, Wilmington, Delaware, New Castle County, United States	2017	Corporate	Engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware, as amended from time to time (the "DGCL").	---	100.000%	---	100.000%	---	100.000%
Aigües Minerals de Vilajuiga, S.A.	Carrer Sant Sebastià, 2, 17493 Vilajuïga, Girona	2017	Industrial	Collection and use of mineral-medicinal waters and obtainment of all necessary administrative concessions for the optimum and widest use of these.	99.990%	0.010%	99.990%	0.010%	100.000%	---
Goetech LLC (D/B/A Medkeeper)	7600 Grandview Avenue, Suite 2 10, Arvada, CO 80002, United States	2018	Industrial	Development and distribution of web and mobile-based platforms for hospital pharmacies	---	100.000%	---	54.760%	---	54.760%
Interstate Blood Bank, Inc.	5700 Pleasantville Road Memphis, Tennessee United States	2016	Industrial	Procuring human plasma.	---	100.000%	---	100.000%	---	---
Haema, AG	LandsteinerstraBe 1, 04103 Leipzig - Germany	2018	Industrial	Procurement of human plasma.	---	---	---	---	---	---
BPC Plasma, Inc (formerly Biotest Pharma Corp)	901 Yamato Rd., Suite 101, Boca Raton FL 33431 - USA	2018	Industrial	Procurement of human plasma.	---	---	---	---	---	---
Alkahest, Inc.	3500 South DuPont Hwy, Dover, County of Kent United States	2015	Research	Development novel plasma-based products for the treatment of cognitive decline in aging and disorders of the central nervous system (CNS).	---	42.450%	---	---	---	---
Plasmavita Healthcare GmbH	Colmarer Strasse 22, 60528 Frankfurt am Main - Germany	2018	Industrial	Procurement of human plasma.	---	50.000%	---	---	---	---
Plasmavita Healthcare II GmbH	Garnisongasse 4/12, 1090 Vienn a, Austria	2019	Industrial	Procurement of human plasma.	---	50.000%	---	---	---	---
Green Cross Biotherapeutics	2911 Avenue Marie Curie, Arrondissement de Saint-Laurent, Quebec Canada	2020	Industrial	Conducting business in Pharmceuticals and Medicines Industry	---	100.000%	---	---	---	
Green Cross America Inc.	1561 E Orangethorpe Ave #205, Fullerton, CA 92831 USA	2020	Industrial	Procurement of human plasma.	---	100.000%	---	---	---	
Grifols Laboratory Solutions, Inc	Corporation Trust Center, 1209, Orange Street, Wilmington, New Castle Country, Delaware, 19801 Estados Unidos	2020	Services	To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware	---	100.000%	---	---	---	
Grifols Korea Co., Ltd.	302 Teheran-ro, Gangnam-gu, Seoul (Yeoksam-dong) Korea	2020	Commercial	Import, export of diagnostic in vitro products and solutions.	100.000%	---	---	---	---	

This appendix forms an integral part of note 2 to the consolidated annual accounts.

APPENDIX I
GRIFOLS, S.A. AND SUBSIDIARIES

Information on Group Companies, Associates and others for the years ended 31 December 2020, 2019 and 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Name	Registered Office	Acquisition / Incorporation date	Activity	Statutory Activity	31/12/2020 % shares		31/12/2019 % shares		31/12/2018 % shares	
					Direct	Indirect	Direct	Indirect	Direct	Indirect
Equity-accounted investees and others										
Aradigm Corporation	3929 Point Eden Way Hayward, California United States	2013	Research	Development and commercialisation of drugs delivered by inhalation for the prevention and treatment of severe respiratory diseases.	---	35.130%	---	35.130%	---	35.130%
TiGenix N.V.	Romeinse straat 12 bus 2, 3001 Leuven, Belgium	2013	Research	Research and development of therapies based on stem cells taken from adipose tissue.	---	---	---	---	---	---
Mecwins, S.L.	Avenida Fernandos Casas Novoa, 37 Santiago de Compostela Spain	2013	Research	Research and production of nanotechnological, biotechnological and chemical solutions.	---	24.990%	---	24.990%	---	24.990%
Alkahest, Inc.	3500 South DuPont Hwy, Dover, County of Kent United States	2015	Research	Development novel plasma-based products for the treatment of cognitive decline in aging and disorders of the central nervous system (CNS).	---	---	---	47.580%	---	47.580%
Albajuna Therapeutics, S.L	Hospital Germans Trias i Pujol, carretera de Canyet, s/n, Badalona Spain	2016	Research	Development and manufacture of therapeutic antibodies against HIV.	---	49.000%	---	49.000%	---	30.000%
Interstate Blood Bank, Inc.	5700 Pleasantville Road Memphis, Tennessee United States	2016	Industrial	Procurement of human plasma.	---	---	---	---	---	49.190%
Bio Blood Components Inc.	5700 Pleasantville Road Memphis, Tennessee United States	2016	Industrial	Procurement of human plasma.	---	---	---	---	---	48.972%
Plasma Biological Services, LLC	5700 Pleasantville Road Memphis, Tennessee United States	2016	Industrial	Procurement of human plasma.	---	---	---	---	---	48.900%
Singulex, Inc.	4041 Forest Park Avenue St. Louis, Missouri United States	2016	Research	Development of the Single Molecule Counting (SMC™) technology for clinical diagnostic and scientific discovery.	---	19.330%	---	19.330%	---	19.330%
Access Biologicals, LLC.	995 Park Center Dr, Vista, CA 92081, USA	2017	Industrial	Manufacture of biological products, including specific sera and plasma-derived reagents, which are used by biotechnology and biopharmaceutical companies for in-vitro diagnostics, cell culture, and research and development in the diagnostic field.	---	49.000%	---	49.000%	---	49.000%
Access Biologicals IC-DISC, Inc.	995 Park Center Dr, Vista, CA 92081, USA	2017	Industrial	Manufacture of biological products, including specific sera and plasma-derived reagents, which are used by biotechnology and biopharmaceutical companies for in-vitro diagnostics, cell culture, and research and development in the diagnostic field.	---	49.000%	---	49.000%	---	49.000%
Access Cell Culture, LLC.	995 Park Center Dr, Vista, CA 92081, USA	2017	Industrial	Manufacture of biological products, including specific sera and plasma-derived reagents, which are used by biotechnology and biopharmaceutical companies for in-vitro diagnostics, cell culture, and research and development in the diagnostic field.	---	49.000%	---	49.000%	---	49.000%
Access Manufacturing, LLC.	995 Park Center Dr, Vista, CA 92081, USA	2017	Industrial	Manufacture of biological products, including specific sera and plasma-derived reagents, which are used by biotechnology and biopharmaceutical companies for in-vitro diagnostics, cell culture, and research and development in the diagnostic field.	---	---	---	---	---	49.000%
Access Plasma, LLC.	995 Park Center Dr, Vista, CA 92081, USA	2017	Industrial	Manufacture of biological products, including specific sera and plasma-derived reagents, which are used by biotechnology and biopharmaceutical companies for in-vitro diagnostics, cell culture, and research and development in the diagnostic field.	---	49.000%	---	49.000%	---	49.000%
GigaGen Inc.	407 Cabot Road South San Francisco, CA 94080, USA	2017	Industrial	Engage in any lawful act or activity for which corporations may be organized under General Corporation Law.	---	43.960%	---	43.960%	---	43.960%
Plasmavita Healthcare GmbH	Colmarer Strasse 22, 60528 Frankfurt am Main - Germany	2018	Industrial	Procurement of human plasma.	---	---	---	50.000%	---	50.000%
Medcom Advance, S.A	Av. Roma, 35 Entresuelo 1, 08018 Barcelona; Spain	2019	Research	Research and development of nanotechnological solutions.	---	45.000%	---	45.000%	---	---

APPENDIX I
GRIFOLS, S.A. AND SUBSIDIARIES

Information on Group Companies, Associates and others for the years ended 31 December 2020, 2019 and 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Name	Registered Office	Acquisition / Incorporation date	Activity	Statutory Activity	31/12/2020 % shares		31/12/2019 % shares		31/12/2018 % shares	
					Direct	Indirect	Direct	Indirect	Direct	Indirect
Equity-accounted investees and others										
Plasmavita Healthcare II GmbH	Garnisongasse 4/12, 1090 Vienna, Austria	2019	Industrial	Procurement of human plasma.	---	---	---	50.000%	---	---
Shanghai RAAS Blood Products Co. Ltd.	2009 Wangyuan Road, Fengxian District, Shanghai	2020	Industrial	Introducing advanced and applicable technologies, instruments and scientific management systems for manufacturing and diagnosis of blood products, in order to raise the production capacity and enhance quality standards of blood products to the international level.	26.200%	---	---	---	---	---

This appendix forms an integral part of note 2 to the consolidated annual accounts.

APPENDIX II
GRIFOLS, S.A. AND SUBSIDIARIES

Operating Segments for the years ended 31 December 2020, 2019 and 2018

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Bioscience			Hospital			Diagnostic			Bio Supplies			Others			Intersegments			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Revenues from external customers	4,242,502	3,993,462	3,516,704	118,675	134,441	119,454	775,889	733,604	702,265	224,090	266,540	167,004	31,989	22,820	22,451	(53,107)	(52,176)	(41,154)	5,340,038	5,098,691	4,486,724
Total operating income	**4,242,502**	**3,993,462**	**3,516,704**	**118,675**	**134,441**	**119,454**	**775,889**	**733,604**	**702,265**	**224,090**	**266,540**	**167,004**	**31,989**	**22,820**	**22,451**	**(53,107)**	**(52,176)**	**(41,154)**	**5,340,038**	**5,098,691**	**4,486,724**
Profit/(Loss) for the segment	**949,989**	**1,079,216**	**902,402**	**(12,504)**	**(8,674)**	**(12,587)**	**215,793**	**215,828**	**215,990**	**19,871**	**16,246**	**36,824**	**2,241**	**1,279**	**19,788**	**4,428**	**(3,094)**	**(5,764)**	**1,179,818**	**1,300,801**	**1,156,653**
Unallocated expenses																			(183,686)	(169,436)	(162,529)
Operating profit/(loss)																			**996,132**	**1,131,365**	**994,124**
Finance result																			**(177,669)**	**(274,724)**	**(257,244)**
Share of profit/(loss) of equity-accounted investee	--	--	2,839	--	--	--	--	(19,794)	(10,975)	--	--	3,039	60,166	(19,744)	(5,941)		--	--	**60,166**	**(39,538)**	**(11,038)**
Income tax expense																			(169,639)	(168,459)	(131,436)
Profit for the year after tax																			**708,990**	**648,644**	**594,406**
Segment assets	**7,975,667**	**8,416,922**	**6,928,220**	**257,360**	**274,250**	**250,543**	**3,371,125**	**3,676,011**	**3,526,136**	**251,551**	**226,814**	**117,673**	**383,981**	**77,501**	**54,363**	**(26,773)**	**(32,892)**	**(29,281)**	**12,212,911**	**12,638,606**	**10,847,654**
Equity-accounted investments	--	10,368	99,547	--	--	--	--	--	19,256	46,782	49,922	47,742	1,822,238	54,183	60,360	--	--	--	1,869,020	114,473	226,905
Unallocated assets	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1,192,845	2,789,532	1,402,487
Total assets																			**15,274,776**	**15,542,611**	**12,477,046**
Segment liabilities	**1,222,664**	**1,371,352**	**764,377**	**32,179**	**53,441**	**32,767**	**372,461**	**351,799**	**230,517**	**120,787**	**126,289**	**6,427**	**121,334**	**35,581**	**34,698**	**--**	**--**	**--**	**1,869,425**	**1,938,462**	**1,068,786**
Unallocated liabilities	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	6,685,296	6,758,381	6,711,656
Total liabilities																			**8,554,721**	**8,696,843**	**7,780,442**
Other information:																					
Allocated amortisation and depreciation	201,087	196,335	156,893	12,443	11,686	10,819	63,053	52,224	44,030	21,846	20,415	5,656	2,820	2,147	1,941	--	--	--	**301,249**	**282,807**	**219,339**
Unallocated amortisation and depreciation	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	**20,284**	**19,648**	**9,270**
Allocated expenses that do not require cash payments	38,955	43,524	172,648	529	(289)	297	(21,335)	(22,873)	(27,651)	3	393	28	(2,977)	--	--	--	--	--	**15,175**	**20,755**	**145,322**
Unallocated expenses that do not require cash payments	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	**4,924**	**2,416**	**1,339**
Allocated additions for the year of property, plant & equipment, intangible assets and rights of use	289,062	868,103	220,531	11,548	62,298	15,354	34,516	103,911	58,064	10,915	65,448	2,050	1,150	1,768	883	--	--	--	**347,191**	**1,101,528**	**296,882**
Unallocated additions for the year of property, plant & equipment, intangible assets and rights of use	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	**107,178**	**73,544**	**19,795**

This appendix forms an integral part of note 6 to the consolidated annual accounts.

APPENDIX II
GRIFOLS, S.A. AND SUBSIDIARIES

Reporting by geographical area
for the years ended 31 December 2020, 2019 and 2018

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Spain			Rest of European Union			USA + Canada			Rest of World			Consolidated		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Net Revenue	**339,169**	**268,287**	**264,913**	**495,323**	**588,375**	**535,361**	**3,599,746**	**3,390,811**	**2,974,429**	**905,800**	**851,218**	**712,021**	**5,340,038**	**5,098,691**	**4,486,724**
Assets by geographical area	**1,117,647**	**2,764,054**	**898,599**	**2,927,198**	**3,425,874**	**3,177,781**	**9,138,360**	**9,059,674**	**8,133,108**	**2,091,571**	**293,009**	**267,558**	**15,274,776**	**15,542,611**	**12,477,046**
Other information:															
Additions for the year of property, plant & equipment, intangible assets and rights of use	93,787	183,891	70,639	92,873	181,736	69,534	253,442	787,586	166,353	14,267	21,859	10,151	**454,369**	**1,175,072**	**316,677**

This appendix forms an integral part of note 6 to the consolidated annual accounts.

APPENDIX III
GRIFOLS, S.A. AND SUBSIDIARIES

Changes in Other Intangible Assets
for the year ended
31 December 2020
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Balance at 31/12/2019	Additions	Business combinations	Transfers	Disposals	Translation differences	**Balance at 31/12/2020**
Development costs	435,339	35,301	265,571	--	--	(34,821)	701,390
Concessions, patents, licenses brands & similar	229,997	16,174	5	(6)	--	(18,147)	228,023
Computer software	258,597	27,939	2,229	3,963	(11)	(13,066)	279,651
Currently marketed products	1,092,834	--	--	--	--	(88,169)	1,004,665
Other intangible assets	178,359	3,118	--	(399)	(10,233)	(14,201)	156,644
Total cost of intangible assets	2,195,126	82,532	267,805	3,558	(10,244)	(168,404)	2,370,373
Accum. amort. of development costs	(103,531)	(23,810)	--	--	--	1,466	(125,875)
Accum. amort of concessions, patents, licenses, bı	(43,656)	(8,221)	--	(1,732)	--	2,412	(51,197)
Accum. amort. of computer software	(143,806)	(19,198)	--	(9,833)	12	5,701	(167,124)
Accum. amort. of currently marketed products	(322,119)	(37,739)	--	--	--	27,890	(331,968)
Accum. amort. of other intangible assets	(80,836)	(6,844)	--	9,389	214	6,647	(71,430)
Total accum. amort intangible assets	(693,948)	(95,812)	--	(2,176)	226	44,116	(747,593)
Impairment of other intangible assets	(67,644)	(2,977)	--	--	--	5,492	(65,130)
Carrying amount of intangible assets	**1,433,534**	**(16,257)**	**267,805**	**1,382**	**(10,018)**	**(118,796)**	**1,557,650**

(See note 3)

This appendix forms an integral part of note 8 to the consolidated annual accounts.

APPENDIX III
GRIFOLS, S.A. AND SUBSIDIARIES

Changes in Other Intangible Assets
for the year ended
31 December 2019
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Balance at 31/12/2018	Additions	Business combinations	Transfers	Disposals	Translation differences	**Balance at 31/12/2019**
Development costs	377,312	53,847	--	--	-591	4,771	435,339
Concessions, patents, licenses brands & similar	196,410	26,222	2,587	293	--	4,485	229,997
Computer software	234,423	21,846	17	-518	-105	2,934	258,597
Currently marketed products	1,071,827	--	--	--	--	21,007	1,092,834
Other intangible assets	174,768	8	-365	516	-5	3,437	178,359
Total cost of intangible assets	2,054,740	101,923	2,239	291	(701)	36,634	2,195,126
Accum. amort. of development costs	(90,107)	(13,357)	--	--	--	(67)	(103,531)
Accum. amort of concessions, patents, licenses, br	(36,760)	(6,386)	--	--	--	(510)	(43,656)
Accum. amort. of computer software	(126,653)	(15,963)	--	(278)	60	(972)	(143,806)
Accum. amort. of currently marketed products	(278,795)	(38,040)	--	--	--	(5,284)	(322,119)
Accum. amort. of other intangible assets	(70,553)	(8,144)	--	(763)	--	(1,376)	(80,836)
Total accum. amort intangible assets	(602,868)	(81,890)	--	(1,041)	60	(8,209)	(693,948)
Impairment of other intangible assets	(66,335)	--	--	--	--	(1,309)	(67,644)
Carrying amount of intangible assets	**1,385,537**	**20,033**	**2,239**	**(750)**	**(641)**	**27,116**	**1,433,534**

(See note 3)

This appendix forms an integral part of note 8 to the consolidated annual accounts.

APPENDIX IV
GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Rights of Use
for the year ended
31 December 2020
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version prevails)

	Balance at 31/12/2019	Additions	Business combinations	Transfers	Disposals	Translation differences	**Balance at 31/12/2020**
Land and buildings	734,846	68,172	19,424	--	(10,935)	(52,387)	759,120
Machinery	6,167	1,775	--	(1,846)	(59)	(130)	5,907
Computer equipment	6,504	2,449	--	(37)	(347)	(341)	8,228
Vehicles	14,030	2,681	74	(10)	(1,914)	(709)	14,152
Total cost of rights of use	761,547	75,077	19,498	(1,893)	(13,255)	(53,567)	787,407
Accum. amort. of land and buildings	(49,441)	(52,774)	--	(2)	2,341	5,758	(94,118)
Accum. amort of machinery	(1,698)	(1,588)	--	955	55	40	(2,236)
Accum. amort. of computer equipment	(2,180)	(3,012)	--	37	347	168	(4,640)
Accum. amort. of vehicles	(4,370)	(5,206)	--	7	1,529	323	(7,717)
Total accum. amort of rights of use	(57,689)	(62,580)	--	997	4,272	6,289	(108,711)
Carrying amount of rights of use	**703,858**	**12,497**	**19,498**	**(896)**	**(8,983)**	**(47,278)**	**678,696**

This appendix forms an integral part of note 9 to the consolidated annual accounts.

APPENDIX IV
GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Rights of Use
for the year ended
31 December 2019
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version prevails)

	Balance at 31/12/2018	Additions	Business combinations	Transfers	Disposals	Translation differences	**Balance at 31/12/2019**
Land and buildings	--	728,246	--	381	(531)	6,750	734,846
Machinery	--	1,957	--	4,209	--	1	6,167
Computer equipment	--	3,324	--	3,156	(4)	28	6,504
Vehicles	--	14,346	--	20	(371)	35	14,030
Total cost of rights of use	--	747,873	--	7,766	(906)	6,814	761,547
Accum. amort. of land and buildings	--	(49,786)	--	--	287	58	(49,441)
Accum. amort of machinery	--	(1,768)	--	69		1	(1,698)
Accum. amort. of computer equipment	--	(2,204)	--	21	3	--	(2,180)
Accum. amort. of vehicles	--	(4,613)	--	--	231	12	(4,370)
Total accum. amort of rights of use	--	(58,371)	--	90	521	71	(57,689)
Carrying amount of rights of use	**--**	**689,502**	**--**	**7,856**	**(385)**	**6,885**	**703,858**

This appendix forms an integral part of note 9 to the consolidated annual accounts.

APPENDIX V

GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Property, Plant and Equipment
for the year ended
31 December 2020
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version prevails)

	Balances at 31/12/2019	Additions	Business combination	Transfers	Disposals	Translation differences	**Balances at 31/12/2020**
Cost:							
Land and buildings	807,195	19,843	14,964	(6,050)	(211)	(55,561)	780,180
Plant and machinery	2,141,611	50,825	48,408	103,594	(23,830)	(120,179)	2,200,429
Fixed Assets under construction	497,164	226,092	121,399	(99,616)	--	(40,457)	704,582
	3,445,970	296,760	184,771	(2,072)	(24,041)	(216,197)	3,685,191
Accumulated depreciation:							
Buildings	(108,638)	(17,974)	--	(3,826)	171	7,319	(122,948)
Plant and machinery	(1,175,075)	(145,167)	--	5,412	22,590	56,757	(1,235,483)
	(1,283,713)	(163,141)	--	1,586	22,761	64,076	(1,358,431)
Impairment of other property, plant and equipment	(2,712)	21	--	--	--	38	(2,653)
Carrying amount	**2,159,545**	**133,640**	**184,771**	**(486)**	**(1,280)**	**(152,083)**	**2,324,107**

(See note 3)

This appendix forms an integral part of note 10 to the consolidated annual accounts.

APPENDIX V

GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Property, Plant and Equipment
for the year ended
31 December 2019
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version prevails)

	Balance at 31/12/2018	Additions	Business combination	Transfers	Disposals	Translation differences	**Balance at 31/12/2019**
Cost:							
Land and buildings	726,412	30,209	30,346	10,866	(2,078)	11,440	807,195
Plant and machinery	1,984,853	55,957	19,079	68,107	(13,892)	27,507	2,141,611
Fixed assets under construction	345,391	239,111	926	(91,788)	(55)	3,579	497,164
	3,056,656	325,277	50,351	(12,815)	(16,025)	42,526	3,445,970
Accumulated depreciation:							
Buildings	(89,378)	(18,108)	(23,288)	23,111	657	(1,632)	(108,638)
Plant and machinery	(1,012,735)	(144,086)	--	(17,402)	11,901	(12,753)	(1,175,075)
	(1,102,113)	(162,194)	(23,288)	5,709	12,558	(14,385)	(1,283,713)
Impairment of other property, plant and equipment	(2,560)	(113)	--	--	--	(39)	(2,712)
Carrying amount	**1,951,983**	**162,970**	**27,063**	**(7,106)**	**(3,467)**	**28,102**	**2,159,545**
			(See note 3)				

This appendix forms an integral part of note 10 to the consolidated annual accounts.

APPENDIX VI

GRIFOLS, S.A. AND SUBSIDIARIES

Statement of Liquidity for Distribution of Interim Dividend 2019

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version prevails)

	Thousands of Euros
Forecast distributable profit for 2019:	
Projected profit after tax until 31/12/2019	827,684
Less, provision required to legal reserve	--
Estimated distributable profit for 2019	827,684
Interim dividends distributed	136,828
Forecast cash for the period 25 October 2019 to 25 October 2020:	
Cash balances at 25 October 2019	--
Projected collections	1,157,200
Projected payments, including interim dividend	557,000
Projected cash balances at 25 October 2020	600,200

This appendix forms an integral part of note 16 to the consolidated annual accounts.

At their meeting held on 19 February 2021, pursuant to legal requirements, the Directors of Grifols, S.A. authorized for issue the consolidated annual accounts and consolidated directors' report for the period from 1 January 2020 to 31 December 2020. The consolidated annual accounts comprise the documents that precede this certification.

Victor Grifols Roura (signed) Chairman	Raimon Grifols Roura (signed) Chief Executive Officer	Víctor Grifols Deu (signed) Chief Executive Officer
Carina Szpilka Lázaro (signed) Board member	Tomás Dagà Gelabert (signed) Board member	Thomas Glanzmann (signed) Vice-Chairman
Iñigo Sánchez-Asiaín Mardones (signed) Board member	Enriqueta Felip Font (signed) Board member	James Costos (signed) Board member
Steven F. Mayer (signed) Board member	Belen Villalonga Morenés (signed) Board member	Marla E. Salmon (signed) Board member
Ramón Riera Roca (signed) Board Member	Nuria Martín Barnés (signed) Secretary to the Board	

Grifols, S.A. and Subsidiaries
Condensed Consolidated Interim Financial Statements
30 June 2020

Interim Consolidated Directors' Report
30 June 2020
(With Limited Review Report thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Grifols, S.A. and Subsidiaries

Condensed Consolidated Interim Financial Statements

30 June 2020

Interim Consolidated Directors' Report

30 June 2020

(With Limited Review Report thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Limited Review on the Condensed Consolidated Interim Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Grifols, S.A. commissioned by the Directors

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of Grifols, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the balance sheet at 30 June 2020, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the explanatory notes for the six-month period then ended (all condensed and consolidated). Pursuant to article 12 of Royal Decree 1362/2007 the Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2020 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Emphasis of Matter

We draw your attention to note 2 to the accompanying interim financial statements, which states that these interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2019. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors' report for the six-month period ended 30 June 2020 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the consolidated interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors' report is not an integral part of the consolidated interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2020. Our work is limited to the verification of the consolidated interim directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Grifols, S.A. and subsidiaries.

Paragraph on Other Matters

This report has been prepared at the request of the Company's Directors in relation to the publication of the six-monthly financial report required by article 119 of the Revised Securities Market Law, enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

(*Signed on original in Spanish*)

David Hernanz Sayans

30 July 2020

GRIFOLS, S.A. and Subsidiaries

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2020

CONTENTS

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
as of 30 June 2020 and 31 December 2019

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Assets	30/06/2020	31/12/2019
	(unaudited)	
Non-current assets		
Goodwill (note 6)	5,501,972	5,507,063
Other intangible assets (note 7)	1,433,768	1,433,534
Rights of use (note 8)	693,576	703,858
Property, plant and equipment (note 7)	2,217,924	2,159,545
Investments in equity accounted investees	1,880,349	114,473
Non-current financial assets (note 9)		
Non-current financial assets measured at fair value	1,951	7
Non-current financial assets not measured at fair value	188,769	138,923
Deferred tax assets	125,032	123,024
Total non-current assets	**12,043,341**	**10,180,427**
Current assets		
Inventories	2,085,104	2,342,590
Trade and other receivables		
Trade receivables (note 10)	439,291	369,797
Other receivables (note 10)	72,105	82,509
Current income tax assets	23,577	38,269
Trade and other receivables	534,973	490,575
Other current financial assets (note 9)		
Current financial assets measured at fair value	--	1,716,738
Current financial assets not measured at fair value	12,317	12,188
Other current assets	43,370	58,111
Cash and cash equivalents	878,406	741,982
Total current assets	**3,554,170**	**5,362,184**
Total assets	**15,597,511**	**15,542,611**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
as of 30 June 2020 and 31 December 2019

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Equity and liabilities	30/06/2020	31/12/2019
	(unaudited)	
Equity		
Share capital (note 11)	119,604	119,604
Share premium	910,728	910,728
Reserves (note 11)	4,032,305	3,009,599
Treasury stock (note 11)	(43,770)	(49,584)
Interim dividend	(136,828)	(136,828)
Profit attributable to the Parent	218,247	625,146
Total	5,100,286	4,478,665
Other comprehensive Income	(903)	(903)
Translation differences	265,558	344,357
Other comprehensive expenses	264,655	343,454
Equity attributable to the Parent	**5,364,941**	**4,822,119**
Non-controlling interests	1,675,835	2,023,649
Total equity	**7,040,776**	**6,845,768**
Liabilities		
Non-current liabilities		
Grants	10,784	11,377
Provisions	30,965	8,030
Non-current financial liabilities (note 12)	6,806,259	6,846,068
Other non-current liablities	982	983
Deferred tax liabilities	467,118	463,827
Total non-current liabilities	**7,316,108**	**7,330,285**
Current liabilities		
Provisions	8,909	53,109
Current financial liabilities (note 12)	313,870	361,312
Current debts with related companies	--	1,258
Trade and other payables		
Suppliers	551,905	581,882
Other payables	133,126	165,632
Current income tax liabilities	69,243	5,966
Total trade and other payables	754,274	753,480
Other current liabilities	163,574	197,399
Total current liabilities	**1,240,627**	**1,366,558**
Total liabilities	**8,556,735**	**8,696,843**
Total equity and liabilities	**15,597,511**	**15,542,611**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Profit and Loss
for each of the three-and six-month periods ended 30 June 2020 and 2019
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Six-Months Ended		Three-Months Ended	
	30/06/2020	**30/06/2019**	**30/06/2020**	**30/06/2019**
	(unaudited)	(unaudited)	(unaudited)/ (not reviewed)	(unaudited)/ (not reviewed)
Continuing Operations				
Net revenues (note 5)	2,677,341	2,423,360	1,384,022	1,266,583
Cost of sales	(1,638,723)	(1,297,413)	(936,638)	(668,689)
Gross Margin	**1,038,618**	**1,125,947**	**447,384**	**597,894**
Research and Development	(142,113)	(132,573)	(74,248)	(69,963)
Sales, General and Administration expenses	(484,367)	(451,023)	(233,781)	(216,661)
Operating Expenses	**(626,480)**	**(583,596)**	**(308,029)**	**(286,624)**
Profit/(loss) of equity accounted investees with similar activity to that of the Group (note 2)	9,558	5,538	8,769	5,538
Operating Results	**421,696**	**547,889**	**148,124**	**316,808**
Finance income	4,580	10,621	1,982	4,982
Finance costs	(126,280)	(179,676)	(61,726)	(91,279)
Change in fair value of financial instruments	56,526	--	--	--
Impairment of financial instruments	--	(880)	--	(449)
Exchange differences	(10,755)	2,402	661	1,434
Finance Result (note 14)	**(75,929)**	**(167,533)**	**(59,083)**	**(85,312)**
Share of income/(losses) of equity accounted investees	(18,622)	(12,057)	(13,172)	(6,049)
Profit before income tax from continuing operations	**327,145**	**368,299**	**75,869**	**225,447**
Income tax expense (note 15)	(65,469)	(73,660)	(17,733)	(45,090)
Profit after income tax from continuing operations	**261,676**	**294,639**	**58,136**	**180,357**
Consolidated profit for the period	**261,676**	**294,639**	**58,136**	**180,357**
Profit attributable to the Parent	218,247	286,880	31,867	172,509
Profit/(Loss) attributable to non-controlling interest	43,429	7,759	26,269	7,848
Basic earnings per share (Euros)	0.32	0.42	0.05	0.25
Diluted earnings per share (Euros)	0.32	0.42	0.05	0.25

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income
for each of the three-and six-month periods ended 30 June 2020 and 2019

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Six-Months' Ended		Three-Months' Ended	
	30/06/2020	**30/06/2019**	**30/06/2020**	**30/06/2019**
	(unaudited)	(unaudited)	(unaudited)/ (not reviewed)	(unaudited)/ (not reviewed)
Consolidated profit for the period	**261,676**	**294,639**	**58,136**	**175,012**
Items for reclassification to profit or loss				
Translation differences	(54,982)	(14,692)	(221,154)	(72,784)
Equity accounted investees / Translation differences	(17,214)	6,226	(19,235)	(1,505)
Other comprehensive income for the period, after tax	**(72,196)**	**(8,466)**	**(240,389)**	**(74,289)**
Total comprehensive income for the period	**189,480**	**286,173**	**(182,253)**	**100,723**
Total comprehensive income attributable to the Parent	139,448	269,598	(190,130)	94,359
Total comprehensive (income)/ loss attributable to non-controlling interests	50,032	16,575	7,877	11,709
Total comprehensive income for the period	**189,480**	**286,173**	**(182,253)**	**106,068**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
for each of the six-month periods ended 30 June 2020 and 2019

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	30/06/2020	30/06/2019
	(unaudited)	
Cash flows from operating activities		
Profit before tax	**327,145**	**368,299**
Adjustments for:	**211,419**	**274,546**
Amortisation and depreciation	158,216	148,930
Other adjustments:	53,203	125,616
(Profit)/Losses on equity accounted investments	9,064	6,519
Impairment of Assets and net provision changes	(16,947)	(18,580)
Losses on disposal of fixed assets	32	595
Government grants taken to income	(663)	(787)
Finance cost / (income)	57,069	160,065
Other adjustments	4,648	(22,196)
Changes operating assets and liabilities	**87,025**	**(349,389)**
Change in inventories	250,879	(209,542)
Change in trade and other receivables	(72,081)	(53,441)
Change in current financial assets and other current assets	(11,729)	7,314
Change in current trade and other payables	(80,044)	(93,720)
Other cash flows used in operating activities	**(84,879)**	**(147,905)**
Interest paid	(74,981)	(127,500)
Interest recovered	2,155	4,424
Income tax paid	(11,236)	(22,744)
Other amounts paid	(817)	(2,085)
Net cash from operating activities	**540,710**	**145,551**
Cash flows from investing activities		
Payments for investments	**(223,323)**	**(433,904)**
Group companies and business combinations	(21,802)	(109,391)
Property, plant and equipment and intangible assets	(183,038)	(181,758)
Property, plant and equipment	(135,939)	(119,266)
Intangible assets	(47,099)	(62,492)
Other financial assets	(18,483)	(142,755)
Proceeds from the sale of property, plant and equipment	**260**	**1,940**
Net cash used in investing activities	**(223,063)**	**(431,964)**
Cash flows from financing activities		
Proceeds from and payments for financial liability intruments	(171,810)	(102,105)
Issue	108,116	104,800
Redemption and repayment	(279,926)	(206,905)
Dividends and interest on other equity instruments paid and received	1,790	(98,423)
Dividends paid	0	(101,912)
Dividends received	1,790	3,489
Other cash flows from financing activities	830	(794)
Financing costs included on the amortised costs of the debt	(9,227)	0
Transaction with minority interests with no loss of control	0	1,120
Net cash used in financing activities	**(178,417)**	**(200,202)**
Effect of exchange rate fluctuations on cash and cash equivalents	**(2,806)**	**6,520**
Net decrease in cash and cash equivalents	**136,424**	**(480,095)**
Cash and cash equivalents at beginning of the period	**741,982**	**1,033,792**
Cash and cash equivalents at end of period	**878,406**	**553,697**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Equity
for each of the six-month periods ended 30 June 2020 and 2019
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Attributable to equity holders of the Parent										
							Accumulated other comprehensive income				
	Share capital	Share premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury Stock	Translation differences	Other comprehensive income	Equity attributable to Parent	Non-controlling interests	**Equity**
Balances at 31 December 2018	**119,604**	**910,728**	**2,441,931**	**596,642**	**(136,747)**	**(55,441)**	**349,391**	**(554)**	**4,225,554**	**471,050**	**4,696,604**
Translation differences	--	--	--	--	--	--	(17,282)	--	(17,282)	8,816	(8,466)
Other comprehensive income for the period	0	0	0	0	0	0	(17,282)	0	(17,282)	8,816	(8,466)
Profit/(loss) for the period	--	--	--	286,880	--	--	--	--	286,880	7,759	294,639
Total comprehensive income for the period	0	0	0	286,880	0	0	(17,282)	0	269,598	16,575	286,173
Net change in treasury stock	--	--	--	--	--	5,791	--	--	5,791	--	5,791
Acquisition of non-controlling interests	--	--	(4,430)	--	--	--	--	--	(4,430)	4,430	0
Other changes	--	--	(837)	--	--	--	--	--	(837)	--	(837)
Distribution of 2018 profit											
Reserves	--	--	459,895	(459,895)	--	--	--	--	0	--	0
Dividends	--	--	(101,912)	--	--	--	--	--	(101,912)	--	(101,912)
Interim dividend	--	--	--	(136,747)	136,747	--	--	--	0	--	0
Operations with equity holders or owners	0	0	352,716	(596,642)	136,747	5,791	0	0	(101,388)	4,430	(96,958)
Balances at 30 June 2019 (unaudited)	**119,604**	**910,728**	**2,794,647**	**286,880**	**0**	**(49,650)**	**332,109**	**(554)**	**4,393,764**	**492,055**	**4,885,819**
Balances at 31 December 2019	**119,604**	**910,728**	**3,009,599**	**625,146**	**(136,828)**	**(49,584)**	**344,357**	**(903)**	**4,822,119**	**2,023,649**	**6,845,768**
Translation differences	--	--	--	--	--	--	(78,799)	--	(78,799)	6,603	(72,196)
Other comprehensive income for the period	0	0	0	0	0	0	(78,799)	0	(78,799)	6,603	(72,196)
Profit/(loss) for the period	--	--	--	218,247	--	--	--	--	218,247	43,429	261,676
Total comprehensive income for the period	0	0	0	218,247	0	0	(78,799)	0	139,448	50,032	189,480
Net change in treasury stock	--	--	--	--	--	5,814	--	--	5,814	--	5,814
Acquisition of non-controlling interests	--	--	408,675	--	--	--	--	--	408,675	(408,675)	0
Other changes	--	--	(11,115)	--	--	--	--	--	(11,115)	10,829	(286)
Distribution of 2019 profit											
Reserves	--	--	625,146	(625,146)	--	--	--	--	0	--	0
Dividends	--	--	--	--	--	--	--	--	0	--	0
Interim dividend	--	--	--	--	--	--	--	--	0	--	0
Operations with equity holders or owners	0	0	1,022,706	(625,146)	0	5,814	0	0	403,374	(397,846)	5,528
Balances at 30 June 2020 (unaudited)	**119,604**	**910,728**	**4,032,305**	**218,247**	**(136,828)**	**(43,770)**	**265,558**	**(903)**	**5,364,941**	**1,675,835**	**7,040,776**

GRIFOLS, S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2020

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

(1) General Information

Grifols, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law on 22 June 1987. Its registered and tax offices are in Barcelona. The Company's statutory activity consists of providing corporate and business administrative, management and control services, as well as investing in assets and property. Its principal activity involves rendering administrative, management and control services to its subsidiaries.

All the Company's shares are listed in the Barcelona, Madrid, Valencia, and Bilbao securities markets and on the Spanish Automated Quotation System (SIBE/Continuous Market). On 2 June 2011, Class B non-voting shares were listed on the NASDAQ (USA) and on the Spanish Automated Quotation System (SIBE/Continuous Market).

Grifols, S.A. is the parent company of the Group (hereinafter the Group or Grifols) which acts on an integrated basis under a common management and whose main activity is the procurement, manufacture, preparation, and sale of therapeutic products, especially haemoderivatives.

The main factory locations of the Group's Spanish companies are in Parets del Vallès (Barcelona) and Torres de Cotilla (Murcia), while the US companies are located in Los Angeles, (California), Clayton (North Carolina), Emeryville (California) and San Diego (California).

As a result of the current situation derived from the COVID-19 pandemic, the Company has made its best estimate of the potential impacts based on the information available to date and in accordance with International Financing Reporting Standards (see note 20).

(2) Basis of Presentation and Accounting Principles Applied

These condensed consolidated interim financial statements for the six-month period ended 30 June 2020 have been prepared under International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and specifically, with that provided by the guidelines of International Accounting Standard (hereinafter IAS) 34 on Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019.

The Board of Directors of Grifols, S.A. authorized these condensed consolidated interim financial statements for issue at their meeting held on 28 July 2020.

Amounts contained in these condensed consolidated interim financial statements are expressed in thousands of Euros.

The condensed consolidated interim financial statements of Grifols for the six-month period ended 30 June 2020 have been prepared based on the accounting records maintained by the Group. We also have included for information purposes the three-month period ended 30 June 2020.

Accounting principles and basis of consolidation applied

Except as noted below, the accounting principles and basis of consolidation applied in the preparation of these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual accounts as at and for the year ended 31 December 2019.

In addition, in 2020 the following standards issued by the IASB and the IFRS Interpretations Committee, and adopted by the European Union for their application in Europe have become effective and, accordingly, have been taken into account for the preparation of these condensed consolidated interim financial statements:

Standards		Mandatory application for annual periods beginning on or after: EU effective date	IASB effective date
IAS 1 IAS 8	Amendments to definition of Material (issued on 31 October 2018)	1 January 2020	1 January 2020
Various	Amendments to references to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020	1 January 2020
IFRS 3	Definition of a business (issued on 22 October 2018)	1 January 2020	1 January 2020
IFRS 9 IAS 39 IFRS 7	Interest rate Benchmark Reform (issued on 26 September 2019)	1 January 2020	1 January 2020

The application of these standards and interpretations has not had any significant impacts on these condensed consolidated interim financial statements.

At the date these condensed consolidated interim financial statements were authorized for issue, the following IFRS standards, amendments and IFRIC interpretations have been issued by the European Union but their application is not mandatory until future periods as described below:

Standards		Mandatory application for annual periods beginning on or after: EU effective date	IASB effective date
IFRS 16	As a consequence of the Covid 19 - Related Rent concessions (issued on 28 May 2020)	pending	1 June 2020
IFRS 4	Amendments to IFRS 4 Insurance Contracts - deferral to IFRS 19 (issued on 25 June 2020)	pending	1 January 2021
Various	Amendments on 14 May 2020 to: - IFRS 3 Business combinations: references to the Conceptual Framework - IAS 16 Property, Plant and equiment: proceeds before Intended Use - IAS 37 Provisions, Contigent Liabilities and Contigent Assets: Onerous contracts - Cost of Fulfilling a contract - Annual improvements 2018-2020: IFRS 1, IFRS 9, IFRS 16 and IAS 41	pending	1 January 2022
IFRS 17	Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	pending	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-Current (issued on 23 January 2020)	pending	1 January 2023

The Group has not applied any of the standards or interpretations issued prior to their effective date.

Responsibility regarding information, estimates, and relevant judgments in the application of accounting policies

The information contained in these condensed consolidated interim financial statements for the six-month period ended 30 June 2020 is the responsibility of the Directors of the Company. The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of Group accounting policies. The following notes include a summary of the relevant accounting estimates and judgements used to apply accounting policies which have the most significant effect on the amounts recognized in these condensed consolidated interim financial statements.

- Assumptions used to test non-current assets and goodwill for impairment. Relevant cash generating units are tested annually for impairment or when there is evidence that impairment could exist. These are based on risk-adjusted future cash flows discounted using appropriate interest rates. Assumptions relating to risk-adjusted future cash flows and discount rates are based on business forecasts and are therefore inherently subjective. Future events could cause a change in business forecasts, with a consequent adverse effect on the future results of the Group. To the extent considered that a reasonably possible change in key assumptions could result in impairment of goodwill, a sensitivity analysis has been disclosed in note 6.

- Determination of the fair value of assets, liabilities and contingent liabilities related to business combinations.

- Evaluation of the capitalization of development costs. The key assumption is related to the estimation of sufficient future economic benefits of the projects.

- Evaluation of provisions and contingencies. Key assumptions relate to the evaluation of the likelihood of an outflow of resources due to a past event, as well as to the evaluation of the best estimate of the likely outcome. These estimates take into account the specific circumstances of each dispute and relevant external advice and therefore are inherently subjective and could change substantially over time as new facts arise and each dispute progresses. Details of the status of various uncertainties involved in significant unresolved disputes are set out in note 17.

- The calculation of the income tax expense requires tax legislation interpretations in the jurisdictions where Grifols operates. The decision as to whether the taxation authorities will accept a given uncertain tax treatment and the expected outcome of outstanding litigation requires significant estimates and judgements. Likewise, Grifols recognizes deferred tax assets, mainly from deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which they can be utilized, based on management estimates on amount and payments of future taxable profits (see notes 4(s) and 28 to the consolidated financial statements as at and for the year ended 31 December 2019).

No changes have been made to prior year judgements relating to existing uncertainties (see note 20).

The Group is also exposed to interest rate and currency risks.

Grifols' management does not consider that there are any assumptions or causes for uncertainty in the estimates which could imply a significant risk of material adjustments arising in the next financial year (see note 20).

The estimates and relevant judgments used in the preparation of these condensed consolidated interim financial statements do not significantly differ from those applied in the preparation of the consolidated financial statements as at and for the year ended 31 December 2019.

Seasonality of transactions during this period

Given the nature of the activities conducted by the Group, there are no factors that determine any significant seasonality in the Group's operations that could affect the interpretation of these condensed consolidated interim financial statements for the six-month period ended 30 June 2020 in comparison with the financial statements for a full fiscal year.

Relative importance

When determining the information to be disclosed in these Notes, in accordance with IAS 34, the relative importance in relation to these condensed consolidated interim financial statements has been taken into account.

(3) Changes in the Composition of the Group

For the preparation of its condensed consolidated interim financial statements, the Group has included its investments in all subsidiaries, associates and joint ventures. Appendix I of the consolidated financial statements as at 31 December 2019 lists the subsidiaries, associates and joint ventures in which Grifols, S.A. holds a direct or indirect stake and that were included in the scope of consolidation at that date.

The main changes in the scope of consolidation during the interim period ended 30 June 2020 are detailed below:

- Shanghai RAAS Blood Products Co. Ltd.

In March 2019, Grifols entered into a share exchange agreement with Shanghai RAAS Blood Products Co. Ltd. (hereinafter SRAAS), through which Grifols would deliver 90 shares of its US subsidiary Grifols Diagnostic Solutions Inc. (hereinafter GDS) (representing 45% of the economic rights and 40% of the voting rights), and in exchange would receive 1,766 million SRAAS shares (representing 26.2% of the share capital). Therefore, such transaction does not entail any cash flow movement and no external financing was required to fund it.

The exchange ratio determined upon that date, was estimated using different valuation methods, including the stock price for SRAAS and discounted cash flows and market multiples for GDS.

On 30 September 2019, Grifols obtained authorization from the US agency, "Committee on Foreign Investment in the United States" (CFIUS) and on 13 November 2019, Shanghai RAAS Blood Products, Co. Ltd. obtained the authorization from the Chinese Securities Regulatory Commission (CSRC).

At 31 December 2019, Grifols delivered 90 shares of its subsidiary GDS in exchange for a contractual right resulting in an investment in an associate (equivalent to 1,766 million SRAAS shares), because at that date no shares of SRAAS were received. Consequently, as of 31 December 2019, SRAAS was the minority shareholder owning 45% of GDS. This contractual right met the definition of a financial asset under IFRS 9 – Financial Instruments and was classified as a financial asset at fair value through profit or loss as it did not comply with the principal and interest payment criteria (because shares would be received in SRAAS). Grifols recognised the aforementioned contractual right at the fair value of the GDS shares delivered and subsequently this right was measured based on its fair value through profit or loss.

On 30 March 2020, the share exchange agreement was closed and Grifols received SRAAS shares representing 26.2% of the share capital. Following this transaction, Grifols is now the largest shareholder in SRAAS whilst maintaining operating, voting and economic control over GDS.

Consequently, the consolidated balance sheet at 30 June 2020 shows no financial asset related to the contractual right, but rather an investment in SRAAS considered as investment in an associate, because GDS exercises significant influence in accordance with the criteria set out in IAS 28 – Investments in Associates and Joint Ventures. The investment in SRAAS has been recognized at stock value at the transaction date. The difference

between the value of the contractual right at 31 December 2019 and the listing value of SRAAS at 30 March 2020 has amounted to Euros 56,526 thousand and has been recognized as finance income in the consolidated statement of profit and loss (see note 14).

The impact on the consolidated statement of profit and loss resulting from the investment in an associate is included under operating profit and shown as "Profit/(loss) of equity accounted investees with similar activity to that of the Group", as SRAAS is a company operating in the plasma-derivatives sector.

Transaction costs have been recognized as part of the investment value and have amounted to Euros 31,356 thousand.

Movement in SRAAS' investment for the six-month period ended 30 June 2020 is as follows:

	Thousand of Euros
	30/06/2020
Balance at 1 January	--
Acquisition of investment in equity accounted investee	1,804,619
Share of profit / (losses)	6,779
Share of other comprehensive income / translation differences	(17,387)
Balance at 30 June	1,794,011

As of 30 June 2020, the stock market capitalization of SRAAS amounts to CNY 57,027 million.

- Plasmavita Healthcare GmbH

In November 2017, Grifols established Plasmavita Healthcare GmbH (hereinafter Plasmavita), a joint venture between Grifols (50%) and two other partners (50%) for the construction and operation of 10 plasma centers in Germany.

On 14 April 2020, Grifols made a contribution of Euros 10 million in cash that was recognized as a shareholder contribution in Plasmavita. The equity share of 50% has remained invariable after the contribution. However, in assessing the existence of control due to new shareholder agreement signed on this date, the following has been concluded:

- Grifols has a casting vote for any decision, determination and approval, with respect to the annual budget of Plasmavita and the distribution of dividends. Grifols has the power to decide on key business decisions.
- Grifols is involved in the decision-making related to exposure or rights to variable returns from the investee.
- Grifols has the casting vote to distribute dividends.

Considering the above, it can be concluded that Grifols has control over Plasmavita and, therefore, it is considered part of the group and it has been fully consolidated.
Details of the aggregate business combination cost, the provisional fair value of the net assets acquired and the provisional goodwill at the acquisition date are provided below:

	Thousands of Euros
Consideration paid	
Cash paid	10,000
Total consideration paid	10,000
Fair value of the previous investment in the company	10,674
Fair value of net assets acquired	21,374
Minority interest	(10,687)
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 6)	9,987

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

	Fair value Thousands of Euros
Intangible assets (note 7)	177
Rights of use (note 7)	7,856
Property, plant and equipment (note 7)	5,880
Investment in group companies	9,548
Non-current financial assets	5,017
Inventories	1,114
Trade and other receivables	811
Other current assets	805
Cash and cash equivalents	359
Total assets	31,567
Non-current liabilities	(8,936)
Current liabilities	(1,257)
Total liabilities and contingent liabilities	(10,193)
Total net assets acquired	21,374

The resulting goodwill was allocated to the Bioscience segment.

If the acquisition had taken place on 1 January 2020, the net amount of the Group´s revenue and profit would not have differed significantly.

The difference between the fair value of the previous investment and the book value amounts to Euros 5,357 thousand and has been recognized as income under "Profit/(loss) of equity accounted investees with similar activity to that of the Group" in the consolidated statement of profit or loss. The minority interest's share of the contribution made amounts to Euros 5 million and has been recognized as a loss under the same line item.

(4) Financial Risk Management Policy

At 30 June 2020 the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

(5) Segment Reporting

The distribution by business segments of the Group's net revenues for the three- and six-month periods ended 30 June 2020 and 30 June 2019 is as follows:

	Net revenues (Thousands of Euros)			
Segments	Six-Months Ended 30 June 2020	Six-Months Ended 30 June 2019	Three-Months Ended 30 June 2020	Three-Months Ended 30 June 2019
			Not reviewed	Not reviewed
Bioscience	2,158,852	1,920,065	1,118,910	1,004,450
Hospital	57,863	63,443	27,188	32,947
Diagnostic	340,012	348,674	172,136	183,193
Bio supplies	126,718	104,235	62,579	52,713
Other	18,657	11,095	13,513	6,032
Intersegments	(24,761)	(24,152)	(10,304)	(12,752)
Total Revenues	2,677,341	2,423,360	1,384,022	1,266,583

The distribution by geographical area of the Group's net revenues for the three- and six-month periods ended 30 June 2020 and 30 June 2019 is as follows:

	Net revenues (Thousands of Euros)			
Geographical area	Six-Months Ended 30 June 2020	Six-Months Ended 30 June 2019	Three-Months Ended 30 June 2020	Three-Months Ended 30 June 2019
			Not reviewed	Not reviewed
Spain	128,614	132,680	59,072	67,763
Rest of the EU	247,828	258,083	117,771	133,264
USA + Canada	1,844,576	1,648,343	932,425	852,610
Rest of the World	456,323	384,255	274,754	212,946
Total Revenues	2,677,341	2,423,360	1,384,022	1,266,583

*2020 Grifols UK Ltd. figures are reported in Rest of the World. For comparison purposes, 2019 Grifols UK Ltd. figures have been reclassified from EU to Rest of the World.

The distribution by business segments of the Group's consolidated income for the three- and six-month periods ended 30 June 2020 and 30 June 2019 is as follows:

	Profit/(loss) (Thousands of Euros)			
Segments	Six-Months Ended 30 June 2020	Six-Months Ended 30 June 2019	Three-Months Ended 30 June 2020	Three-Months Ended 30 June 2019
			Not reviewed	Not reviewed
Bioscience	414,397	523,803	125,194	270,277
Hospital	(8,584)	(5,373)	(2,697)	(718)
Diagnostic	87,234	97,744	50,006	66,068
Bio supplies	8,374	6,043	1,936	4,761
Other	(5,976)	4,650	6,804	9,844
Intersegments	4,005	(579)	5,434	2,327
Total income of reported segments	499,450	626,288	186,677	352,559
Unallocated expenses plus net financial result	(172,305)	(257,989)	(110,808)	(127,112)
Profit before income tax from continuing operations	327,145	368,299	75,869	225,447

(6) Goodwill

Details and movement in goodwill during the six-month period ended 30 June 2020 is as follows:

		Thousands of Euros				
	Segment	**Balance at 31/12/2019**	Business Combination	Disposals	Translation differences	**Balance at 30/06/2020**
Net value						
Grifols UK, Ltd. (UK)	Bioscience	8,107	--	--	(544)	7,563
Grifols Italia.S.p.A. (Italy)	Bioscience	6,118	--	--	--	6,118
Biomat USA, Inc.(USA)	Bioscience	255,896	--	--	(91)	255,805
Grifols Australia Pty Ltd. (Australia) / Medion Diagnostics AG (Switzerland)	Diagnostic	9,472	--	--	(75)	9,397
Grifols Therapeutics, Inc. (USA)	Bioscience	1,979,678	--	--	(705)	1,978,973
Araclon Biotech, S.L. (Spain)	Diagnostic	6,000	--	--	--	6,000
Progenika Biopharma, S.A. (Spain)	Diagnostic	40,516	--	--	--	40,516
Grifols Diagnostic (Novartis & Hologic) (USA, Spain and Hong Kong)	Diagnostic	2,600,950	--	(12,902)	(486)	2,587,562
Kiro Grifols, S.L. (Spain)	Hospital	24,376	--	--	--	24,376
Goetech, LLC. (USA)	Hospital	60,126	--	--	(21)	60,105
Haema, AG. (Germany)	Bioscience	190,014	--	--	--	190,014
BPC Plasma, Inc (formerly Biotest Pharma, Corp.) (USA)	Bioscience	152,948	--	--	(55)	152,893
Interstate Blood Bank, Inc. (USA)	Bioscience	172,862	--	--	(199)	172,663
Plasmavita Healthcare, GmbH (Germany) (see note 3)	Bioscience	--	9,987	--	--	9,987
		5,507,063	9,987	(12,902)	(2,176)	5,501,972

Impairment testing:

As a result of the acquisition of Talecris in 2011, and for impairment testing purposes, the Group combines the CGUs allocated to the Bioscience segment, grouping them together at segment level, because substantial synergies were expected to arise on the acquisition of Talecris, and due to the vertical integration of the business and the lack of an independent organized market for the products. Because the synergies benefit the Bioscience segment globally they cannot be allocated to individual CGUs. The Bioscience segment represents the lowest level to which goodwill is allocated and is subject to control by Group management for internal control purposes.

As a result of the acquisition of Novartis' Diagnostic business unit in 2014, the Group decided to combine Araclon, Progenika, Australia and Hologic's share of NAT donor screening unit acquisition into a single CGU for the Diagnostic business as the acquisition is supporting not only the vertically integration business but also cross-selling opportunities. In addition, for management purposes, the Group's management is focused on the business more than geographical areas or individual companies.

Due to the acquisition of an additional 40% stake in Kiro Grifols S.L. and a 51% stake in Goetech LLC (Medkeeper), the Group decided to group Kiro Grifols S.L., Laboratorios Grifols S.L. and Medkeeper into a single CGU for the Hospital business since the acquisitions are supporting cross-selling opportunities.

The CGUs established by Management are:

- Bioscience
- Diagnostic
- Hospital

The COVID-19 pandemic has caused unprecedented turmoil in the global economy, the breadth and duration of which remain unknown. While some industries and companies may be more vulnerable than others, the effects of the pandemic have affected social and economic behavior, increasing the overall uncertainty.

Our products from Bioscience CGU are considered lifesaving and have been identified as a strategic industry for most governments and therefore are prevented from being suspended.

However, at the preparation date of the financial statements, Grifols has estimated a temporary impact derived from COVID-19 (see note 20). Although the underlying business remains robust, this impact together with the deterioration of macroeconomic conditions has recommended to test the Bioscience and Hospital CGU for impairment for the six-month period ended 30 June 2020.

There are no indications of impairment in the Diagnostic CGU since new opportunities arising from COVID-19 pandemic would offset the potential negative impact derived from the crisis.

The recoverable amount of the Bioscience CGU and Hospital CGU has been calculated based on its value in use calculated as the present value of the future cash flows discounted at a discount rate considering the related inherent risk.

In the current uncertain environment, the recoverable amount calculations of the Bioscience and Hospital CGU use expected cash flow projections for five years based on two different scenarios considered in respect of COVID-19 impact (base case and worst case) and the assigned weighting of these scenarios according to the following details:

	Main assumption	Assigned weighting
Base case	COVID-19 impact only in 2020	70%
Worst case	COVID-19 impact in 2020 and 2021	30%

Management has determined the gross margin based on past experience and the current situation derived from the COVID-19 pandemic, investments in progress which would imply significant growth in production capacity and its forecast international market development.

Cash flows estimated as of the year in which stable growth in the CGU has been reached are extrapolated using the estimated growth rates indicated below. Perpetual growth rates are consistent with the forecasts included in industry reports.

The key assumptions used in calculating impairment testing of the CGUs for 2019 were as follows:

	Perpetual Growth rate	Pre-tax discount rate
Bioscience	2.0%	8.8%
Hospital	1.5%	10.8%

The key assumptions used in calculating impairment testing of the CGUs for the six-month period ended 30 June 2020 have been as follows:

	Perpetual Growth rate	Pre-tax discount rate
Bioscience	1.8%	8.9%
Hospital	1.3%	11.3%

The discount rate used reflects specific risks relating to the CGUs and the countries in which they operate. The main assumptions used for determining the discount rate are as follows:

- Risk free rate: normalized government bonds at 10 years
- Market risk premium: premium based on market research
- Unlevered beta: average market beta
- Debt to equity ratio: average market ratio

The reasonably possible changes considered for the Bioscience and Hospital CGUs are a variation in the discount rate, as well as in the estimated perpetual growth rate, as follows:

	Perpetual Growth rate	Pre-tax discount rate
Bioscience	+/- 50 bps	+/- 50 bps
Hospital	+/-100 bps	+/-100 bps

The reasonably possible changes in key assumptions considered by management in the calculation of the Bioscience and Hospital CGU's recoverable amount would not cause the carrying amount to exceed its recoverable amount.

At 30 June 2020 Grifols' stock market capitalization totals Euros 15,795 million (Euros 18,831 million at 31 December 2019).

(7) Other Intangible Assets, Rights of Use and Property, Plant, and Equipment

Movement inother intangible assets, rights of use and property, plant and equipment during the six-month period ended 30 June 2020 is as follows:

	Thousands of Euros			
	Other intangible assets	Rights of Use	Property, plant and equipment	Total
Total Cost at 31/12/2019	2,195,126	761,547	3,445,970	6,402,643
Total depreciation and amortization at 31/12/2019	(693,948)	(57,689)	(1,283,713)	(2,035,350)
Impairment at 31/12/2019	(67,644)	--	(2,712)	(70,356)
Balance at 31/12/2019	1,433,534	703,858	2,159,545	4,296,937
Cost				
Additions	47,236	22,989	145,040	215,265
Business combination (note 3)	177	7,856	5,880	13,913
Disposals	(271)	(8,852)	(6,246)	(15,369)
Transfers	2,994	(399)	(2,999)	(404)
Translation differences	(1,478)	(1,802)	(14,151)	(17,431)
Total Cost at 30/06/2020	2,243,784	781,339	3,573,494	6,598,617
Depreciation & amortization				
Additions (note 13)	(44,455)	(32,003)	(81,758)	(158,216)
Disposals	210	797	5,804	6,811
Transfers	(2,175)	399	2,181	405
Translation differences	948	733	4,536	6,217
Total depreciation and amortization at 30/06/2020	(739,420)	(87,763)	(1,352,950)	(2,180,133)
Impairment				
Additions	(2,977)	--	56	(2,921)
Translation differences	25	--	36	61
Total impairment at 30/06/2020	(70,596)	--	(2,620)	(73,216)
Total balance at 30/06/2020	1,433,768	693,576	2,217,924	4,345,268

At 30 June 2020 there are no indications that these assets have been impaired.

Intangible assets acquired from Talecris mainly include currently marketed products. Identifiable intangible assets correspond to Gamunex and have been recognized at fair value at the acquisition date of Talecris and classified as currently marketed products. Intangible assets recognized comprise the rights on the Gamunex product, its commercialization and distribution license, trademark, as well as relations with hospitals. Each of these components are closely linked and fully complementary, are subject to similar risks and have a similar regulatory approval process.

Intangible assets acquired from Progenika mainly include currently marketed products. Identifiable intangible assets correspond to blood, immunology and cardiovascular genotyping. These assets have been recognized at fair value at the acquisition date of Progenika and classified as currently marketed products.

The cost and accumulated amortization of currently marketed products acquired from Talecris and Progenika at 30 June 2020 is as follows:

	Thousands of Euros			
	Balance at 31/12/2019	Additions	Translation differences	**Balance at 30/06/2020**
Cost of currently marketed products - Gamunex	1,069,042	--	(381)	1,068,661
Cost of currently marketed products - Progenika	23,792	--	--	23,792
Accumulated amortisation of currently marketed products - Gamunex	(305,865)	(18,199)	497	(323,567)
Accumulated amortisation of currently marketed products - Progenika	(16,254)	(1,190)	--	(17,444)
Net carrying amount of currently marketed products	770,715	(19,389)	116	751,443

The estimated useful life of the currently marketed products acquired from Talecris is considered limited, has been estimated at 30 years on the basis of the expected life cycle of the product (Gamunex) and is amortized on a straight-line basis.

At 30 June 2020 the residual useful life of currently marketed products from Talecris is 20 years and 11 months (21 years and 11 months at 30 June 2019).

The estimated useful life of the currently marketed products acquired from Progenika is considered limited, has been estimated at 10 years on the basis of the expected life cycle of the product and is amortized on a straight-line basis.

At 30 June 2020 the residual useful life of currently marketed products from Progenika is 2 years and 8 months (3 years and 8 months at 30 June 2019).

(8) Leases

Details of leases at 30 June 2020 and 31 December 2019 are as follows:

Rights of use	Thousands of Euros	
	30/06/2020	31/12/2019
Land and Buildings	677,353	685,405
Machinery	4,129	4,469
Computer equipment	4,335	4,324
Vehicles	7,759	9,660
	693,576	703,858

Lease liabilities	Thousands of Euros	
	30/06/2020	31/12/2019
Non-current	695,321	696,285
Current	44,613	44,405
	739,934	740,690

Movement during the period ended 30 June 2020 is included in note 7 “Other intangible assets, rights of use and property, plant and equipment”.

The amounts recognized in the consolidated statement of profit and loss related to lease agreements for the three-month and six-month period ended 30 June 2019 and 2020 are as follows:

Rights of use depreciation	Thousands of Euros			
	Six-Months Ended 30 June 2020	Six-Months Ended 30 June 2019	Three-Months Ended 30 June 2020	Three-Months Ended 30 June 2019
			Not reviewed	Not reviewed
Buildings	26,941	23,479	13,696	11,797
Machinery	823	854	420	423
Computer equipment	1,511	1,063	915	541
Vehicles	2,728	2,028	1,329	1,084
	32,003	27,424	16,360	13,845

	Thousands of Euros			
	Six-Months Ended 30 June 2020	Six-Months Ended 30 June 2019	Three-Months Ended 30 June 2020	Three-Months Ended 30 June 2019
			Not reviewed	Not reviewed
Finance lease expenses (note 14)	18,055	16,586	9,117	8,873
	18,055	16,586	9,117	8,873

	Thousands of Euros			
	Six-Months Ended 30 June 2020	Six-Months Ended 30 June 2019	Three-Months Ended 30 June 2020	Three-Months Ended 30 June 2019
			Not reviewed	Not reviewed
Expenses related to short-term or low-value agreements	7,398	11,008	3,129	5,254
Other operating lease expenses	6,210	6,311	3,579	3,257
	13,608	17,319	6,708	8,511

At 30 June 2020, the Group has paid a total of Euros 40,555 thousand related to lease agreements (Euros 29,880 thousand at 30 June 2019).

The total amount recognized in the balance sheet corresponds to lease agreements in which the Group is the lessee.

(9) Financial Assets

Details of non-current financial assets on the consolidated balance sheet at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	30/06/2020	**31/12/2019**
Investments in quoted shares	1,951	7
Total Non-current financial assets measured at fair value	1,951	7
Non-current guarantee deposits	6,173	5,433
Other non-current financial assets (a)	59,352	29,504
Non-current loans to related parties	86,332	86,363
Non-current loans to associates (b)	36,912	17,623
Total Non-current financial assets at amortized cost	188,769	138,923

Details of other current financial assets on the consolidated balance sheet at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	30/06/2020	**31/12/2019**
Other current financial assets (c)	--	1,716,738
Current financial assets measured at fair value	--	1,716,738
Deposits and guarantees	534	713
Other current financial assets (a)	10,860	10,691
Current loans to third parties	923	65
Current loans to associates (b)	--	719
Current financial assets at amortized cost	12,317	12,188

(a) Other financial assets

The closing balance is mainly related to balances with other related parties.

(b) Loans to associates

During fiscal year 2018, the Group granted a line of credit of US Dollars 100 million to Alkahest that bears interest at an annual rate of 5% and falls due on 2021.

At 30 June 2020, Alkahest has drawn down a total amount of US Dollars 40 million (Euros 36,912 thousand). At 31 December 2019, Alkahest had drawn down a total amount of US Dollars 20 million (Euros 18,342 thousand).

(c) Other current financial assets

At 31 December 2019, Grifols delivered 90 shares of its subsidiary GDS in exchange for a contractual right resulting in an investment in an associate (equivalent to 1,766 million SRAAS shares), because at that date no shares of SRAAS were received. Consequently, as of 31 December 2019, SRAAS was the minority shareholder owning 45% of GDS. This contractual right met the definition of a financial asset under IFRS 9 – Financial Instruments and was classified, at 31 December 2019, as a financial asset at fair value through profit or loss as it did not comply with the principal and interest payment criteria (because shares would be received in SRAAS).

Grifols recognised the aforementioned contractual right at the fair value of the GDS shares delivered and subsequently this right was measured based on its fair value through profit or loss.

On 30 March 2020 the transaction with SRAAS was closed and the Group recognized the investment in SRAAS as an associate (see note 3 (a)).

(10) Trade and Other Receivables

At 30 June 2020, certain companies of the group had signed sales agreements for credit receivables without recourse with certain financial institutions.

The total sum of credit receivables sold without recourse, for which ownership was transferred to financial institutions pursuant to the aforementioned agreements, amounts to Euros 1,282,858 thousand for the six-month period ended 30 June 2020 (Euros 701,153 thousand for the six-month period ended 30 June 2019 and Euros 1,593,260 thousand for the year ended 31 December 2019).

The finance cost of receivables sold amounts to Euros 5,027 thousand for the six-month period ended 30 June 2020 (Euros 4,317 thousand for the six-month period ended 30 June 2019) (see note 14).

(11) Equity

Details of consolidated equity and changes are shown in the condensed consolidated statement of changes in equity, which forms an integral part of the condensed consolidated interim financial statements.

(a) Share capital and share premium

At 30 June 2020 and 31 December 2019, the Company's share capital amounts to Euros 119,603,705 and comprises:

• Class A shares: 426,129,798 ordinary shares of Euros 0.25 par value each, subscribed and fully paid and of the same class and series.

• Class B shares: 261,425,110 non-voting preference shares of 0.05 Euros par value each, of the same class and series, and with the preferential rights set forth in the Company's by-laws.

(b) Reserves

The availability of the reserves for distribution is subject to legislation applicable to each of the Group companies. At 30 June 2020, Euros 34,122 thousand equivalent to the carrying amount of development costs pending amortization of certain Spanish companies (Euros 12,891 thousand at 31 December 2019) are, in accordance with applicable legislation, restricted reserves which cannot be distributed until these development costs have been amortized.

Companies in Spain are obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase.

At 30 June 2020 and 31 December 2019 the legal reserve of the Parent amounts to Euros 23,921 thousand.

(c) Treasury stock

At 30 June 2020 and 30 June 2019 the Company does not have Class A treasury stock.

Movement in Class B treasury stock during the six-month period ended 30 June 2020 is as follows:

	No. of Class B shares	Thousand of Euros
Balance at 1 January 2020	3,415,052	49,584
Disposals Class B shares	(400,421)	(5,814)
Balance at 30 June 2020	3,014,631	43,770

In March 2020 the Group delivered 400,421 treasury stocks (Class B shares) to eligible employees as compensation for the Restricted Share Unit Retention Plan (see note 17 (b)).

Movement in Class B treasury stock during the six-month period ended 30 June 2019 is as follows:

	No. of Class B shares	Thousand of Euros
Balance at 1 January 2019	3,818,451	55,441
Disposals Class B shares	(398,888)	(5,791)
Balance at 30 June 2019	3,419,563	49,650

In March 2019 the Company delivered 398,888 treasury stocks (Class B shares) to eligible employees as compensation for the Restricted Share Unit Retention Plan (see note 17 (b)).

(d) Distribution of profits

The profits of Grifols, S.A. and subsidiaries will be distributed as agreed by the respective shareholders at their general meetings and the proposed distribution of profit for the year ended 31 December 2019 is presented in the consolidated statement of changes in equity.

As a result of the current situation derived from the COVID-19 pandemic, the Shareholders meeting has been delayed and it is expected to be held during the last quarter of the year.

For this reason, no dividends were paid during the six-month period ended 30 June 2020.

Dividends paid during the six-month period ended 30 June 2019 were as follows:

	Six-Months Ended 30 June 2019		
	% of par value	Euros per share	Thousands of Euros
Ordinary Shares	58%	0.15	61,850
Non-voting shares	290%	0.15	37,448
Non-voting shares (Preferred Dividend)	20%	0.01	2,614
Total Dividends Paid			101,912

(e) Restricted Share Unit Compensation

The Group has set up a Restricted Share Unit Retention Plan (hereinafter RSU) for certain employees (see note 17 (b)). This commitment is settled using equity instruments and the cumulative accrual amounts to Euros 12,080 thousand in June 2020 (Euros 12,498 thousand in December 2019).

(12) Financial Liabilities

Details of financial liabilities at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
Financial liabilities	**30/06/2020**	**31/12/2019**
Non-current obligations (a)	2,675,000	2,675,000
Senior secured debt (b)	3,532,582	3,551,300
Other loans	216,169	216,686
Other non-current financial liabilities	23,233	59,981
Non-current lease liabilities (note 8)	695,321	696,285
Loan transaction costs	(336,046)	(353,184)
Total non-current financial liabilities	6,806,259	6,846,068
Current obligations (a)	124,692	109,693
Senior secured debt (b)	35,864	35,872
Other loans	109,062	184,164
Other current financial liabilities	53,811	41,768
Current lease liabilities (note 8)	44,614	44,405
Loan transaction costs	(54,173)	(54,590)
Total current financial liabilities	313,870	361,312

On 15 November 2019 the Group concluded the refinancing process of its senior secured debt for Euros 5,800 million. The new financing includes a Term Loan B for US Dollars 2,500 million and Euros 1,360 million, both aimed at institutional investors; the issue of two bonds for a total amount of Euros 1,675 million (Senior Secured Notes); and the extension of a multi-currency revolving credit facility up to US Dollars 500 million.

On 7 May 2020, the Group concluded the upsize of the multi-currency revolving credit facility from US Dollars 500 million to US Dollars 1,000 million with maturity in November 2025.

In September 2018, Grifols obtained a new non-current loan from the European Investment Bank totaling Euros 85,000 thousand that will be used by Grifols to support its investments in R&D&i, mainly focused on the search for new therapeutic indications for plasma-derived protein therapies. The financial terms include a fixed interest rate and, a maturity of 10 years with a grace period of 2 years.

On 5 December 2017 and 28 October 2015, the Group arranged loans with the same entity and with the same conditions for amounts of Euros 85,000 thousand and Euros 100,000 thousand, respectively. At 30 June 2020 and 31 December 2019, the carrying amount of the loans obtained from the European Investment Bank amounts to Euros 233,750 thousand.

(a) Senior Notes

On 15 November 2019, as part of its refinancing process, Grifols, S.A. issued Euros 1,675 million of Senior Secured Notes segmented in two notes of Euros 770 million and Euros 905 million. These notes will mature in 2027 and 2025 and will bear interest at an annual rate of 2.25% and 1.625%, respectively. On 15 November 2019 the notes were admitted to listing on the Irish Stock Exchange.

On 18 April 2017, Grifols, S.A., issued Euros 1,000 million of Senior Unsecured Notes that will mature in 2025 and will bear interest at an annual rate of 3.20%. On 2 May 2017 the notes were admitted to listing on the Irish Stock Exchange.

The total principal plus interest payable of the Senior Notes is detailed as follows:

	Senior Unsecured Notes	Senior Secured Notes
	Principal+Interest in Thousands of Euros	Principal+Interest in Thousands of Euros
Maturity		
2020	16,000	16,016
2021	32,000	32,031
2022	32,000	32,031
2023	32,000	32,031
2024	32,000	32,031
2025	1,016,000	929,678
2026	0	17,325
2027	0	787,325
Total	1,160,000	1,878,469

(b) Senior Secured Debt

Current loans and borrowings include accrued interest amounting to Euros 4,333 thousand at 30 June 2020 (Euros 6,266 thousand at 31 December 2019).

On 15 November 2019 the Group refinanced its Senior Secured Debt with the existing lenders. The new senior debt consists of a Term Loan B ("TLB"), which amounts US Dollars 2,500 million and Euros 1,360 million with a 2.00% margin pegged to Libor and a 2.25% margin pegged to Euribor respectively, maturity in 2027 and quasi-bullet repayment structure. The borrowers of the total senior debt are Grifols, S.A. and Grifols Worldwide Operations USA, Inc.

The costs of refinancing the senior debt amounted to Euros 93.6 million.

The terms and conditions of the senior secured debt are as follows:

- **Tranche B**: eight-year loan divided into two tranches: US Tranche B and Tranche B in Euros.

  - **Tranche B in US Dollars**:
    - Original principal amount of US Dollars 2,500 million.
    - Applicable margin of 200 basis points (bp) linked to US Libor.
    - Quasi-bullet repayment structure.
    - Maturity in 2027

- **Tranche B in Euros:**
  - Original principal amount of Euros 1,360 million.
  - Applicable margin of 225 basis points (bp) linked to Euribor.
  - Quasi-bullet repayment structure.
  - Maturity in 2027

Details of the Tranche B by maturity at 30 June 2020 are as follows:

	Tranche B in US Dollars			Tranche B in Euros	
	Currency	Principal in thousands of US Dollars	Principal in thousands of Euros	Currency	Principal in thousands of Euros
Maturity					
2020	US Dollars	12,500	11,132	Euros	6,800
2021	US Dollars	25,000	22,264	Euros	13,600
2022	US Dollars	25,000	22,264	Euros	13,600
2023	US Dollars	25,000	22,264	Euros	13,600
2024	US Dollars	25,000	22,264	Euros	13,600
2025	US Dollars	25,000	22,264	Euros	13,600
2026	US Dollars	25,000	22,264	Euros	13,600
2027	US Dollars	2,325,000	2,070,532	Euros	1,264,800
Total	US Dollars	2,487,500	2,215,248	Euros	1,353,200

- **US Dollar 1,000 million committed credit revolving facility:** On 7 May 2020, the Group concluded the upsize of the multi-currency revolving credit facility from US Dollars 500 million to US Dollars 1,000 million with maturity in November 2025 and an applicable margin of 150 basis points (bp) linked to US Libor. At 30 June 2020 no amount has been drawn down on this facility.

The total principal plus interest of Tranche B Senior Loan is as follows:

	Thousand of Euros
	Tranche B Senior Loan
Maturity	
2020	57,108
2021	112,990
2022	112,207
2023	111,425
2024	110,849
2025	109,862
2026	109,079
2027	3,398,674
Total	4,122,194

Both the Senior Term Loans and the Revolving Loans are secured by Grifols, S.A. and certain significant subsidiaries of Grifols, S.A., which together with Grifols, S.A., represent, in the aggregate, at least 70% of the consolidated assets and consolidated EBITDA of the Group.

The Notes have been issued by Grifols S.A. and are guaranteed on a senior secured basis by subsidiaries of Grifols, S.A. that are guarantors and co-borrower under the New Credit Facilities. The guarantors are Grifols Worldwide Operations Limited, Biomat USA, Inc., Grifols Biologicals Inc., Grifols Shared Services North America, Inc., Talecris Plasma Resources, Inc.., Grifols Therapeutics, Inc., Instituto Grifols, S.A., Grifols Worldwide Operations USA, Inc., Grifols USA, Llc. and Grifols International, S.A.

(13) Expenses by Nature

Details of wages and other employee benefits expenses by function are as follows:

	Thousands of Euros			
	Six-Months Ended 30 June 2020	Six-Months Ended 30 June 2019	Three-Months Ended 30 June 2020	Three-Months Ended 30 June 2019
			Not reviewed	Not reviewed
Cost of sales	563,519	474,304	288,298	240,474
Research and development	56,399	52,597	27,891	27,085
Selling, general & administrative expenses	205,139	188,193	102,319	94,016
	825,057	715,094	418,508	361,575

Details of amortization and depreciation expenses by function are as follows:

	Thousands of Euros			
	Six-Months Ended 30 June 2020	Six-Months Ended 30 June 2019	Three-Months Ended 30 June 2020	Three-Months Ended 30 June 2019
			Not reviewed	Not reviewed
Cost of sales	100,048	95,689	50,927	47,832
Research and development	13,337	10,712	7,255	5,358
Selling, general & administrative expenses	44,831	42,529	22,461	21,253
	158,216	148,930	80,643	74,443

(14) Finance Result

Details are as follows:

	Thousands of Euros			
	Six-Months Ended 30 June 2020	Six-Months Ended 30 June 2019	Three-Months Ended 30 June 2020	Three-Months Ended 30 June 2019
			Not reviewed	Not reviewed
Finance income	4,580	10,621	1,982	4,982
Finance cost from Senior Unsecured Notes	(42,667)	(18,028)	(21,233)	(9,082)
Finance cost from Senior debt	(63,065)	(143,173)	(29,260)	(72,196)
Finance cost from sale of receivables (note 10)	(5,027)	(4,317)	(3,005)	(2,160)
Capitalised interest	9,102	6,919	4,349	3,518
Finance lease expense (note 8)	(18,055)	(16,586)	(9,117)	(8,873)
Other finance costs	(6,568)	(4,491)	(3,460)	(2,486)
Finance costs	(126,280)	(179,676)	(61,726)	(91,279)
Impairment financial instruments	--	(880)	--	(449)
Change in fair value of financial instruments (note 3)	56,526	--	--	--
Exchange differences	(10,755)	2,402	661	1,434
Finance result	(75,929)	(167,533)	(59,083)	(85,312)

(15) Taxation

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate is 20% for the six-month period ended 30 June 2020 and for the six-month period ended 30 June 2019.

Regarding income tax audits, during the six-month period ended 30 June 2020, the Group has received notification of an inspection of Grifols International, S.A. for 2014 to 2016 for corporate income tax and 2015 to 2016 for VAT and withholding tax.

(16) Discontinued operations

The Group has not discontinued any operations for the six-month periods ended 30 June 2020 and 2019.

(17) Contingencies and Commitments

(a) Contingencies

Details of legal proceedings in which the Company or Group companies are involved are as follows:

- **ORTHO-CLINICAL DIAGNOSTICS, INC., GRIFOLS DIAGNOSTIC SOLUTIONS, INC. adv. SIEMENS HEALTHCARE DIAGNOSTICS, INC.**

  Served: 20 November 2018

  Contract Dispute

  Ortho-Clinical Diagnostics, Inc. ("Ortho") and Grifols Diagnostic Solutions, Inc. ("GDS") dispute with Siemens Healthcare Diagnostics, Inc. ("Siemens") regarding sales and commissions under the Supply and Agency Agreement.

  NEXT ACTION: Dispute Resolution initiated per the Supply and Agency Agreement. Common Interest and Joint Defense Agreement entered between Ortho and GDS. Several meeting with executives and counsel took place in June, September and October 2019. Notice of arbitration filed on 4 December 2019. Siemens filed counterclaims on 10 December 2019. Parties identified prospective arbitrators for panel. Negotiation over arbitrator selection is continuing. Likewise, the parties jointly agreed the calendar of the arbitrary procedure.

- **ABBOTT LABORATORIES v. GRIFOLS DIAGNOSTIC SOLUTIONS INC., GRIFOLS WORLDWIDE OPERATIONS LIMITED AND NOVARTIS VACCINES AND DIAGNOSTICS, INC.**

  Served: 8 October 2019

  US District Court, Northern District of Illinois
  Patent Infringement, Civil Action No. 1:19-cv-6587

Abbott Laboratories ("Abbott"), GDS, GWWO and Novartis Vaccines and Diagnostics, Inc. are in dispute over unpaid royalties payable by Abbott to GDS and Ortho-Clinical Diagnostics ("Ortho") under an HIV License and Option agreement dated 16 August 2019 (the "HIV License"). On 12 September 2019, GDS and Ortho filed Notice of Arbitration. On 3 October 2019, Abbott terminated the HIV License and filed for Declaratory Relief seeking to invalidate the licensed patent. GDS filed Motions to Dismiss and to Compel Arbitration, but the Court continued all pending Motions and referred the parties to a magistrate for a mandatory settlement conference. On the 5th February the parties attended a Mandatory Settlement Conference ordered by the District Judge, with the Magistrate Judge presiding to reach a settlement agreement. No satisfactory settlement was reached. On March 16, 2020, Grifols and Ortho filed an answer and counterclaim to the litigation, while simultaneously pursuing arbitration for the pre-termination amount owed by Abbot. The arbitration hearing has already been held and the parties are currently awaiting the decision of the arbitror.

(b) Commitments

- **Restricted Share Unit Retention Plan**

For the annual bonus, the Group established a Restricted Share Unit Retention Plan (RSU Plan), for eligible employees. By these plans, the employee could elect to receive up to 50% of its yearly bonus in non-voting Class B ordinary shares (Grifols Class B Shares) or Grifols American Depositary Shares (Grifols ADS), and the Group will match with an additional 50% of the employee election of RSUs (additional RSUs).

Grifols Class B Shares and Grifols ADS are valued at grant date.

These RSUs will have a vesting period of 2 years and 1 day and, subsequently, the RSU's will be exchanged for Grifols Class B Shares or Grifols ADS (American Depositary Share representing 1 Class B Share).

If an eligible employee leaves the Company or is terminated before the vesting period, he will not be entitled to the additional RSU.

At 30 June 2020, the Group has settled the RSU plan of 2017 for an amount of Euros 7,509 thousand (Euros 8,414 thousand at 30 June 2019 regarding RSU plan of 2016).

This commitment is treated as equity-settled and the accumulated amount recognized as at 30 June 2020 as share based payments costs of employees is Euros 12,080 thousand (Euros 12,498 thousand at December 2019).

(18) Financial Instruments

Classification

Disclosure of financial instruments by nature, category and fair value is as follows:

Thousands of Euros

	30/06/2020									
	Carrying amount						Fair Value			
	Financial assets at amortised costs	Financial assets at FV to profit or loss	Financial assets at FV to OCI	Financial liabilities at amortised costs	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Non-current financial assets	--	1,951	--	--	--	1,951	1,951	--	--	1,951
Trade receivables	--	--	373,891	--	--	373,891	--	373,891	--	373,891
Financial assets measured at fair value	**--**	**1,951**	**373,891**	**--**	**--**	**375,842**				
Non-current financial assets	188,770	--	--	--	--	188,770				--
Other current financial assets	12,317	--	--	--	--	12,317				
Trade and other receivables	137,505	--	--	--	--	137,505				
Cash and cash equivalents	878,406	--	--	--	--	878,406				
Financial assets not measured at fair value	**1,216,998**	**--**	**--**	**--**	**--**	**1,216,998**				
Senior Unsecured & Secured Notes	--	--	--	(2,592,650)	--	(2,592,650)	(2,650,215)	--	--	(2,650,215)
Promissory Notes	--	--	--	(111,590)	--	(111,590)				
Senior secured debt	--	--	--	(3,273,679)	--	(3,273,679)	--	(3,469,559)	--	(3,469,559)
Other bank loans	--	--	--	(325,232)	--	(325,232)				
Lease liabilities	--	--	--	(739,934)	--	(739,934)				
Other financial liabilities	--	--	--	(77,044)	--	(77,044)				
Other non-current debts	--	--	--	--	(982)	(982)				
Trade and other payables	--	--	--	(685,031)	--	(685,031)				
Other current liabilities	--	--	--	--	(163,574)	(163,574)				
Financial liabilities not measured at fair value	**--**	**--**	**--**	**(7,805,160)**	**(164,556)**	**(7,969,716)**				
	1,216,998	**1,951**	**373,891**	**(7,805,160)**	**(164,556)**	**(6,376,876)**				

The Group does not provide details of the fair value of certain financial instruments as their carrying amount is very similar to their fair value because of its short term.

Thousands of Euros

	31/12/2019									
	Carrying amount						Fair Value			
	Financial assets at amortised costs	Financial assets at FV to profit or loss	Financial assets at FV to OCI	Financial liabilities at amortised costs	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Non-current financial assets	--	7	--	--	--	7	7	--	--	7
Other current financial assets	--	1,716,738	--	--	--	1,716,738	--	--	1,716,738	1,716,738
Trade receivables	--	--	298,346	--	--	298,346	--	298,346	--	298,346
Financial assets measured at fair value	**--**	**1,716,745**	**298,346**	**--**	**--**	**2,015,091**				
Non-current financial assets	138,923	--	--	--	--	138,923	--	--	--	--
Other current financial assets	12,188	--	--	--	--	12,188				
Trade and other receivables	153,960	--	--	--	--	153,960				
Cash and cash equivalents	741,982	--	--	--	--	741,982				
Financial assets not measured at fair value	**1,047,053**	**--**	**--**	**--**	**--**	**1,047,053**				
Senior Unsecured & Secured Notes	--	--	--	(2,576,935)	--	(2,576,935)	(2,749,557)	--	--	(2,749,557)
Promissory Notes	--	--	--	(100,267)	--	(100,267)				
Senior secured debt	--	--	--	(3,286,889)	--	(3,286,889)	--	(3,623,233)	--	(3,623,233)
Other bank loans	--	--	--	(400,850)	--	(400,850)				
Lease liabilities	--	--	--	(740,690)	--	(740,690)				
Other financial liabilities	--	--	--	(101,749)	--	(101,749)				
Debts with associates	--	--	--	(1,258)	--	(1,258)				
Other non-current debts	--	--	--	--	(983)	(983)				
Trade and other payables	--	--	--	(747,514)	--	(747,514)				
Other current liabilities	--	--	--	--	(197,399)	(197,399)				
Financial liabilities not measured at fair value	**--**	**--**	**--**	**(7,956,152)**	**(198,382)**	**(8,154,534)**				
	1,047,053	**1,716,745**	**298,346**	**(7,956,152)**	**(198,382)**	**(5,092,390)**				

The Group does not provide details of the fair value of certain financial instruments as their carrying amount is very similar to their fair value because of its short term.

Concentration of credit risk

For trade receivables the Group uses the simplified approach, estimating lifetime expected credit losses, while for all other financial assets the Group uses the general approach for calculating expected credit losses. In both cases, due to the customers' credit rating, as well as the internal classification systems currently in place for new customers, and considering that collection periods are mostly under 30 days, there is no significant impact for the Group (see note 20).

In this context, Grifols made an assessment of possible changes in the credit risk through the estimation of the expected credit loss model, to ensure that it is reflecting the global economic impact of COVID-19. This assessment took into consideration available information on past events, current situation and future economic forecasts having potential impact on the credit risk. The update of the model mainly entailed the application of an incremental coefficient to the historical default rate to reflect the greater uncertainty regarding future economic scenarios and its impact on the expected credit loss. Based on the available information, it was concluded that there is no significant impact on the credit portfolio bad debt impairment as a result of the economic consequences of COVID-19. In addition, at 30 June, 2020, no significant changes were observed in the payment profile of the main customers with which Grifols holds outstanding balances that are not subject to credit right sales and purchaseswith financial institutions.

(19) Related Parties

Transactions with related parties have been performed as part of the Group's ordinary course of business and have been performed at arm's length.

Group transactions with related parties during the six-month period ended 30 June 2020 are as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
Net sales	5,456	--	--	--
Purchases of inventory	(30)	--	--	--
Other service expenses	(14,687)	--	(7,363)	--
Purchases of fixed assets	--		(13,500)	
Remuneration	--	(8,486)	--	(2,500)
Finance income	783	--	--	--
	(8,479)	(8,486)	(20,863)	(2,500)

Group transactions with related parties during the six-month period ended 30 June 2019 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
Net Sales	4,253	--	--	--
Purchases of inventory	(43,875)	--	--	--
Other service expenses	(13,575)	--	(1,572)	(220)
Remuneration	--	(9,545)	--	(2,572)
Finance costs	(125)	--	--	--
Finance income	1,516	--	--	--
	(51,806)	(9,545)	(1,572)	(2,792)

Group transactions with related parties during the three-months period ended 30 June 2020 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
	Not reviewed			
Net sales	2,231	--	--	--
Purchases of inventory	(25)	--	--	--
Other service expenses	(6,542)	--	(5,172)	--
Purchases of fixed assets	--	--	(13,500)	--
Remuneration	--	(4,189)	--	(1,250)
Finance income	461	--	--	--
	(3,875)	(4,189)	(18,672)	(1,250)

Group transactions with related parties during the three-months period ended 30 June 2019 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
	Not reviewed			
Net Sales	2,240	--	--	--
Purchases of inventory	(10,789)	--	--	--
Other service expenses	(6,976)	--	(1,471)	--
Operating lease expenses	--	(4,715)	--	(1,285)
Remuneration	(38)	--	--	--
Finance costs	789	--	--	--
	(14,774)	(4,715)	(1,471)	(1,285)

On 28 December 2018, the Group sold Biotest and Haema to Scranton Enterprises B.V (shareholder of Grifols) for US Dollars 538,014 thousand. For the payment of the aforementioned sale amount, Scranton signed a loan

agreement dated 28 December 2018 for an amount of US Dollars 95,000 thousand (Euros 82,969 thousand) with Grifols Worldwide Operations Limited. Interest on this loan is 2%+EURIBOR and it falls due on 28 December 2025.

The Group has not extended any advances or loans to the members of the board of directors or key management personnel nor has it assumed any guarantee commitments on their behalf. It has also not assumed any pension or life insurance obligations on behalf of former or current members of the board of directors or key management personnel. In addition, as disclosed in note 29(c) of the consolidated financial statements as at and for the year ended 31 December 2019, certain Company directors and key management personnel are entitled to termination benefits.

(20) COVID-19 Impact

The exceptional situation generated by the COVID-19 outbreak affected plasma donations in the second quarter of the year. In addition, despite the continued operations of Grifols' plasma centers and manufacturing facilities, the measures adopted did not allow the company to operate at the projected manufacturing capacity.

Taking into account the extraordinary aforementioned event, and in accordance to the precepts established in NIC 2 "Inventories", Grifols has proceeded to recognize an estimated loss of Euros 205 million based on information available to date. This loss stems primarily from lower-than-expected capacity utilization and has affected the sales cost line of the consolidated profit-and-loss account for the first half of 2020 to adjust the estimated valuation of inventory due to COVID-19.

Grifols has also implemented a containment plan of operating expenses, which is expected to yield a positive impact of Euros 100 million on the 2020 consolidated profit-and-loss account. As of June 30, 2020, the company had recorded a Euros 20 million reduction in operating expenses.

In this regard, the net impact on the consolidated profit and loss accounts as of June 30, 2020 has amounted to Euros 185 million.

At the same time, Grifols adopted a proactive approach to bolster its already-solid liquidity position. In May 2020, Grifols finalized the upsizing of its multicurrency revolving credit line from US Dollars 500 million to US Dollars 1,000 million, with maturity in November 2025.

As of June 30, 2020, Grifols' cash positions stand at Euros 878 million, which combined with approximately Euros 978 million in undrawn lines of credits, bring its liquidity position to more than Euros 1,850 million.

Based on the evolution and duration of the COVID-19 pandemic, Grifols will continue to evaluate its potential impacts on the group's financial position, operational performance and cash flows.

(21) Subsequent events

On 20 July 2020, Grifols has executed share purchase arrangements with the South Korean based GC Pharma Group and other investors for the purchase of a plasma fractionation facility and two purification facilities located in the city of Montreal, Canada, and 11 plasma collection centres located in the United States, for a total consideration of US$460M, on a debt free basis.

The consideration will be paid with Grifols' own cash resources, and upon the consummation of the Transaction certain net worth, working capital and cash targets have been guaranteed.

The Facilities are currently in the process of obtaining needed licenses and regulatory approvals by competent health authorities for the manufacturing of plasma-derived products. When licensed and approved, Grifols will

become the only commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 M litres.

Grifols plans to be ready to manufacture IVIG and Albumin in the Facilities to supply the Canadian market starting in 2023.

The Collection Centres achieved a collection volume of 350,000 litres of plasma in 2019.

Upon the consummation of the Transaction, and by means of a plasma supply agreement, Grifols has also committed to supplying certain output of plasma arising out of the Collection Centres to GC Pharma for a 24-month period.

The consummation of the Transaction is subject to regulatory approvals and is expected to close prior to the end of 2020.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Management Report

for the six-month period ended 30 June 2020

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish language version will prevail)

You are encouraged to read the following discussion and analysis of Grifols' financial condition and results of operations together with their six months period ended June 30, 2020 condensed consolidated interim financial statements and related footnotes. This discussion and analysis may contain forward-looking statements that involve risks and uncertainties. See the section "Cautionary Statement Regarding Forward-Looking Statements" included in this document.

Grifols continues to advance amid the current global crisis caused by COVID-19. In the first half of 2020, revenues grew 10.5% (8.4% cc[1]) to EUR 2,677.3 million, driven by the solid performance of the Bioscience Division, which increased by 12.4% (10.2% cc) to EUR 2,158.9 million.

In the second quarter, the Bioscience Division's revenues grew by 11.4% (9.5% cc) to EUR 1,118.9 million, thanks to robust immunoglobulin sales in the U.S., including hyperimmune immunoglobulins; solid albumin sales, especially in China; and new product launches.

The Diagnostic Division's revenues totaled EUR 340.0 million in the first six months of 2020, falling 2.5% (-3.6% cc) compared to the EUR 348.7 million reported in the same period last year. The main factor behind this decline is a downturn in the sales of solutions used to screen blood and plasma donations as a consequence of COVID-19.

In this same regard, the Hospital Division's revenues fell by 8.8% (-8.0% cc) to EUR 57.9 million and were negatively impacted by a slowdown in hospital investments and treatments.

The Bio Supplies Division recorded EUR 126.7 million in sales, denoting a 21.6% (19.0% cc) increase from the previous year thanks to the growth in sales of biological products for non-therapeutic use, which continues to grow significantly.

As anticipated in June and based on the information available to date, Grifols recognized an estimated impact of EUR 205 million in the 2020 fiscal year to adjust its inventory value mainly due to COVID-19. This impact stems primarily from lower-than-expected capacity utilization and has been recognized in the gross margin line in the second-quarter profit and loss account.

Although Grifols has taken every measure necessary to protect the safety of donors and personnel in all of its facilities, the efforts to boost plasma centers during the COVID-19 outbreak, and the fact that plasma industry has been called "essential infrastructure", collections have been impacted by stay-at-home orders and social-distancing measures, amongst others. The situation is still uncertain and difficult to predict in the long run but, based on the information today, it is estimated that Grifols plasma collection expect to have a net impact of 10% in terms of plasma availability in 2020 compared to 2019.

Grifols will also continue to enhance its plasma sourcing and global product distribution to make sure that patients who need its plasma-derived medicines receive them.

Over the last years, Grifols has heavily been investing in plasma capabilities and has added plasma centers-up to 300 today, in the US and Germany. In Germany, Grifols' plasma centers are witnessing a fast recovery and plasma collected to date exceed plasma volumes for the same period of 2019.

Grifols will continue to monitor any potential impacts on its operations and will take all necessary actions to mitigate any potential effect in its supply chain.

Grifols has also implemented an operating expenses containment plan, which is estimated to generate a positive impact of EUR 100 million in the 2020 profit and loss account. In this regard, the company recorded a

[1] *Constant currency (cc) excludes exchange rate fluctuations over the period.*

EUR 20 million reduction in operating expenses in the second quarter of the year. As of June 30, 2020, the net impact before taxes totals EUR 185 million.

The gross margin reported stands at 38.8% for the first half of the year. The gross margin core[2] is 47.2% (47.6% in the same period in 2019). The gross margin core of the second quarter is 47.7%.

Reported EBITDA amounted to EUR 579.9 million, representing a 21.7% margin. EBITDA core[2] totaled EUR 731.4 million (EUR 661.7 million in the first half of 2019), which denotes 28.0% over revenues (28.6% in the second quarter) (28.1% in the first half of 2019; 29.3% in the second quarter of 2019).

R+D+i and CAPEX investments totaled EUR 312.4 million (EUR 296.3 million as of June 30, 2019), underscoring the company's growth strategy on the basis of a sustainable and long-term business model.

As part of its longstanding social commitment, Grifols continues to promote its research efforts to help combat COVID-19. Total net R+D+i investments amounted to EUR 166.8 million (EUR 167.7 million in the first half of 2019) taking into account in-house, external and investee-led projects.

The company is spearheading a project to develop an immunoglobulin with SARS-CoV-2 antibodies using plasma from recovered COVID-19 patients. The production of a potential passive immunization therapy is already underway in Grifols' Clayton (North Carolina, USA) facility, which has been specifically designed to process specialty immunoglobulins.

Grifols also continues to advance on a clinical trial in Spain to assess the efficacy of high-dose intravenous immunoglobulin to stabilize or improve the health of COVID-19 patients, as well as several studies on the potential benefits of convalescent plasma.

Furthermore, Grifols has allocated EUR 145.6 million (EUR 128.6 million in the first half of 2019) to capital investments (CAPEX). The start of the validation process of the new fractionation plant in Clayton, with a capacity to fractionate 6 million liters of plasma per year is noteworthy. The company is on schedule with the initial timetable and expects the facilities to be operational by the first quarter of 2021.

The financial result was EUR 75.9 million in the first half of the year. This result includes the EUR 47 million reduction in financial expenses due to the debt refinancing process that was closed in November 2019; the negative impact of EUR 10.8 million due to exchange rate variations; and the positive EUR 56.5 million impact from the accounting recognition related to the investment at the closing of the Shanghai RAAS transaction in the first quarter of 2020.

Reported net profit totaled EUR 218.2 million, mainly affected by COVID-19 impacts. As of June 30, 2020, adjusted net profit amounts to EUR 350.1 million (EUR 325.2 million in 2019).

Excluding the impact of IFRS 16[3], the net financial debt totaled EUR 5,501.9 million and the net financial debt over EBITDA ratio was 4.43 times. Excluding the net impact of COVID-19, the ratio stood at 3.85 times.

In the second quarter of 2020, Grifols took additional measures to strengthen its liquidity position, which includes the upsizing of its multicurrency revolving credit facility from US$ 500 million to US$ 1,000 million, with maturity in November 2025. The expansion of this credit facility will not increase the company's indebtedness and its terms and conditions are in line with the ones signed in November 2019, when Grifols completed its debt refinancing process.

As of June 30, 2020, Grifols' cash positions reached EUR 878.4 million which, when added to EUR 1,000 million in undrawn lines of credit, bring its liquidity position to approximately EUR 1,900 million.

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[2] Excludes non-recurring items, including COVID-19 and plasma sold to third parties impacts from Haema and Biotest.
[3] As of June 30, 2020, the impact of IFRS 16 on total debt was EUR 739.9 million.

After the refinancing process closed in November 2019, Grifols does not face significant maturity repayments or down payments until 2025.

The company is equipped to respond to the demands of the current context and remains committed to its long-term growth strategy.

PERFORMANCE BY DIVISION

- **Bioscience Division**

The Bioscience Division maintained its upward trend in the first half of the year and continued to serve as the company's main engine for growth, expanding 12.4% (10.2% cc) to EUR 2,158.9 million. Sales grew by 11.4% (9.5% cc) in the second quarter, fueled by robust demand for the main proteins, especially immunoglobulins and albumin, as well as new product launches such as Xembify® and VISTASEAL™.

Demand for immunoglobulins in markets with the highest consumption per capita remains very solid, with double-digit growth. In recent years, Grifols has made a concerted effort to expand its product portfolio to meet the evolving needs of patients, offering a range of immunoglobulins delivered in both intravenous and subcutaneous administration routes.

Alpha-1 antitrypsin continues as one of the division's main drivers and maintains positive sales performance in countries such as the U.S. Furthermore, the company continues its efforts to offer new products and presentations. In the second quarter of the year, the FDA approved Prolastin®-C Liquid in 0.5g- and 4g-sized vials. At present, Grifols has three presentations to adapt to patients' treatment needs.

Albumin sales grew significantly in China, despite the decline in the first two months of the year in the wake of COVID-19.

Also worth mentioning are the sales of biological sealant, developed and manufactured by Grifols as a surgical bleeding-control solution using a combination of two plasma proteins (fibrinogen and thrombin). Launched in the last quarter of 2019, this fibrin sealant is sold and distributed by Ethicon under the trade name VISTASEAL™.

- **Diagnostic Division**

The Diagnostic Division reached EUR 340,0 million in revenues in the first half of 2020, falling 2.5% (-3.6% cc) from the EUR 348.7 million reported in the same period in 2019.

Sales of NAT technology systems (Procleix® NAT Solutions), which uses Transcription Mediated Amplification (TMA) to screen blood and plasma donations, were impacted by the COVID-19 outbreak. This led to a decline in blood and plasma donations, particularly in the U.S.

Nevertheless, Grifols' unique diagnostic test to detect SARS-CoV-2 is making positive progress. TMA is a commonly used technique in transfusion centers, blood banks and plasma centers around the world due to both its high sensitivity and capacity to automatically manufacture large volumes of samples.

Grifols continues its efforts to offer innovative solutions that optimize the productivity and improve the operations of its blood banks. In the second quarter, its Procleix Panther® system, equipped with Automation Ready Technology (ART), received FDA approval for use in the U.S. with approved screening systems for HIV, Zika, hepatitis C and hepatitis B, among others. As of October 2019, this system will also be available in all markets that accept the European CE mark.

The blood-typing line, which includes both analyzers (Erytra®, Erytra-Eflexis® and Wadiana®) and reagents (DG-Gel® cards, red blood cells and anti-serums), grew in the most important markets in the first half of 2020, especially in China, the United States and Turkey.

- **Hospital Division**

The Hospital Division reported EUR 57.9 million in revenues in the first half of 2020, a reduction of 8.8% (-8.0%) as a result of lower hospital investments observed in the second quarter due to COVID-19. The main lines of businesses that were impacted are Pharmatech, as well as intravenous solutions and medical devices. This decline was partially offset by an upturn in sales of third-party manufacturing services.

- **División Bio Supplies**

The Bio Supplies Division totaled EUR 126.7 million in the first six months of the year, a 21.6% (19% cc) increase from the same period in the previous year.

The division primarily oversees the sale of biological products for non-therapeutic use, which reported a notable increase in sales. It also includes third-party plasma sales by Haema and Biotest, which totaled EUR 65.7 million in the first half of the year (EUR 28.9 million in the second quarter of 2020).

INVESTMENT OPERATIONS: R+D+i , ACQUISITIONS AND CAPEX

- **Results of Grifols' AMBAR clinical trial published in Alzheimer's & Dementia: The Journal of The Alzheimer's Association**

Alzheimer's & Dementia: The Journal of the Alzheimer's Association, the prestigious peer-reviewed scientific journal, has published the results of Grifols' AMBAR study. This clinical trial was designed to assess the effects of plasma protein replacement therapy in patients experiencing either mild or moderate stages of Alzheimer's disease (AD).

The findings of the AMBAR clinical trial demonstrate a delay in the cognitive and functional decline in AD patients when their plasma is replaced with albumin and immunoglobulin (plasma-derived proteins) following the process of plasma extraction, using the plasmapheresis technique. The results reveal a positive impact in reducing the progression of Alzheimer's symptoms in patients treated over a 14-month period compared to untreated patients.

The publication reflects more than 15 years of Grifols' research and reinforces the potential for plasma therapies to treat complex diseases.

- **First manufactured batches of anti-SARS-CoV-2 hyperimmune immunoglobulin for clinical trials**

Grifols has completed the first manufactured batches of its anti-SARS-CoV-2 hyperimmune immunoglobulin and they have been delivered to be used in clinical trials. This medicine specifically targets SARS-CoV-2 by providing passive immunity to infected patients and boosting their immune system's ability to fight the disease. The therapy, which could be used for both prevention and immediate treatment of COVID 19, will undergo clinical trials this summer to test its safety and efficacy. The anti-SARS-CoV-2 hyperimmune immunoglobulin has the potential to be a highly specific, pure and safe medicine that delivers a high and consistent concentration of protective antibodies against the novel coronavirus.

Since April, Grifols has moved quickly to collect COVID-19 convalescent plasma for its anti-SARS-CoV-2 hyperimmune immunoglobulin in more than 245 Grifols U.S. donation centers from donors who have met the highest eligibility criteria. Their plasma, rigorously tested and quality controlled, had high levels of anti-SARS-CoV-2 neutralizing antibodies.

Grifols is applying its vast expertise in epidemic settings to combat the current pandemic. During the last Ebola outbreak in Liberia in 2014, it collected convalescent plasma and activated its special facility in Clayton, North Carolina, purposely built, equipped and staffed to produce medicines for infectious diseases.

The efforts form part of a collaboration agreement with U.S. government entities, including the Food and Drug Administration (FDA), the National Institutes of Health (NIH) and the Biomedical Advanced Research Development Authority (BARDA), among other healthcare agencies.

In addition to controlled clinical trials in the U.S., Grifols is working on a European clinical trial of a hyperimmune immunoglobulin using convalescent plasma collected in Europe.

- **Strategic agreement to acquire a fractionation facility and two purification facilities in Canada, along with 11 U.S. plasma centers**

In July 2020, Grifols agreed to acquire the South Korean GC Pharma Group's plasma fractionation facility and two purification plants in Montreal and 11 U.S. plasma collection centers for a total transaction amount of US$ 460 million.

The transaction is part of Grifols' sustainable global growth strategy to expand plasma collection and fractionation capacity to ensure patients worldwide have safe and secure access to life-saving plasma-derived medicines. Most importantly, this strategic acquisition will strengthen Grifols' presence in Canada, building on a legacy of partnership in Canada's blood system.

For more than three decades, Grifols has been a fractionator of Canadian plasma under contract manufacturing services, providing trusted plasma-derived medicines for Canadian patients and their healthcare providers. Throughout these many years, Grifols has gained firsthand knowledge of the Canadian healthcare system. This transaction further demonstrates Grifols' commitment to supporting domestic self-sufficiency and security of plasma-protein product supply.

No additional financing will be required for the acquisition. Once the facilities are fully licensed and approved, Grifols will become the only large-scale commercial manufacturer of plasma products in Canada, with a fractionation capacity of 1.5 million liters annually. Grifols plans to be ready to manufacture IVIG and Albumin in these facilities in order to supply the Canadian market starting in 2023.

As part of this transaction, by means of a plasma-supply agreement, Grifols has also committed to supplying a certain output of plasma coming from the Green Cross Collection Centers to GC Pharma (Group) for a 24-month period. The collection centers achieved a collection volume of 350,000 litres of plasma in 2019.

The completion of the transaction is subject to regulatory approvals and is expected to close prior to the end of 2020.

- **Collaboration and license agreement with Rigel Pharmaceuticals**

In line with its strategy to enhance its product portfolio through licensing agreements of complementary medicines, Grifols began distributing TAVLESSE® (fostamatinib) in July 2020 for the treatment of chronic immune thrombocytopenia (ITP) in adult patients refractory to other treatments.

The product is already available in Germany and the United Kingdom, with a phased rollout planned over the next 18 months across the rest of Europe.

Grifols has exclusive commercial rights in Europe and Turkey for ITP and all future indications after signing a collaboration and license agreement with the U.S. biotech firm Rigel Pharmaceuticals in January 2019.

- **Capital investments to guarantee sustainable growth**

Grifols' R+D+i and CAPEX investments sustain and emphasize the companies' commitment to growth and long-term vision, as well as its continued efforts to contribute to mitigating the healthcare emergency triggered by COVID-19.

The company announced plans to invest EUR 130 million to the first phase towards expanding its Barcelona plant. It purchased a 47,274 m^2 plot to build a Bioscience Division plant and expand the manufacturing, logistical and research capacity of the Diagnostic Division. Moreover, Grifols plans to invest more than US$ 350 million in the Clayton industrial complex for the construction of a new plasma fractionation plant, a logistics warehouse, and service infrastructures.

NON-FINANCIAL INFORMATION: COMMITMENT TO EMPLOYEMENT, ENVIRONMENTAL MANAGEMENT & SOCIAL INITIATIVES

- **Grifols remains committed to employment**

Employees have always been a top priority at Grifols. Hence, since the onset of the pandemic, the company adopted all necessary prevention measures recommended by global health authorities to guarantee employees' safety in all of its facilities.

Grifols' commitment to its workforce translated into a range of initiatives that allowed the company to continue operations in its centers and manufacturing facilities. Among these initiatives, the flexibility agreements via shifts and teleworking in non-manufacturing roles via the use of video-conferencing platforms and other work-from-home tools are most remarkable. Thanks to these measures, the company has been able to avoid temporary staff lay-offs in all of its operating countries.

A contingency plan and de-escalation "return to normality" plan was also implemented, maintaining the organizational and safety measures. As part of this plan, employees in Spain underwent two rounds of COVID-19 tests, including analyses to detect the virus and antibodies, and a standardized sampling procedure that was rolled out in most of Grifols' subsidiaries.

Grifols' workforce grew by 1% in the first half of 2020 compared to the same period in 2019, reaching 24,162 employees. Especially noteworthy are the increases in the rest of the world (ROW), which expanded by 7% to 2,560 employees and Spain, where the workforce grew 6% to 4,383 professionals. In North America, the employee base fell by 1.5% to 17,219 people.

Average seniority at Grifols is 5.9 years and the average employee age is 38 years. The company promotes equal opportunity between men and women. As of June 30, 2020, men make up 40% of the employee base and women, 60%.

Grifols was also able to continue offering employee development and leadership initiatives thanks to its digital transformation process that was implemented in recent years. In this regard, the company reported an average of 47 training hours per employee in the first half of 2020.

- **Environmental management**

Grifols approved its 2020-2022 Environmental Program during the first six months of the year. This plan builds on the corporate commitments established for 2030, which include reducing CO_2 emissions by 40%, improving energy efficiency by 15% and obtaining 70% of electricity from renewable energy sources, among other objectives.

Among all of the actions developed in the first half of 2020, two of them stand out: first, the installation and operational launch of a 100 kW photovoltaic plant in Grifols' industrial complex in Las Torres de Cotillas

(Murcia), which will cut CO_2 emissions by 39 annual equivalent tons; and second, a feasibility study on the purchase of green energy carried out through a Power Purchasing Agreement (PPA) in Spain.

Energy audits were also conducted in Haema's installations in Germany, including its donation centers, laboratories and headquarters.

Also important to note in the first half of the year was the conferral of the Green Globes certificate to the new fractionation plant in Clayton, awarded by the Green Building Initiative (GBI). This building emits 1,500 tons less of CO_2 equivalent per year than a standard building.

Grifols also signed a collaboration agreement with the RIVUS Foundation for 2020-2022 to protect the biodiversity of the land surrounding the Besòs and Tordera rivers (Barcelona, Spain).

Lastly, Grifols' facilities in Spain satisfactorily passed the ISO 14001 recertification audits for Environmental Management Systems in the first half of the year. The audit for the Bioscience Division in the Los Angeles (California, USA) facilities had to be postponed until 2021 due to COVID-19 restrictions.

- **Social initiatives**

From the start of the pandemic, Grifols has continuously mobilized human and financial resources to support food campaigns and provide technical and logistical assistance to hospitals for the storage, preparation and dispensing of medicines in addition to offering support to remodel and expand facilities to treat COVID-19 patients. The company also made several donations of personal protective equipment in the countries most afflicted by the pandemic such as Spain and the United States.

At the same time, Grifols' Probitas Foundation distributed more than 1,000 prepaid grocery cards across 24 municipalities in Cataluña, Madrid and Murcia to families with minors. The initiative was carried out by Grifols' Probitas Foundation within the framework of its Child Nutrition Support Program to ensure children had access to at least one meal a day while school lunchrooms are closed.

Risks

At 30 June 2020 the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Management Report

for the six-month period ended 30 June 2020

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish language version will prevail)

Key financial metrics for the first half of 2020:

In millions of euros except % and EPS	1H 2020	1H 2019	% Var
NET REVENUES	**2.677,3**	**2.423,4**	10,5%
GROSS MARGIN CORE[1]	47,2%	47,6%	
GROSS MARGIN	38,8%	46,5%	
EBITDA CORE[1]	**731,4**	**661,7**	10,5%
% Net revenues	*28,0%*	*28,1%*	
EBITDA REPORTED	**579,9**	**696,8**	(16,8%)
% Net revenues	*21,7%*	*28,8%*	
GROUP PROFIT	**218,2**	**286,9**	(23,9%)
% Net revenues	*8,2%*	*11,8%*	
ADJUSTED[2] GROUP PROFIT	**350,1**	**325,2**	7,7%
% Net revenues	*13,1%*	*13,4%*	
CAPEX	**145,6**	**128,6**	13,2%
R&D NET INVESTMENT	**166,8**	**167,7**	(0,5%)
EARNINGS PER SHARE (EPS) REPORTED	**0,32**	**0,42**	(23,9%)

	June 2020	December 2019	% Var
TOTAL ASSETS	**15.597,5**	**15.542,6**	0,4%
TOTAL EQUITY	**7.040,8**	**6.845,8**	2,8%
CASH & CASH EQUIVALENTS	**878,4**	**742,0**	18,4%
LEVERAGE RATIO	**4.43/(4.42cc)[3]**	**4.17/(4.14cc)[3]**	

[1] Excludes non-recurring items, including COVID-19 and plasma sold to third parties impacts from Haema and Biotest

[2] Excludes non-recurring items, including COVID-19; amortization of deferred expenses associated to the refinancing, amortization of intangible assets related to acquisitions and IFRS 16.

[3] Constant currency (cc) excludes exchange rate fluctuations over the period.

First half 2020 net revenue by division and region:

1H 2020 - NET REVENUE BY DIVISION

In thousands of euros	1H 2020	% of Net Revenues	1H 2019	% of Net Revenues	% Var	% Var cc*
BIOSCIENCE	2,158,852	80.6%	1,920,065	79.2%	12.4%	10.2%
DIAGNOSTIC	340,012	12.7%	348,674	14.4%	(2.5%)	(3.6%)
HOSPITAL	57,863	2.2%	63,443	2.6%	(8.8%)	(8.0%)
BIO SUPPLIES	126,718	4.7%	104,235	4.3%	21.6%	19.0%
OTHERS	18,657	0.7%	11,095	0.5%	68.2%	64.3%
INTERSEGMENTS	(24,761)	(0.9%)	(24,152)	(1.0%)	2.5%	0.9%
TOTAL	**2,677,341**	**100.0%**	**2,423,360**	**100.0%**	**10.5%**	**8.4%**

1H 2020 - NET REVENUE BY REGION

In thousands of euros	1H 2020	% of Net Revenues	1H 2019**	% of Net Revenues	% Var	% Var cc*
US + CANADA	1,844,576	68.9%	1,648,343	68.0%	11.9%	8.7%
EU	376,442	14.1%	390,762	16.1%	(3.7%)	(3.7%)
ROW	456,323	17.0%	384,255	15.9%	18.8%	19.4%
TOTAL	**2,677,341**	**100.0%**	**2,423,360**	**100.0%**	**10.5%**	**8.4%**

** Constant currency (cc) excludes exchange rate fluctuations over the period.*

*** For comparison purposes, 2019 UK figures have been reclassified from EU to ROW.*

Second quarter 2020 net revenues by division and region:

2Q 2020 - NET REVENUE BY DIVISION

In thousands of euros	2Q 2020	% of Net Revenues	2Q 2019	% of Net Revenues	% Var	% Var cc*
BIOSCIENCE	1,118,910	80.8%	1,004,450	79.3%	11.4%	9.5%
DIAGNOSTIC	172,136	12.4%	183,193	14.5%	(6.0%)	(6.6%)
HOSPITAL	27,188	2.0%	32,947	2.6%	(17.5%)	(16.1%)
BIO SUPPLIES	62,579	4.5%	52,713	4.2%	18.7%	16.2%
OTHERS	13,513	1.0%	6,032	0.5%	124.0%	118.9%
INTERSEGMENTS	(10,304)	(0.7%)	(12,752)	(1.0%)	(19.2%)	(20.3%)
TOTAL	**1,384,022**	**100.0%**	**1,266,583**	**100.0%**	**9.3%**	**7.6%**

2Q 2020 - NET REVENUE BY REGION

In thousands of euros	2Q 2020	% of Net Revenues	2Q 2019**	% of Net Revenues	% Var	% Var cc*
US + CANADA	932,425	67.4%	852,610	67.3%	9.4%	6.5%
EU	176,843	12.8%	201,027	15.9%	(12.0%)	(11.9%)
ROW	274,754	19.8%	212,946	16.8%	29.0%	30.4%
TOTAL	**1,384,022**	**100.0%**	**1,266,583**	**100.0%**	**9.3%**	**7.6%**

** Constant currency (cc) excludes exchange rate fluctuations over the period.*

*** For comparison purposes, 2019 UK figures have been reclassified from EU to ROW.*

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Management Report

for the six-month period ended 30 June 2020

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish language version will prevail)

ANNEX - NON-GAAP (IFRS-EU) MEASURES RECONCILIATION

Net Revenues by division reported at constant currency for the first half of 2020:

In thousands of euros	1H 2020	1H 2019	% Var
REPORTED NET REVENUES	2,677,341	2,423,360	10.5%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(49,783)		
NET REVENUES AT CONSTANT CURRENCY	**2,627,558**	**2,423,360**	**8.4%**

In thousands of euros	1H 2020	1H 2019	% Var
REPORTED BIOSCIENCE NET REVENUES	2,158,852	1,920,065	12.4%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(43,746)		
REPORTED BIOSCIENCE NET REVENUES AT CONSTANT CURRENCY	**2,115,106**	**1,920,065**	**10.2%**

In thousands of euros	1H 2020	1H 2019	% Var
REPORTED DIAGNOSTIC NET REVENUES	340,012	348,674	(2.5%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	(3,841)		
REPORTED DIAGNOSTIC NET REVENUES AT CONSTANT CURRENCY	**336,171**	**348,674**	**(3.6%)**

In thousands of euros	1H 2020	1H 2019	% Var
REPORTED HOSPITAL NET REVENUES	57,863	63,443	(8.8%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	526		
REPORTED HOSPITAL NET REVENUES AT CONSTANT CURRENCY	**58,389**	**63,443**	**(8.0%)**

In thousands of euros	1H 2020	1H 2019	% Var
REPORTED BIO SUPPLIES NET REVENUES	126,718	104,235	21.6%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(2,676)		
REPORTED BIO SUPPLIES NET REVENUES AT CONSTANT CURRENCY	**124,042**	**104,235**	**19.0%**

In thousands of euros	1H 2020	1H 2019	% Var
REPORTED OTHERS NET REVENUES	18,657	11,095	68.2%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(431)		
REPORTED OTHERS NET REVENUES AT CONSTANT CURRENCY	**18,226**	**11,095**	**64.3%**

In thousands of euros	1H 2020	1H 2019	% Var
REPORTED INTERSEGMENTS NET REVENUES	(24,761)	(24,152)	2.5%
VARIATION DUE TO EXCHANGE RATE EFFECTS	385		
REPORTED INTERSEGMENTS NET REVENUES AT CONSTANT CURRENCY	**(24,376)**	**(24,152)**	**0.9%**

Net Revenues by region reported at constant currency for the first half of 2020:

In thousands of euros	**1H 2020**	**1H 2019**	**% Var**
REPORTED U.S. + CANADA NET REVENUES	1,844,576	1,648,343	11.9%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(52,367)		
U.S. + CANADA NET REVENUES AT CONSTANT CURRENCY	**1,792,209**	**1,648,343**	**8.7%**

In thousands of euros	**1H 2020**	**1H 2019**	**% Var**
REPORTED EU NET REVENUES*	376,442	390,762	(3.7%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	(6)		
EU NET REVENUES AT CONSTANT CURRENCY	**376,436**	**390,762**	**(3.7%)**

In thousands of euros	**1H 2020**	**1H 2019**	**% Var**
REPORTED ROW NET REVENUES*	456,323	384,255	18.8%
VARIATION DUE TO EXCHANGE RATE EFFECTS	2,590		
ROW NET REVENUES AT CONSTANT CURRENCY	**458,913**	**384,255**	**19.4%**

** For comparison purposes, 2019 UK figures have been to reclasified from EU to ROW.*

Reconciliation of other figures for the first half of 2020:

In millions of euros	1H 2020	1H 2019	% Var
R&D RECURRENT EXPENSES IN P&L	142,113	132,573	
R&D CAPITALIZED	18,791	26,886	
R&D DEPRECIATION & AMORTIZATION & WRITE OFFS	(13,337)	(10,712)	
R&D CAPEX FIXED ASSETS	1,092	2,226	
R&D EXTERNAL	18,182	16,732	
R&D NET INVESTMENT	**166,842**	**167,705**	**(0.5%)**

In thousands of euros	1H 2020	1H 2019	% Var
PP&E ADDITIONS	145,040	126,184	
SOFTWARE ADDITIONS	9,633	9,327	
INTEREST CAPITALIZED	(9,102)	(6,919)	
CAPEX	**145,571**	**128,592**	**13.2%**

In millions of euros except ratio	1H 2020	1H 2019
NET FINANCIAL DEBT	5,501.9	5,844.6
EBITDA ADJUSTED 12M	1,243.1	1,297.9
NET LEVERAGE RATIO[(1)]	**4.43 x**	**4.50 x**

[(1)] *Excludes the impact of IFRS 16*

In thousands of euros	1H 2020	1H 2019	% Var
EBIT	421,696	547,889	(23.0%)
D&A	158,216	148,930	
EBITDA REPORTED	**579,913**	**696,819**	**(16.8%)**
% NR	*21.7%*	*28.8%*	

In thousands of euros	1H 2020	1H 2019	% Var
EBITDA REPORTED	579,913	696,819	(16.8%)
IMPACT OF PLASMA SOLD TO THIRD PARTIES	(15,463)	(11,528)	
NON-RECURRING ITEMS	(18,298)	(23,609)	
COVID-19 IMPACT	185,200	-	
EBITDA CORE	**731,352**	**661,682**	**10.5%**
% NR	*28.0%*	*28.1%*	

In thousands of euros	1H 2020	1H 2019	% Var
EBITDA REPORTED LTM	1,316,914	1,305,352	0.9%
TRANSACTION COSTS	(408)	22,931	
IFRS 16	(73,447)	(30,372)	
EBITDA ADJUSTED 12M	**1,243,059**	**1,297,911**	**(4.2%)**

Group Adjusted Net Profit Reconciliation for the first half of 2020:

In millions of euros	**1H 2020**	**1H 2019**	**% Var**
GROUP PROFIT	**218.2**	**286.9**	**(23.9%)**
% Net revenues	*8.2%*	*11.8%*	
Amortization of deferred financial expenses	23.0	33.8	(32.0%)
Amortization of intangible assets acquired in business combinations	24.2	24.5	(1.2%)
Non-recurring items	(74.9)	(23.5)	218.7%
IFRS 16	11.8	13.6	(13.2%)
Tax impacts	(7.0)	(10.1)	(30.7%)
COVID-19 impact	185.3	-	
Tax impacts COVID-19 impacts	(30.5)	-	
ADJUSTED GROUP NET PROFIT	**350.1**	**325.2**	**7.7%**
% Net revenues	*13.1%*	*13.4%*	

Net Revenues by division reported at constant currency for the first half of 2020:

In thousands of euros	**2Q 2020**	**2Q 2019**	**% Var**
REPORTED NET REVENUES	1,384,022	1,266,583	9.3%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(21,154)		
NET REVENUES AT CONSTANT CURRENCY	**1,362,868**	**1,266,583**	**7.6%**

In thousands of euros	**2Q 2020**	**2Q 2019**	**% Var**
REPORTED BIOSCIENCE NET REVENUES	1,118,910	1,004,450	11.4%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(19,155)		
REPORTED BIOSCIENCE NET REVENUES AT CONSTANT CURRENCY	**1,099,755**	**1,004,450**	**9.5%**

In thousands of euros	**2Q 2020**	**2Q 2019**	**% Var**
REPORTED DIAGNOSTIC NET REVENUES	172,136	183,193	(6.0%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	(956)		
REPORTED DIAGNOSTIC NET REVENUES AT CONSTANT CURRENCY	**171,180**	**183,193**	**(6.6%)**

In thousands of euros	**2Q 2020**	**2Q 2019**	**% Var**
REPORTED HOSPITAL NET REVENUES	27,188	32,947	(17.5%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	461		
REPORTED HOSPITAL NET REVENUES AT CONSTANT CURRENCY	**27,649**	**32,947**	**(16.1%)**

In thousands of euros	**2Q 2020**	**2Q 2019**	**% Var**
REPORTED BIO SUPPLIES NET REVENUES	62,579	52,713	18.7%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(1,335)		
REPORTED BIO SUPPLIES NET REVENUES AT CONSTANT CURRENCY	**61,244**	**52,713**	**16.2%**

In thousands of euros	**2Q 2020**	**2Q 2019**	**% Var**
REPORTED OTHERS NET REVENUES	13,513	6,032	124.0%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(306)		
REPORTED OTHERS NET REVENUES AT CONSTANT CURRENCY	**13,207**	**6,032**	**118.9%**

In thousands of euros	**2Q 2020**	**2Q 2019**	**% Var**
REPORTED INTERSEGMENTS NET REVENUES	(10,304)	(12,752)	(19.2%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	136		
REPORTED INTERSEGMENTS NET REVENUES AT CONSTANT CURRENCY	**(10,168)**	**(12,752)**	**(20.3%)**

Net Revenues by region reported at constant currency for the second quarter of 2020:

In thousands of euros	2Q 2020	2Q 2019	% Var
REPORTED U.S. + CANADA NET REVENUES	932,425	852,610	9.4%
VARIATION DUE TO EXCHANGE RATE EFFECTS	(24,338)		
U.S. + CANADA NET REVENUES AT CONSTANT CURRENCY	**908,087**	**852,610**	**6.5%**

In thousands of euros	2Q 2020	2Q 2019	% Var
REPORTED EU NET REVENUES*	176,843	201,027	(12.0%)
VARIATION DUE TO EXCHANGE RATE EFFECTS	162		
EU NET REVENUES AT CONSTANT CURRENCY	**177,005**	**201,027**	**(11.9%)**

In thousands of euros	2Q 2020	2Q 2019	% Var
REPORTED ROW NET REVENUES*	274,754	212,946	29.0%
VARIATION DUE TO EXCHANGE RATE EFFECTS	3,021		
ROW NET REVENUES AT CONSTANT CURRENCY	**277,775**	**212,946**	**30.4%**

** For comparison purposes, 2019 UK figures have been reclassified from EU to ROW.*

"Cautionary Statement Regarding Forward-Looking Statements"

The facts and figures contained in this report that do not refer to historical data are "future projections and assumptions". Words and expressions such as "believe", "hope", "anticipate", "predict", "expect", "intend", "should", "will seek to achieve", "it is estimated", "future" and similar expressions, in so far as they relate to the Grifols group, are used to identify future projections and assumptions. These expressions reflect the assumptions, hypotheses, expectations and predictions of the management team at the time of writing this report, and these are subject to a number of factors that mean that the actual results may be materially different. The future results of the Grifols group could be affected by events relating to its own activities, such as a shortage of supplies of raw materials for the manufacture of its products, the appearance of competitor products on the market, or changes to the regulatory framework of the markets in which it operates, among others. At the date of compiling this report, the Grifols group has adopted the necessary measures to mitigate the potential impact of these events. Grifols, S.A. does not accept any obligation to publicly report, revise or update future projections or assumptions to adapt them to events or circumstances subsequent to the date of writing this report, except where expressly required by the applicable legislation. This document does not constitute an offer or invitation to buy or subscribe shares in accordance with the provisions of the following Spanish legislation: Royal Legislative Decree 4/2015, of 23 October, approving recast text of Securities Market Law; Royal Decree Law 5/2005, of 11 March and/or Royal Decree 1310/2005, of 4 November, and any regulations developing this legislation. In addition, this document does not constitute an offer of purchase, sale or exchange, or a request for an offer of purchase, sale or exchange of securities, or a request for any vote or approval in any other jurisdiction

Grifols, S.A. and Subsidiaries
Audited Consolidated Annual Accounts
for the years ended December 31, 2019 and 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

GRIFOLS, S.A. and subsidiaries

Consolidated Annual Accounts

31 December 2019

Consolidated Directors' Report

2019

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language version prevails)

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

To the Shareholders of Grifols, S.A.

Opinion

We have audited the consolidated annual accounts of Grifols, S.A. (the "Parent") and subsidiaries (the "Group") which comprise the consolidated balance sheet at 31 December 2019, and the consolidated statements of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2019 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts for the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of the Diagnostic goodwill impairment analysis See notes 2 (a), 4 and 7 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
As discussed in Notes 4 and 7 to the consolidated financial statements, the goodwill balance as of December 31, 2019 was Euros 5,507,063 thousand, of which Euros 2,656,938 thousand related to the Diagnostic cash generating unit (CGU). The Group calculates the recoverable amount of goodwill on an annual basis and whenever there is an indication that goodwill may be impaired. The recoverable amount of the Diagnostic CGU has been calculated by the Group based on its fair value less costs of disposal applying an EBITDA multiple used in connection with an agreement for the acquisition, by an independent third party, of a 45% stake in Grifols Diagnostic Solutions, Inc. (GDS). We identified the evaluation of the goodwill impairment analysis for the Diagnostic CGU as a key audit matter because it has involved complex judgements by the Directors which has implied a high degree of challenging auditor judgement. Specialized skills were required to assess the valuation methodology and EBITDA multiple utilized to determine the recoverable amount.	The primary procedures we performed to address this key audit matter included the following: • We tested certain internal controls over the Group´s goodwill impairment assessment process, including controls related to the determination of valuation methodology and EBITDA multiple used to calculate the recoverable amount of the Diagnostic CGU. • We involved valuation professionals with specialized skills and knowledge, who assisted in: o Assessing the Group's valuation methodology, and o evaluating the EBITDA multiple used in the valuation by comparing it to EBITDA multiples from publicly available market data of comparable entities. • We challenged the Group's valuation methodology by performing sensitivity analyses over the recoverable amount of the Diagnostic CGU using evidence that might be contrary to assumptions used by the Group and comparing the results to the carrying amount. • We evaluate whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2019 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels for this information:

a) A specific level applicable to non-financial consolidated information, as well as certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of the Audit Law 22/2015, which consists of merely verifying that this information has been provided in the directors' report, or where applicable, in a separate report corresponding to the same year and to which reference is made in the directors' report, and if not, report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in a) above has been provided in the consolidated directors' report and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2019 and the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts_

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 27 February 2020.

Contract Period

At their ordinary general meeting held on 24 May 2019, the shareholders appointed us as auditors of the Group for the year ended 31 December 2019.

Previously, we were appointed for a period of three years from 31 July 1990 to 1992, both inclusive, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 July 1990.

KPMG Auditores, S.L.
Entered in the Spanish Official Register of Auditors (R.O.A.C.) with number S0702

(Signed on the original in Spanish)
David Hernanz Sayans
Entered in the Spanish Official Register of Auditors (R.O.A.C.) with number 20236

27 February 2020

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts

31 December 2019 and 2018

SUMMARY

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts

31 December 2019 and 2018

SUMMARY

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

- **Appendices**

  - Appendix I Information on Group Companies, Associates and Others
  - Appendix II Operating Segments
  - Appendix III Changes in Other Intangible Assets
  - Appendix IV Movement in Rights of Use
  - Appendix V Movement in Property, Plant and Equipment
  - Appendix VI Statement of Liquidity for Distribution of Interim Dividend

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets
at 31 December 2019 and 2018

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Assets	31/12/19	31/12/18
Goodwill (note 7)	5.507.063	5.209.230
Other intangible assets (note 8)	1.433.534	1.385.537
Rights of use (note 9)	703.858	--
Property, plant and equipment (note 10)	2.159.545	1.951.983
Investments in equity-accounted investees (note 11)	114.473	226.905
Non-current financial assets		
Non-current financial assets measured at fair value	7	7
Non-current financial assets at amortized cost	138.923	107.594
Total non-current financial assets (note 12)	138.930	107.601
Deferred tax assets (note 28)	123.024	112.539
Total non-current assets	**10.180.427**	**8.993.795**
Inventories (note 13)	2.342.590	1.949.360
Trade and other receivables		
Trade receivables	369.797	269.167
Other receivables	82.509	92.418
Current income tax assets	38.269	42.205
Trade and other receivables (note 14)	490.575	403.790
Other current financial assets (note 12)		
Current financial assets measured at fair value	1.716.738	19.934
Current financial assets at amortized cost	12.188	34.031
Total current financial assets (note 12)	1.728.926	53.965
Other current assets	58.111	42.344
Cash and cash equivalents (note 15)	741.982	1.033.792
Total current assets	**5.362.184**	**3.483.251**
Total assets	**15.542.611**	**12.477.046**

The accompanying notes form an integral part of the consolidated annual accounts.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets
at 31 December 2019 and 2018

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Equity and liabilities	31/12/19	31/12/18
Share capital	119.604	119.604
Share premium	910.728	910.728
Reserves	3.009.599	2.441.931
Treasury stock	(49.584)	(55.441)
Interim dividend	(136.828)	(136.747)
Profit for the year attributable to the Parent	625.146	596.642
Total equity	4.478.665	3.876.717
Other comprehensive Income	(903)	(554)
Translation differences	344.357	349.391
Other comprehensive expenses	343.454	348.837
Equity attributable to the Parent (note 16)	**4.822.119**	**4.225.554**
Non-controlling interests (note 18)	2.023.649	471.050
Total equity	**6.845.768**	**4.696.604**
Liabilities		
Grants (note 19)	11.377	11.845
Provisions (note 20)	8.030	6.114
Non-current financial liabilities (note 21)	6.846.068	6.099.463
Other non-current liabilities	983	1.301
Deferred tax liabilities (note 28)	463.827	404.398
Total non-current liabilities	**7.330.285**	**6.523.121**
Provisions (note 20)	53.109	80.055
Current financial liabilities (note 21)	361.312	277.382
Current debts with related companies	1.258	7.079
Trade and other payables		
Suppliers	581.882	561.883
Other payables	165.632	159.816
Current income tax liabilities	5.966	1.917
Total trade and other payables (note 22)	753.480	723.616
Other current liabilities (note 23)	197.399	169.189
Total current liabilities	**1.366.558**	**1.257.321**
Total liabilities	**8.696.843**	**7.780.442**
Total equity and liabilities	**15.542.611**	**12.477.046**

The accompanying notes form an integral part of the consolidated annual accounts.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Statements of Profit and Loss
at 31 December 2019, 2018 and 2017

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	31/12/19	31/12/18	31/12/17
Continuing Operations			
Net revenue (notes 6 and 24)	5.098.691	4.486.724	4.318.073
Cost of sales	(2.757.459)	(2.437.164)	(2.166.062)
Gross Margin	**2.341.232**	**2.049.560**	**2.152.011**
Research and Development	(276.018)	(240.661)	(288.320)
Selling, General and Administration expenses	(942.821)	(814.775)	(860.348)
Operating Expenses	**(1.218.839)**	**(1.055.436)**	**(1.148.668)**
Profit/(loss) of equity accounted investees with similar activity to that of the Group (note 2 and 11)	8.972	--	--
Operating Result	**1.131.365**	**994.124**	**1.003.343**
Finance income	114.197	13.995	9.678
Finance costs	(342.965)	(293.273)	(263.344)
Change in fair value of financial instruments	1.326	--	(3.752)
Impairment of financial assets at amortized cost	(37.666)	30.280	(18.844)
Exchange differences	(9.616)	(8.246)	(11.472)
Finance result (note 27)	**(274.724)**	**(257.244)**	**(287.734)**
Share of losses of equity accounted investees (note 11)	(39.538)	(11.038)	(19.887)
Profit before income tax from continuing operations	**817.103**	**725.842**	**695.722**
Income tax expense (note 28)	(168.459)	(131.436)	(34.408)
Profit after income tax from continuing operations	**648.644**	**594.406**	**661.314**
Consolidated profit for the year	**648.644**	**594.406**	**661.314**
Profit attributable to the Parent	625.146	596.642	662.700
Loss attributable to non-controlling interest (note 18)	23.498	(2.236)	(1.386)
Basic earnings per share (Euros) (see note 17)	0,91	0,87	0,97
Diluted earnings per share (Euros) (see note 17)	0,91	0,87	0,97

The accompanying notes form an integral part of the consolidated annual accounts.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
for the years ended 31 December 2019, 2018 and 2017

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	31/12/19	31/12/18	31/12/17
Consolidated profit for the year	648.644	594.406	661.314
Items for reclassification to profit or loss			
Translation differences	33.256	268.557	(532.389)
Available for sale financial Assets	--	--	10.145
Equity accounted investees (note 11) / Translation differences	(4.360)	(9.270)	(27.134)
Other	(349)	102	(14)
Other comprehensive income for the year, after tax	**28.547**	**259.389**	**(549.392)**
Total comprehensive income for the year	**677.191**	**853.795**	**111.922**
Total comprehensive income attributable to the Parent	641.772	856.598	113.441
Total comprehensive expense attributable to the non-controlling interests	35.419	(2.803)	(1.519)

The accompanying notes form an integral part of the consolidated annual accounts.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
for the years ended 31 December 2019, 2018 and 2017

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	31/12/2019	31/12/2018	31/12/2017
Cash flows from operating activities			
Profit before tax	**817.103**	**725.842**	**695.722**
Adjustments for:	**569.960**	**454.378**	**556.792**
Amortization and depreciation (note 26)	302.455	228.609	215.490
Other adjustments:	267.505	225.769	341.302
(Profit) / losses on equity accounted investments (note 11)	30.566	11.038	19.888
Impairment of assets and net provision charges	(19.518)	(23.657)	66.047
(Profit) / losses on disposal of fixed assets (note 8, 9 and 10)	1.399	(6.700)	1.551
Government grants taken to income (note 19)	(1.388)	(1.166)	(286)
Finance cost / (income)	255.841	232.962	263.657
Other adjustments	605	13.292	(9.555)
Change in operating assets and liabilities	**(481.537)**	**(112.639)**	**(65.800)**
Change in inventories	(323.748)	(231.670)	(165.508)
Change in trade and other receivables	(99.374)	(13.141)	80.112
Change in current financial assets and other current assets	(13.871)	(3.092)	(2.691)
Change in current trade and other payables	(44.544)	135.264	22.287
Other cash flows used in operating activities	**(336.593)**	**(330.153)**	**(344.968)**
Interest paid	(236.179)	(225.146)	(207.079)
Interest recovered	9.487	6.862	9.492
Income tax (paid) / received	(107.797)	(111.585)	(147.015)
Other recovered (paid)	(2.104)	(284)	(366)
Net cash from operating activities	**568.933**	**737.428**	**841.746**
Cash flows from investing activities			
Payments for investments	**(551.497)**	**(852.536)**	**(2.209.667)**
Group companies, associates and business units (notes 3, 2 (b) and 11)	(119.745)	(524.081)	(1.857.210)
Property, plant and equipment and intangible assets	(412.305)	(307.722)	(322.973)
Property, plant and equipment	(310.383)	(231.983)	(251.507)
Intangible assets	(101.922)	(75.739)	(71.466)
Other financial assets	(19.447)	(20.733)	(29.484)
Proceeds from the sale of investments	**2.708**	**70.669**	**23.787**
Property, plant and equipment	2.708	550	762
Other financial assets	--	70.119	23.025
Net cash used in investing activities	**(548.789)**	**(781.867)**	**(2.185.880)**
Cash flows from financing activities			
Proceeds from and payments for financial liability instruments	(7.515)	37.418	1.808.771
Issue	120.079	179.350	1.912.615
Redemption and repayment	(127.594)	(141.932)	(103.844)
Dividends and interest on other equity instruments	(234.271)	(275.783)	(218.260)
Dividends paid	(238.740)	(278.841)	(218.260)
Dividends received	4.469	3.058	--
Other cash flows from / (used in) financing activities	(90.552)	4.661	(156.446)
Financing costs included on the amortised costs of the debt	(84.346)	--	(142.288)
Other amounts from / (used in) financing activities	(6.206)	4.661	(14.158)
Transaction with minority interests with no loss of control (note 3)	(18)	386.207	--
Net cash from/(used in) financing activities	**(332.356)**	**152.503**	**1.434.065**
Effect of exchange rate fluctuations on cash	**20.402**	**39.207**	**(98.419)**
Net increase in cash and cash equivalents	**(291.810)**	**147.271**	**(8.488)**
Cash and cash equivalents at beginning of the year	**1.033.792**	**886.521**	**895.009**
Cash and cash equivalents at year end	**741.982**	**1.033.792**	**886.521**

The accompanying notes form an integral part of the consolidated annual accounts.

GRIFOLS, S.A. AND SUBSIDIARIES

Statement of Changes in Consolidated Equity
for the years ended 31 December 2019, 2018 and 2017

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Attributable to shareholders of the Parent											
							Accumulated other comprehensive income					
	Share capital	Share premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury stock	Translation differences	Available for sale financial assets	Other comprehensive income	Equity attributable to Parent	Non-controlling interests	Equity
Balance at 31 December 2016	119.604	910.728	1.694.245	545.456	(122.908)	(68.710)	648.927	(5.219)	(642)	3.721.481	6.497	3.727.978
Translation differences	--	--	--	--	--	--	(559.390)	--	--	(559.390)	(133)	(559.523)
Available for sale financial assets	--	--	--	--	--	--	--	10.145	--	10.145	--	10.145
Other comprehensive income	--	--	--	--	--	--	--	--	(14)	(14)	--	(14)
Other comprehensive income / (expense) for the year	--	--	--	--	--	--	(559.390)	10.145	(14)	(549.259)	(133)	(549.392)
Profit/(loss) for the year	--	--	--	662.700	--	--	--	--	--	662.700	(1.386)	661.314
Total comprehensive income / (expense) for the year	--	--	--	662.700	--	--	(559.390)	10.145	(14)	113.441	(1.519)	111.922
Net change in treasury stock (note 16 (d))	--	--	--	--	--	6.288	--	--	--	6.288	--	6.288
Acquisition of non-controlling interests (note 16 (c))	--	--	(346)	--	--	--	--	--	--	(346)	(43)	(389)
Other changes	--	--	6.475	--	--	--	--	--	--	6.475	(49)	6.426
Interim dividend	--	--	--	--	(122.986)	--	--	--	--	(122.986)	--	(122.986)
Distribution of 2016 profit												
Reserves	--	--	422.548	(422.548)	--	--	--	--	--	--	--	--
Dividends	--	--	(95.274)	--	--	--	--	--	--	(95.274)	--	(95.274)
Interim dividend	--	--	--	(122.908)	122.908	--	--	--	--	--	--	--
Operations with shareholders or owners	--	--	333.403	(545.456)	(78)	6.288	--	--	--	(205.843)	(92)	(205.935)
Balance at 31 December 2017	119.604	910.728	2.027.648	662.700	(122.986)	(62.422)	89.537	4.926	(656)	3.629.079	4.886	3.633.965
Impact of new IFRS (note 2)	--	--	29.562	--	--	--	--	(4.926)	--	24.636	--	24.636
Balance at 31 December 2017 adjusted	119.604	910.728	2.057.210	662.700	(122.986)	(62.422)	89.537	0	(656)	3.653.715	4.886	3.658.601

GRIFOLS, S.A. AND SUBSIDIARIES

Statement of Changes in Consolidated Equity
for the years ended 31 December 2019, 2018 and 2017

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Attributable to shareholders of the Parent											
							Accumulated other comprehensive income					
	Share capital	Share premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury stock	Translation differences	Available for sale financial assets	Other comprehensive income	Equity attributable to Parent	Non-controlling interests	Equity
Translation differences	--	--	--	--	--	--	259.854	--	--	259.854	(567)	259.287
Other comprehensive income	--	--	--	--	--	--	--	--	102	102	--	102
Other comprehensive income / (expense) for the year	--	--	--	--	--	--	259.854	--	102	259.956	(567)	259.389
Profit/(loss) for the year	--	--	--	596.642	--	--	--	--	--	596.642	(2.236)	594.406
Total comprehensive income / (expense) for the year	--	--	--	596.642	--	--	259.854	--	102	856.598	(2.803)	853.795
Net change in treasury stock (note 16 (d))	--	--	--	--	--	6.981	--	--	--	6.981	--	6.981
Acquisition / Divestment of non-controlling interests (note 16 (c))	--	--	(3.462)	--	--	--	--	--	--	(3.462)	469.010	465.548
Other changes	--	--	(9.437)	--	--	--	--	--	--	(9.437)	(43)	(9.480)
Interim dividend	--	--	--	--	(136.747)	--	--	--	--	(136.747)	--	(136.747)
Distribution of 2017 profit:												
Reserves	--	--	539.714	(539.714)	--	--	--	--	--	--	--	--
Dividends	--	--	(142.094)	--	--	--	--	--	--	(142.094)	--	(142.094)
Interim dividend	--	--	--	(122.986)	122.986	--	--	--	--	--	--	--
Operations with shareholders or owners	--	--	384.721	(662.700)	(13.761)	6.981	--	--	--	(284.759)	468.967	184.208
Balance at 31 December 2018	119.604	910.728	2.441.931	596.642	(136.747)	(55.441)	349.391	--	(554)	4.225.554	471.050	4.696.604
Translation differences	--	--	--	--	--	--	16.975	--	--	16.975	11.921	28.896
Other comprehensive income	--	--	--	--	--	--	--	--	(349)	(349)	--	(349)
Other comprehensive income / (expense) for the year	--	--	--	--	--	--	16.975	--	(349)	16.626	11.921	28.547
Profit/(loss) for the year	--	--	--	625.146	--	--	--	--	--	625.146	23.498	648.644
Total comprehensive income / (expense) for the year	--	--	--	625.146	--	--	16.975	--	(349)	641.772	35.419	677.191
Net change in treasury stock (note 16 (d))	--	--	--	--	--	5.857	--	--	--	5.857	--	5.857
Acquisition / Divestment of non-controlling interests (note 16 (c))	--	--	220.976	--	--	--	(22.009)	--	--	198.967	1.517.180	1.716.147
Other changes	--	--	(11.291)	--	--	--	--	--	--	(11.291)	--	(11.291)
Interim dividend	--	--	--	--	(136.828)	--	--	--	--	(136.828)	--	(136.828)
Distribution of 2018 profit:												
Reserves	--	--	459.895	(459.895)	--	--	--	--	--	--	--	--
Dividends	--	--	(101.912)	--	--	--	--	--	--	(101.912)	--	(101.912)
Interim dividend	--	--	--	(136.747)	136.747	--	--	--	--	--	--	--
Operations with shareholders or owners	--	--	567.668	(596.642)	(81)	5.857	(22.009)	--	--	(45.207)	1.517.180	1.471.973
Balance at 31 December 2019	119.604	910.728	3.009.599	625.146	(136.828)	(49.584)	344.357	--	(903)	4.822.119	2.023.649	6.845.768

GRIFOLS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

(1) Nature, Principal Activities and Subsidiaries

Grifols, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law on 22 June 1987. Its registered and tax offices are in Barcelona. The Company's statutory activity consists of providing corporate and business administrative, management and control services, as well as investing in assets and property. Its principal activity involves rendering administrative, management and control services to its subsidiaries.

On 17 May 2006 the Company completed its flotation on the Spanish securities market, which was conducted through the public offering of 71,000,000 ordinary shares of Euros 0.50 par value each and a share premium of Euros 3.90 per share. The total capital increase (including the share premium) amounted to Euros 312.4 million, equivalent to a price of Euros 4.40 per share.

The Company's shares were floated on the Spanish stock exchange IBEX-35 index on 2 January 2008.

All of the Company's shares are listed on the Barcelona, Madrid, Valencia and Bilbao securities markets and on the Spanish Automated Quotation System (SIBE/Continuous Market). On 2 June 2011, Class B non-voting shares were listed on the NASDAQ (USA) and on the Spanish Automated Quotation System (SIBE/Continuous Market).

Grifols, S.A. is the Parent of the subsidiaries listed in Appendix I of this note to the consolidated annual accounts.

Grifols, S.A. and subsidiaries (hereinafter the Group) act on an integrated basis and under common management and their principal activity is the procurement, manufacture, preparation and sale of therapeutic products, especially hemoderivatives.

The main factory locations of the Group's Spanish companies are in Parets del Vallés (Barcelona) and Torres de Cotilla (Murcia), while the US companies are located in Los Angeles (California), Clayton (North Carolina), Emeryville (California), and San Diego (California).

(2) Basis of Presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Grifols, S.A. and of the Group companies. The consolidated annual accounts for 2019 have been prepared under International Financial Reporting Standards as adopted by the European Union (IFRS-EU) which for Grifols Group purposes, are identical to the standards as issued by the International Accounting Standard Board (IFRS-IASB) to present fairly the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2019, as well as the consolidated results from their operations, consolidated cash flows and consolidated changes in equity for the year then ended.

These consolidated annual accounts for 2019 show comparative figures for 2018 and voluntarily show figures for 2017 from the consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and their corresponding notes thereto. For the purposes of comparing the consolidated income statement and the consolidated balance sheet for years 2019, 2018 and 2017, the effects of the application new standards described in note 2 must be taken into account.

The Group adopted IFRS-EU for the first time on 1 January 2004 and has been preparing its annual accounts under International Financial Reporting Standards, as adopted by the European Union (IFRS-EU) as required by spanish capital market regulations governing the presentation of financial statements by companies whose debt or own equity instruments are listed on a regulated market.

The Board of Directors of Grifols, S.A. considers that these consolidated annual accounts of 2019 authorized for issue at their meeting held on 21 February 2020, will be approved by the shareholders without any modifications.

In accordance with the provision of section 357 of the Irish Companies Act 2014, the Company has irrevocably guaranteed all liabilities of an Irish subsidiary undertaking, Grifols Worldwide Operations Limited (Ireland) (see

Appendix I), for the financial year ended 31 December 2019 as referred to in subsection 1(b) of that Act, for the purposes of enabling Grifols Worldwide Operations Limited to claim exemption from the requirement to file their own annual accounts in Ireland.

(a) Relevant accounting estimates, assumptions and judgments used when applying accounting principles

The preparation of the consolidated annual accounts in conformity with IFRS-EU requires management to make judgments, estimates and assumptions that affect the application of Group accounting policies. The following notes include a summary of the relevant accounting estimates and judgments used to apply accounting policies which have the most significant effect on the amounts recognized in the consolidated annual accounts.

- Assumptions used to test non-current assets and goodwill for impairment. Relevant cash generating units are tested annually for impairment. These are based on risk-adjusted future cash flows discounted using appropriate interest rates. The key assumptions used are specified in note 7. Assumptions relating to risk-adjusted future cash flows and discount rates are based on business forecasts and are therefore inherently subjective. Future events could cause a change in business forecasts, with a consequent adverse effect on the future results of the Group. To the extent considered a reasonably possible change in key assumptions could result in an impairment of goodwill, a sensitivity analysis has been disclosed to show the effect of changes to these assumptions and the effect of the cash generating unit (CGU) on the recoverable amount.

- Determination the fair value of assets, liabilities and contingent liabilities related to business combinations. Details of the fair value methods used by the Group are provided in note 3.

- Evaluation of the capitalization of development costs (see note 4(h)). The key assumption is related to the estimation of sufficient future economic benefits of the projects.

- Evaluation of provisions and contingencies. Key assumptions relate to the evaluation of the likelihood of an outflow of resources due to a past event, as well as to the evaluation of the best estimate of the likely outcome. These estimates take into account the specific circumstances of each dispute and relevant external advice and therefore are inherently subjective and could change substantially over time as new facts arise and each dispute progresses. Details of the status of various uncertainties involved in significant unresolved disputes are set out in note 29.

- The calculation of the income tax expense requires tax legislation interpretations in the jurisdictions where Grifols operates. The decision as to whether the tax authority will accept a given uncertain tax treatment and the expected outcome of outstanding litigation requires significant estimates and judgements. Likewise, Grifols recognizes deferred tax assets, mainly from deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which they can be utilized, based on management estimates on amount and payments of future taxable profits (see notes 4(s) and 28).

- Analysis that the refinancing of debt and bonds does not result in a new financial liability (see note 21).

No changes have been made to prior year judgments relating to existing uncertainties.

The Group is also exposed to interest rate and currency risks. Refer to sensitivity analysis in note 30.

At 31 December 2019 results from operating activities include “Profit/(loss) of equity accounted investees with similar activity to that of the Group” amounting to Euros 8,972 thousand. This change is justified due to the fact that some of the investee companies perform the same activity as the Group’s statutory activity described in note 1, together with its growing contribution to the consolidated statement of profit and loss . The Group has proceeded to apply this decision in the presentation of these consolidated annual accounts without retroactive effect, as the amount in previous years is not significant.

(b) Basis of consolidation

Appendix I shows details of the percentages of direct or indirect ownership of subsidiaries by the Company at 31 December 2019, 2018 and 2017, as well as the consolidation method used in each case for preparation of the accompanying consolidated annual accounts.

Subsidiaries in which the Company directly or indirectly owns the majority of equity or voting rights have been fully consolidated. Associates in which the Company owns between 20% and 50% of share capital and over which it has no control but does have significant influence, have been accounted for under the equity method.

Although the Group holds 30% of the shares with voting rights of Grifols Malaysia Sdn Bhd, it controls the majority of the economic and voting rights of Grifols Malaysia Sdn Bhd through a contract with the other shareholder and a pledge on its shares. As a consequence, it has been fully consolidated.

Grifols (Thailand) Ltd. has two classes of shares and it grants the majority of voting rights to the class of shares held by the Group. As a consequence, it has been fully consolidated.

Changes in associates and jointly controlled entities are detailed in note 11.

Changes in subsidiaries

In 2019:

- The Group aims to reinforce its strategic presence in China. In March 2019, Grifols entered into a shares exchange agreement with Shanghai RAAS Blood Products Co. Ltd. (hereinafter SRAAS), through which Grifols should deliver 90 shares of its US subsidiary Grifols Diagnostic Solutions Inc. (hereinafter GDS) (representing 45% of the economic rights and 40% of the voting rights), and in exchange should receive 1,766 million of SRAAS shares (representing 26.2% of the share capital). Thus, such transaction does not entail a cash flow movement.

  The exchange ratio determined upon that date, was estimated using different valuation methods, among others the stock price for SRAAS and discounted cash flows and market multiples for GDS.

  Grifols will retain the control of GDS through the retention of the 55% of the economic rights and 60% of the voting rights and shares received of SRAAS will be considered as an investment in an associate because Grifols will have a significant influence according to IAS 28 – Investment in Associates and Joint Ventures.

  As of 30 September 2019, Grifols obtained the authorization from the US agency, "Committee on Foreing Investment in the United States" (CFIUS) and on 13 November 2019, Shanghai RAAS Blood Products, Co. Ltd. obtained the authorization from the Chinese Securities Regulatory Commission (CRSC).

  As of 31 December 2019, Grifols delivered 90 shares of its subsidiary GDS in exchange of a contractual right resulting in an investment in an associate (equivalent to 1,766 million of SRAAS shares), because at that date no shares of SRAAS were received. As a consequence, as of 31 December 2019, SRAAS was the minority shareholder owner of the 45% of GDS. Such contractual right fulfills the definition of financial asset under IFRS 9 – Financial Instruments and has been classified as a financial asset at fair value with changes in results for not complying with the principal and interest payment criteria (because they will be received participations in SRAAS). Grifols has registered the aforementioned contractual right for the fair value of the GDS shares delivered and subsequently said right was measured based on its fair value with changes in results.

  The delivery of GDS shares had no impact on the consolidated results of Grifols Group according to IFRS 10 – Consolidated Financial Statements, since it is considered a transaction with non-controlling interest where Grifols retained control over GDS. The impact in the Consolidated balance sheet at 31

December 2019 resulted in an increase of the chapters: Other Current Financial Assets amounting to EUR 1,717 million (note 12); Non-controlling Interests amounting to EUR 1,511 million (note 18); Retained Earnings amounting to EUR 227 million (note 16), a decrease in translation differences for an amount of Euros 22 million and a benefit in the consolidated statement of profit and loss from fiscal year 2019 amounting Euros 1 million related to the change in the contractual right value (note 27).

Finally, the directly attributable costs to the future acquisition of SRAAS were recognized as a Current Asset amounting to EUR 12 million as of 31st December 2019 and are presented under chapter "Other Current Assets". Subsequently, such costs will be included in the initial carrying amount at the date of acquisition of SRAAS.

- On 11 May 2016 Grifols acquired a 49.19% stake in Interstate Blood Bank, Inc. (IBBI), 48.97% of Bio-Blood Components, Inc. (Bio-Blood) and 48.90% of Plasma Biological Services, LLC. (PBS) ("IBBI Group"), a group based in Memphis, USA, for the price of US Dollars 100 million (Euros 88,215 thousand). The Group also entered into a call option on the remaining shares for a price of US Dollars 100 million, having agreed a payment of US Dollars 10 million (Euros 9,007 thousand) for the call option. The purchase price and the call right were paid upon signature of the contract. The principal business activity of IBBI and its affiliates is the collection of plasma for the plasma fractionation industry, with 26 plasma collection centers, 9 blood donation centers and one laboratory In April 2019, the Group has exercised the call option and has completed the acquisition of the remaining shares of the IBBI companies (see note 3).

- On 24 July 2019, the Group acquired 33 shares of Progenika Biopharma, S.A for an amount of Euros 4 thousand. As a result, the Group increased its interest from 99.99% to 100%. With this acquisition, the Group has the full control of Progenika Biopharma, S.A and therefore it ceases to have non-controlling interest (see notes 18 and 16 (c)).

- On 16 April 2019 and 3 December 2019 Araclon Biotech , S.L carried out two share capital increases of Euros 16.8 million and Euros 5.9 million, respectively. After the latter capital increase Grifols' interest rises to 75.1% (see notes 18 and 16 (c)).

- With effect as of 1 January 2019, Instituto Grifols, S.A. and Gri-Cel, S.A. entered into a merger agreement. The surviving company was Instituto Grifols, S.A.

In 2018:

- On 28 December 2018, Grifols sold Biotest US Corporation and Haema AG to Scranton Enterprises B.V. for a global amount of US Dollars 538,014 thousand. Scranton is an existing shareholder of Grifols (see note 3(b)).

- On 1 August 2018, Grifols, through its subsidiary Grifols Shared Services North America, Inc. completed the acquisition of 100% of the shares in Biotest US Corporation for a price of US Dollars 286,454 thousand, after obtaining the consent of the US Federal Trade Commission (see note 3).

- On 19 March 2018, Grifols entered into an agreement with Aton GmbH for the purchase of 100% of the shares of German based pharmaceutical company Haema AG, in exchange for a purchase price of Euros 220,191 thousand on a debt free basis. The closing of this transaction took place in June 2018 (see note 3).

- On 26 January 2018, Grifols through its subsidiary Grifols Shared Services North America, Inc, subscribed a capital increase in the amount of US Dollars 98 million in the U.S company Goetech LLC, based in Denver, Colorado, trading as Medkeeper. As a result, Grifols reached a 54.76% interest in Medkeeper and a majority position on the board of directors.

- On 12 January 2018 the Group acquired the remaining 50% of the voting rights of Aigües Minerals de Vilajuïga, S.A. and consequently Grifols held 100% of the voting rights for a total amount of Euros 550 thousand.

In 2017:

- On 4 December 2017, Progenika Biopharma, S.A., transferred the total shares of Abyntek Biopharma, S.L. to a third party. No profit or loss was recognized on this transaction.

- On 11 October 2017, Grifols Diagnostic Solutions, Inc. acquired an additional 0.98% interest in Progenika Biopharma, S.A. from its non-controlling interests for a total amount of Euros 644 thousand in the form of a cash payment. As a result, Grifols owed 90.23% of Progenika's share capital at 31 December 2017.

- On 24 July 2017, Grifols acquired an additional 40% interest in Kiro Grifols, S.L. for a purchase price of Euros 12.8 million. With this new acquisition, Grifols reached a 90% interest in equity of Kiro Grifols S.L. (see note 3(b)).

- On 13 March 2017, Progenika Latina, S.A. de C.V., was wound up. The assets and liabilities of Progenika Latina. S.A. de C.V were integrated into Progenika Biopharma, S.A.

- On 31 January 2017, Grifols closed the transaction for the asset purchase agreement to acquire Hologic's business of NAT (Nucleic Acid Testing) donor screening unit, previously agreed on 14 December 2016, for a total amount of US Dollars 1,865 million (see note 3(a)).

- On 5 January 2017, the Group incorporated a new company called Chiquito Acquisition Corp.

- With effect as of 1 January 2017, Grifols Diagnostic Solutions, Inc. and Progenika, Inc. entered into a merger agreement. The surviving company was Grifols Diagnostic Solutions, Inc.

(c) Amendments to IFRS in 2019, 2018 and 2017

In accordance with IFRS, the following should be noted in connection with the scope of application of IFRS and the preparation of these consolidated annual accounts of the Group.

Effective date in 2017

Standards		Mandatory application for annual periods IASB effective date	EU effective date
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses (issued on 19 January 2016)	1 January 2017	1 January 2017
IAS 7	Disclosure Initiative (issued on 29 January 2016)	1 January 2017	1 January 2017
Various	Annual improvements to IFRSs 2014 - 2016 cycle (issued on 8 December 2016) - IFRS 12	1 January 2017	1 January 2017

Effective date in 2018

Standards		Mandatory application for annual periods beginning on or after: IASB effective date	EU effective date
IFRS 15	Revenue from contracts with Customers (issued on 28 May 2014)	1 January 2018	1 January 2018
IFRS 15	Clarification to IFRS15 Revenue from Contracts with Customers (issued on 12 April 2016)	1 January 2018	1 January 2018
IFRS 9	Financial instruments (issued on 24 July 2014)	1 January 2018	1 January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	1 January 2018	1 January 2018
IFRS 4 IFRS 9	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	1 January 2018	1 January 2018
IFRIC 22	IFRIC 22 Interpretation: Foreign currency translations and Advance Consideration (issued on 8 December 2016)	1 January 2018	1 January 2018
IAS 40	Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016)	1 January 2018	1 January 2018
Various	Annual improvements to IFRSs 2014 - 2016 cycle (issued on 8 December 2016)	1 January 2018	1 January 2018

The application of these standards and interpretations had some impacts on the consolidated annual accounts for the year ended 31 December 2018, which are detailed below:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was applied on 1 January, 2018 without any restatements of the comparative figures relative for the prior year. The impacts of the first-time adoption, recognized directly in equity, were as follows:

- Classification and measurement of financial assets:

In general terms, based on the analysis of the new classification based on the business model, the majority of financial assets continued to be measured at amortized cost, the main exception being equity instruments, which are measured at fair value through profit or loss.

- Impairment of financial assets:

As mentioned in Note 4k, the Group applied the simplified estimated expected loss model to estimate the impairment of “Trade and other receivables”.

In this context, the Group defined a methodology to evaluate periodically (annually), firstly, if there are significant variations in the credit risk of the counterparties (commercial customers), to subsequently determine the expected credit loss during the life of the asset considering the low credit risk.

At 31 of December 2018, Group management considered that the credit risk for “Trade and other receivables” was low according to the payment behavior of customers, as well as based on the historical experience of credit lossin the Group (2017: 0.19%, 2016: 0.17% and 2015: 0.13%).

As a result of applying this methodology, at 31December 2018, the amount of impairment for estimated loss estimated for “Trade and other receivables” was not significant, nor did it differ significantly from the amount recognized under the impairment model of loss incurred set out in IAS 39.

- Modification or exchanges of financial liabilities that do not result in derecognition of liabilities

According to the IASB's interpretation published in October 2017, when a financial liability measured at amortized cost is modified or exchanged and does not result in the derecognition of the financial liability, a gain or loss should be recognized in profit or loss, calculated as the difference between the original contractual cash flows from the liability and the new modified cash flows, discounted at the original effective interest rate of the liability.

IFRS 9 must be applied retrospectively as of 1 January 2018, therefore any gains or losses from the modification of financial liabilities that arise from applying the new standard in years prior to 1 January 2018 were recognized in reserves at that date and the comparative period was not re-expressed. Grifols retrospectively calculated the impact of adopting IFRS 9 on the refinancing of its senior debt and unsecured senior corporate notes in 2014 and 2017. As a result of these new calculations, the 2014 refinancing of both debts did not cause the derecognition of the respective liabilities, therefore generating an adjustment to profit and loss in that year. Considering the retroactive adjustment generated in 2014, the 2017 refinancing of senior debt did not result in the derecognition of the financial liability either. However, the refinancing of the unsecured senior corporate notes led to derecognition of the liability as it did not pass the new quantitative test. The adoption of IFRS 9 entailed a positive impact on reserves of Euros 24,636 thousand.

Details of the impacts on reserves due to the application of IFRS 9 application are follows:

	Thousand of Euros		
Senior Unsecured Noted	IAS 39	IFRS 9	Impact 01/01/2018
Total Debt	853,667	1,000,000	146,333
Deferred Expenses			(41,035)
Negative Impact in reserves			105,298

	Thousand of Euros		
Senior Secured Debt	IAS 39	IFRS 9	Impact 01/01/2018
Total Debt	3,375,157	3,226,244	(148,913)
Deferred Expenses			18,979
Positive impact in reserves			(129,934)

	Thousand of Euros		
Total Impact	IAS 39	IFRS 9	Impact 01/01/2018
Total Debt	4,228,824	4,226,244	(2,580)
Deferred Expenses			(22,056)
Positive impact in reserves			(24,636)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a framework that replaces the previous guides on revenue recognition. According to the new criteria, a five-step model should be used to determine the timing and amounts of revenue recognition:

Step 1: Identify the contract.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue.

This new model specifies that revenue should be recognized when (or as) control of the goods or services is transferred from an entity to customers, for the amount the entity expects to be entitled to receive. Depending on whether certain criteria are met, revenue is recognized over time, reflecting that the entity has satisfied the performance obligation, or at a point in time, when control of the goods or services is transferred to customers.

In order to identify the potential impacts of the application of the revenue recognition model according to IFRS15, the Group's internal revenue recognition policies for the different types of contracts with customers (contract groups) were analyzed, identifying the performance obligations, the price of the transaction, its allocation to each performance obligation and the determination of their satisfaction schedule.

The Group assessed that the contractually agreed performance obligations are independent of each other, where each one has an assigned price in the contract (and that represents the independent sale price), and whose income is recognized at the time that the control is transferred (upon of hemoderivative products; diagnostic and hospital products, and equipment) or at the time when the service is rendered.

On the basis of this analysis, no performance obligations were identified whose recognition pattern differed significantly from the income pattern previously applied under IAS 18 (nor does it require new judgments for recognition), concluding that the effect on the consolidated financial statements derived from the application of IFRS 15 was not relevant.

On the other hand, based on the application of IFRS 15, no new assets or liabilities for contracts were identified with respect to those already recognized under the previous regulations, except for those referring to commissions for gaining customers, which amounted to Euros 2,934 thousand at 31 of December 2018, and which were considered as costs of obtaining a contract (not as an asset due to a contract).

Finally, it should be highlighted that no contracts with financing components were identified.

Effective in 2019

		Mandatory application for annual periods beginning on or after:	
Standards		IASB effective date	EU effective date
IFRS 16	Leases (Issued on 13 January 2016)	1 January 2019	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	1 January 2019
IFRS 9	Prepayment Features with Negative Compensation (issued on 12 October 2017)	1 January 2019	1 January 2019
IAS 28	Long-term interests in Associates and Joint Ventures (issued on 12 October 2017)	1 January 2019	1 January 2019
Various	Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019	1 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	1 January 2019	1 January 2019

The application of these standards and interpretations has not had any significant impact on the consolidated annual accounts, except for IFRS 16 "Leases", as follows:

IFRS 16 "Leases"

IFRS 16 brings in a single model for lease accounting by lessees in the statement of financial position. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard. Lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing guidance on leases, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases-Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.

The Group adopted IFRS 16 for the first time on 1 January 2019, but has not restated comparative figures for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet at 1 January 2019.

On 1 January 2019 there was no impact in equity due to the IFRS 16 application.

The main policies, estimates and criteria for the application of IFRS 16 are as follows:

- Scope: IFRS 16 evaluation considers all the contracts in which the Group acts as lessee, except for contracts between the Group companies and the cancelable contracts.
- Transition approach: The Group has opted to implement IFRS 16 using the modified retrospective approach, whereby the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application. When applying this modified retrospective approach, the Group does not re-express the comparative information.
- Discount rates: under IFRS 16, a lessee shall discount the future lease payments using the interest rate implicit in the lease if that rate can be readily determined. Otherwise, the lessee shall use the incremental borrowing rate. The Group uses the incremental borrowing rate. This is the rate that a lessee would have to pay at the commencement date of the lease for a loan over a similar term, and with similar security, to obtain an asset of a similar value to the right–of-use asset.

  An incremental effective interest rate has been applied and varies from 2.07% to 8.18% depending on the geographical area and the term of the lease agreement at the transition date.
- The lease term is the non-cancellable period considering the initial term of each contract unless Grifols has a unilateral extension or termination option and there is reasonable certainty that this option will be exercised, in which case the corresponding extension term or early termination will be taken into account.

  The Group leases several buildings, equipment and vehicles. Leases agreements are usually made for fixed periods, as shown below:

	Average lease term
Buildings and warehouses	10 to 15 years
Donor centers	13 to 15 years
PCs and hardware	3 to 5 years
Machinery	4 to 5 years
Vehicles	3 to 5 years

  The lease terms of the agreements are negotiated on an individual basis and contain a wide range of terms and conditions.

- Accounting policies applied during transition: The Group has employed the following practical expedients when applying the simplified method to leases previously carried as operating leases under IAS 17 Leases:
    - Non-application of IFRS 16 to agreements that were not previously deemed to contain a lease under IAS 17 and IFRIC 4 “Determining whether an arrangement contains a lease”.
    - Exclusion of the initial direct costs from the measurement of the right-of-use asset on the date of first-time adoption.
    - Exclusion of leases that expire within 12 months as from the date of first-time adoption.
    - Exclusion of leases in which the underlying asset has a low value.

The reconciliation of lease liabilities for buildings and warehouses in relation to leases which had previously been classified as operating leases under IAS 17 (related to non-cancelable agreements and renewals) and lease liabilities under IFRS 16 at 1 January 2019 is as follows:

	01/01/2019
	Thousands of Euros
Operating lease commitments existing as at 31 December 2018	400,579
Periods covered by an option to extend the lease by the Group	579,261
Discounting using the Group's incremental borrowing rate	(311,116)
finance lease liabilities recognised as at 31 December 2018	1,395
Short-term leases recognised on a straight-line basis as expense	(4,822)
Others	(349)
Lease liability recognised as at 1 January 2019	664,948

The Group's activities as a lessor are immaterial, and therefore the application of IFRS 16 has not had a significant impact on the consolidated annual accounts.

IFRIC 23 - "Uncertainty in the treatment of income taxes"

IFRIC 23 "Uncertainty in the treatment of income taxes" clarifies how to apply the recognition and measurement requirements of IAS 12 "Income taxes" when there is uncertainty as to the treatment of income taxes. In this situation, an entity reflects the effect of uncertainty when determining taxable earnings, tax bases, unused tax losses, unused tax credits and tax rates.

Grifols analyzed the possible uncertain tax treatments, concluding that the application of this interpretation do not have an impact on 2019 consolidated annual accounts

Standards issued but not effective in 2019

Standards		Mandatory application for annual periods beginning on or after: IASB effective date	Mandatory application for annual periods beginning on or after: EU effective date
IAS 1 IAS 8	Definition of material (issued on 31 October 2018)	1 January 2020	1 January 2020
Various	Amendments to references to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020	1 January 2020
IFRS 3	Amendment to IFRS 3: Business combinations (issued on 22 October 2018)	1 January 2020	pending
IFRS 9 IAS 39 IFRS 7	Interest rate benchmark reform (issued on 26 September 2019)	1 January 2020	1 January 2020
IFRS 17	Insurance Contracts (issued on 18 May 2017)	1 January 2021	pending

The Group has not applied any of these standards or interpretations in advance of their effective date.

The application of these standards and interpretations is not expected to have any significant impact on the consolidated annual accounts.

(3) Business Combinations

2019

(a) Acquisition of assets used in plasma donor centers

On 31 May 2019 the Group, through its subsidiary Haema AG, acquired four plasma donor centers from Kedplasma, GmbH. The agreed purchase price was Euros 20,500 thousand.

Aggregate details of the combination cost, fair value of the net assets acquired and goodwill at the acquisition date are as follows:

	Thousands of Euros
Cost of the business combination	
Payment in cash	20,500
Total business combination cost	20,500
Fair value of net assets acquired	1,620
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 7)	18,880

The resulting goodwill is allocated to the Bioscience segment and it includes the donor data base, FDA licenses and workforce.

The fair value of net assets acquired mainly includes property, plant and equipment amounting to Euros 1,396 thousand.

(b) Acquisition of Interstated Blood Bank, Inc. Group

On 11 May 2016 Grifols acquired a 49.19% stake in Interstate Blood Bank, Inc. (IBBI), 48.97% of Bio-Blood Components, Inc. (Bio-Blood) and 48.90% of Plasma Biological Services, LLC. (PBS) ("IBBI Group"), with headquarters inMemphis, USA, for the price of US Dollars 100 million (Euros 88,215 thousand). The Group also entered into a call option on the remaining shares for a price of US Dollars 100 million, having agreed a payment of US Dollars 10 million (Euros 9,007 thousand) for the call option. The purchase price and the call right were paid upon signature of the contract. The principal business activity of IBBI and its affiliates is the collection of plasma for the plasma fractionation industry, with 26 plasma collection centers, 9 blood donation centers and one laboratory.

In April 2019, the Group has exercised the call option and has completed the acquisition of the remaining shares of the IBBI group companies.

Details of the aggregate business combination cost, the fair value of the net assets acquired and the goodwill at the acquisition date are provided below:

	Thousands of Euros	Thousands of US Dollars
Consideration paid		
Cash paid	88,984	100,000
Total consideration paid	88,984	100,000
Fair value of the previous investment in the company	94,126	105,779
Fair value of the call option	8,898	10,000
Fair value of net assets acquired	19,345	21,744
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 7)	172,663	194,035

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities are as follows:

	Fair value	
	Thousands of Euros	Thousands of US Dollars
Intangible assets (note 8)	77	87
Property, plant and equipment (note 10)	23,724	26,661
Inventories	10,271	11,543
Trade and other receivables	12,080	13,575
Other current assets	2,015	2,265
Cash and cash equivalents	1,961	2,204
Total assets	50,128	56,335
Non-current liabilities	(10,233)	(11,500)
Current liabilities	(20,550)	(23,091)
Total liabilities and contingent liabilities	(30,783)	(34,591)
Total net assets acquired	19,345	21,744

The resulting goodwill has been allocated to the Bioscience segment.

The variation between the fair value of the previous investment and the book value amounts to Euros 4,521 thousand and has been recognized as an income in section "Share of income/(losses) of equity accounted investees with group's similar activity" in the consolidated statement of profit or loss. Had the acquisition taken place on 1 January 2019, the net amount of the Group´s revenue would have increased by Euros 10,146 thousand and profit would have decreased by Euros 1,436 thousand.

IBBI's net revenue and profit between the acquisition date and 31 December 2019 amounts to Euros 13,364 thousand and Euros 280 thousand, respectively.

2018

(a) Acquisition of assets used in centers from Kedplasma

In August and December 2018, the Group, through its company Biomat USA, Inc., acquired six donor centers from Kedplasma LLC. The purchase price agreed was Euros 20,939 thousand and Euros 21,841 thousand, respectively.

Aggregate details of the combination cost, fair value of the net assets acquired and goodwill at the acquisition date are as follows:

	Thousands of Euros	Thousands of US Dollars
Cost of the business combination		
Payment in cash	42,780	50,163
Total business combination cost	42,780	50,163
Fair value of net assets acquired	5,042	5,787
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 7)	37,738	44,376

The resulting goodwill is allocated to the Bioscience segment and it includes the donor data base, FDA licenses and workforce.

The fair value of net assets acquired mainly includes property, plant and equipment amounting to Euros 4,942 thousand.

(b) Biotest Acquisition

On 1 August 2018, Grifols, through its subsidiary Grifols Shared Services North America, Inc. completed the acquisition of 100% of the shares in Biotest US Corporation for a price of US Dollars 286,454 thousand, after obtaining the consent of the US Federal Trade Commission. Grifols acquired the shares from Biotest Divestiture Trust.

Biotest USA owns a plasma collection business in the USA with 24 plasma collection centers throughout the territory. In fiscal year 2017, it obtained approximately 850,000 liters of plasma.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date are provided below:

	Thousands of Euros	Thousands of US Dollars
Total business combination cost	245,126	286,454
Fair value of net assets acquired	114,463	133,761
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired)	**130,663**	**152,693**

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities were as follows:

	Fair value	
	Thousands of Euros	Thousands of US Dollars
Cash and cash equivalents	5,876	6,867
Trade and other receivables	15,114	17,663
Inventories	18,235	21,309
Other assets	2,438	2,849
Intangible assets (note 8)	19,511	22,800
Goodwill	5,571	6,510
Property, Plant and equipment (note 10)	22,190	25,931
Deferred tax assets	33,917	39,635
Financial assets	10,975	12,825
Total assets	133,827	156,389
Trade and other payables	(5,322)	(6,219)
Other liabilities	(4,249)	(4,965)
Deferred tax liability	(4,878)	(5,700)
Long-term liabilities	(4,915)	(5,744)
Total liabilities and contingent liabilities	(19,364)	(22,628)
Total net assets acquired	114,463	133,761
Goodwill (note 7)	130,663	152,693
Total business combination cost	245,126	286,454

The resulting goodwill was allocated to the Bioscience segment.

Had the acquisition taken place on 1 January 2018, the net amount of the Group´s revenue and profit would have increased by Euros 90,216 thousand and Euros 5,592 thousand, respectively.

The revenue and profit of Biotest between the acquisition date and 31 December 2018 amounted to Euros 73,747 thousand and Euros 7,473 thousand, respectively.

On 28 December 2018, Grifols sold Biotest US Corporation and Haema AG to Scranton Enterprises B.V. for a total of US Dollars 538,014 thousand (see note 1). Scranton is an existing shareholder of Grifols (see note 31). The sale of Biotest and Haema to Scranton took place for the same price, at the December 2018 US Dollar/Euro exchange rate, and under the same terms and conditions existing when Grifols acquired both companies.

The sale of Biotest and Haema did not result in a loss of control for the Group. In assessing the existence of control, Grifols considered the potential voting rights to determine whether it had power and therefore control. The Group holds potential voting rights arising from the repurchase options of the shares and they are substantive, based on the following:

- The sale contract includes a call option for Grifols which grants the irrevocable and exclusive right (not an obligation) to be able to acquire the shares sold to Scranton (both at the same time) at any time from the effective date of sale.

- The purchase option has been negotiated jointly in the same sale agreement of the entities.

- The price of exercising the call option will be equal to the higher of: a) the price at which Grifols sold them plus costs incurred in the transaction and plus the increase in working capital and (b) the amount of debt that Scranton owns related to this transaction at the date on which Grifols exercises the option (principal plus interest plus any other cost to be able to cancel said loan). Considering that the projections for the entities are for growth and an improvement in their results is expected, it is concluded that said call option is "in the money" since their market price is estimated to be higher than that agreed in the call option.

- Even if a nullity clause on the call option is included in the case of default by the buyer (standard clause included in financing agreements), it has been considered remote since Grifols will have the capacity to exercise said call option in the remediation period of 90 days.

- There are no agreements between shareholders that establish that the relevant decisions are approved in a different manner than by majority vote.

- There is a commitment from Grifols to provide support services in the plasma collection business of the donation centers for their subsequent sale and thus ensure that these companies will continue to operate effectively, as well as ensuring the continuity and growth of said entities. Likewise, there is a "Plasma Supply Agreement" agreement whereby the plasma to be produced by these entities will be almost entirely to meet the needs of Grifols. There is no exclusivity of sale.

The aforementioned are indicators of Grifols' power over these entities, even after their sale, considering that the repurchase options are susceptible to being exercised and Grifols would have the financial capacity to carry them out.

Consequently, the sale of the entities did not result in a loss of control, which is why the entities continue to consolidate, recording the sale as a transaction in equity without any impact on the consolidated statements of profit and loss.

(c) Haema AG

On 19 March 2018, Grifols entered into an agreement with Aton GmbH for the purchase of 100% of the shares of the German based pharmaceutical company Haema AG, in exchange for a purchase price of Euros 220,191 thousand on a debt free basis. This transaction was closed in June 2018.

As a result of this acquisition Grifols acquired Haema’s business, based on the collection of plasma for fractionation, which includes 35 plasma collection centers located throughout Germany, and three more centers

under construction at the acquisition date. Haema AG's headquarters are located in Leipzig and measure approximately 24,000 m² (which include administration, production, storage and power station buildings) and it also has a central laboratory in Berlin.

Haema AG employs about 1,100 people and collected almost 800,000 liters of plasma in the preceding financial year, coming from approximately 1 million donations.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date are provided below:

	Thousands of Euros
Total business combination cost	220,191
Fair value of net assets acquired	49,057
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (see note 7)	**171,134**

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities were as follows:

	Fair value Thousands of Euros
Cash and cash equivalents	7,727
Trade and other receivables	10,321
Inventories	5,535
Other assets	836
Intangible assets (note 8)	1,518
Property, Plant and equipment (note 10)	25,407
Total assets	51,344
Trade and other payables	(1,795)
Contingent liabilities	(492)
Total liabilities and contingent liabilities	(2,287)
Total net assets acquired	49,057
Goodwill (note 7)	171,134
Total business combination cost	220,191

The resulting goodwill was allocated to the Bioscience segment.

Had the acquisition taken place on 1 January 2018, the net amount of the Group´s revenue would have increased by Euros 39,517 thousand and the Group´s profit would not have changed significantly.

The revenue and profit of Haema AG between the acquisition date and 31 December 2018 amounted to Euros 46,758 thousand and Euros 53 thousand, respectively.

On 28 December 2018, Grifols sold Haema AG to Scranton Enterprises B.V (see note 3 (b) for further details).

(d) Goetech, LLC Acquisition ("MedKeeper")

On 26 January 2018, Grifols through its subsidiary Grifols Shared Services North America, Inc, subscribed a capital increase for an amount of US Dollars 98 million in the U.S company Goetech LLC, with headquarters in Denver, Colorado, and trading as Medkeeper. As a result of this transaction, Grifols held a 51% interest in Medkeeper and also held a majority position on the board of directors.

The acquisition agreement included the repurchase of own shares by Medkeeper from the non-controlling shareholder in the amount of US Dollars 14 million (in 2 business days) and US Dollars 20 million (in two years) (see note 21(d)). The agreement grants a call option to Grifols to acquire the remaining non-controlling stake for a term of three years and Medkeeper has a put option to sell this stake to Grifols, which may be executed at the end of the three-year period.

As the non-controlling shareholders did not have access to the economic rewards associated with the underlying ownership interests related to shares under the put and call commitment, we the advance-acquisition method was applied. Under this method the agreement was recognized as an advance acquisition of the underlying non-controlling interest, as if the put option had already been exercised by the non-controlling shareholders.

Medkeeper´s core business is the development and distribution of web and mobile-based platforms for hospital pharmacies that improve quality standards, productivity in the processes, control systems and monitoring different preparations, while increasing patient safety.
This investment enhances the activity of the Grifols Hospital Division and it is part of the strategy to underpin this division into the U.S. market.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date are provided below:

	Thousands of Euros	Thousands of US Dolla
Cost of the business combination		
First repurchase of non-controlling interests	11,475	14,000
Second repurchase of non-controlling interests (discounted amount)	14,952	18,241
Purchase of remaining non-controlling interests	42,998	52,458
Total business combination cost	69,425	84,699
Fair value of net assets acquired	14,104	17,207
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 7)	55,321	67,492

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities were as follows:

	Fair value	
	Thousands of Euros	Thousands of US Dollars
Intangible assets (note 8)	30,561	37,285
Property, Plant and equipment (note 10)	67	82
Other non-current assets	2,350	2,867
Other current assets	4,453	5,433
Total assets	37,432	45,667
Non-current liabilities	(2,186)	(2,667)
Current liabilities	(7,711)	(9,407)
Deferred tax liability	(13,431)	(16,386)
Total liabilities and contingent liabilities	(23,328)	(28,460)
Total net assets acquired	14,104	17,207

The resulting goodwill was allocated to the Hospital segment.

Had the acquisition taken place on 1 January 2018, the net amount of the Group´s revenue and profit would not have changed significantly.

The revenue and profit of Goetech LLC between the acquisition date and 31 December 2018 amounted to Euros 9,210 thousand and Euros 1,778 thousand, respectively.

(e) Aigües Minerals de Vilajuïga, S.A.

On 1 June 2017 the Group acquired of 50% of the voting rights in Aigües Minerals de Vilajuïga, S.A. a company based in Vilajuïga, Girona, Spain.

On 12 January 2018 the Group acquired the remaining 50% of the voting rights and consequently Grifols holds 100% of the voting rights for a total amount of Euros 550 thousand.

Aigües Minerals de Vilajuïga, S.A.'s principal activity is the collection and use of mineral-medicinal waters and the procurement of all necessary administrative concessions in order to facilitate the extraction of these waters and find the best way to exploit them.

2017

(a) Hologic Acquisition

On 14 December 2016 Grifols entered into an asset purchase agreement to acquire assets corresponding to Hologic's NAT (Nucleic Acid Testing) business donor screening unit for US Dollars 1,865 million. The transaction was closed on 31 January 2017. The agreement encompasses the acquisition of the Hologic business engaged in research, development and manufacture of assays and instruments based on NAT technology for transfusion and transplantation screening. In addition, it was agreed to cancel the existing joint-collaboration agreement for the commercialization of NAT donor screening products by Grifols. NAT technology makes it possible to detect the presence of infectious agents in blood and plasma donations, contributing to greater transfusion safety.

The transaction was structured through the purchase of assets by Grifols Diagnostic Solutions, Inc., a U.S. incorporated and wholly-owned subsidiary of Grifols, S.A.

The assets acquired comprised a plant in San Diego, California (United States) as well as development rights, licenses to patents and access to product manufacturers.

Grifols considers itself as one of the only vertically integrated providers capable of offering comprehensive solutions to blood and plasma donation centers.

This acquisition strengthened cash flows and positively impacted the Group's margins. The sales revenues of the Diagnostic Division do not change as a result of the acquisition due to the existing commercialization agreement between Grifols and Hologic in place since 2014, under which Grifols commercializes this line of business.

It is expected that this acquisition will strengthen the position of the Grifols Diagnostic Division in transfusion medicine and will increase significantly the profitability of Grifols Diagnostic Division having a direct impact on the Group's EBITDA margin. By streamlining and integrating the NAT business, operational efficiency will be in terms of production, R&D, overheads and administrative expenses.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date are provided below:

	Thousands of Euros	Thousands of US Dollars
Cost of the business combination		
Payment in cash	1,734,077	1,865,000
Result of the cancellation of the existing contract	41,894	45,057
Total business combination cost	1,775,971	1,910,057
Fair value of net assets acquired	309,551	332,923
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired)	1,466,420	1,577,134

As part of the purchase price allocation, the Company determined that the identifiable intangible assets were developed technology and IPR&D. The fair value of the intangible assets was estimated using the income approach. The cash flows were based on estimates used to price the transaction and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model and the weighted average cost of capital.

The developed technology assets are comprised of know-how, patents and technologies embedded in revenue. The Company applied the Relief-from-Royalty Method to determine its fair value. IPR&D projects relate to in-progress projects that have not reached technological feasibility as of the acquisition date. All of the IPR&D assets were valued using the Multiple-Period Excess Earnings Method approach.

The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill. The factors contributing to the recognition of the amount of goodwill were the acquired workforce, cost savings and benefits arising from the vertical integration of the business that will lead to efficiencies in R&D, commercial and manufacturing activities.

The expenses incurred in this transaction in 2017 amounted to approximately Euros 13 million (Euros 5.1 million in 2016).

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities were as follows:

	Fair Value	
	Thousands of Euros	Thousands of US Dollars
R&D in progress	137,756	148,157
Other Intangible assets	142,174	152,908
Property, plant and equipment	24,569	26,424
Deferred Tax Assets (note 28)	16,736	18,000
Inventories	30,157	32,434
Total Assets	351,392	377,923
Current Provisions (note 20 (b))	41,841	45,000
Total liabilities and contingent liabilities	41,841	45,000
Total net assets acquired	309,551	332,923

The resulting goodwill has been allocated to the Diagnostic segment.

(b) Kiro Grifols, S.L.

On 25 July 2017 the Group acquired an additional 40% interest in Kiro Grifols, S.L for an amount of Euros 12.8 million. In September 2014 the Group subscribed a capital increase in Kiro Grifols, S.L for an amount of Euros 21 million, by virtue of which Grifols acquired 50% of Kiro Grifols, S.L.'s economic and voting rights.

As a result, Grifols owns a 90% interest in Kiro Grifols. S.L. The remaining 10% will continue to be held by Socios Fundadores Kiro, S.L. a company wholly owned by cooperatives of the Mondragon Corporation.

Grifols also entered into a joint venture & shareholders' agreement (the "Joint Venture Agreement") with Kiro Grifols' partners: Mondragon Innovacion S.P.E, S.A.; Mondragon Assembly, S.Coop. and Agrupación de Fundición y Utillaje, S.Coop.. This agreement governs, among other matters, the capital increase subscribed by Grifols and the managing and governing bodies of Kiro Grifols, whether these are the Board of Directors or any other internal managing and governing bodies.

(c) Kedplasma acquisition

On 27 December 2016 Grifols entered into an agreement to acquire six new Plasma Donor Centers to the company Kedplasma, LLC, with a purchase price of US Dollars 47 million. These centers were handed over in February 2017.

Aggregate details of the combination cost, fair value of the net assets acquired and goodwill at the acquisition date are as follows:

	Thousands of Euros	Thousands of US Dollars
Cost of the business combination		
Payment in cash	44,238	47,083
Total business combination cost	44,238	47,083
Fair value of net assets acquired	4,137	4,403
Goodwill (excess of the cost of the business combination over the fair value of net assets acquired)	40,101	42,680

The fair value of net assets acquired includes property, plant and equipment amounting to Euros 3,698 thousand.

Goodwill was allocated to the Bioscience segment and includes the plasma donor data base, FDA licenses and workforce retained.

At 31 December 2016, the Group advanced the sum of US Dollars 15 million related to this acquisition.

(4) Significant Accounting Policies

(a) Subsidiaries and associates

Subsidiaries are entities, including special purpose entities (SPE), over which the Group exercises control, either directly or indirectly, through subsidiaries. The Group controls a subsidiary when it has the substantive rights in force that provide the ability to manage relevant activities. The Group is exposed or has the right to variable returns for its involvement in the subsidiaries when the returns obtained vary depending on the economic performance of the subsidiaries.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control. Subsidiaries are excluded from the consolidated Group from the date on which control is lost.

Transactions and balances with Group companies and unrealized gains or losses have been eliminated upon consolidation.

The accounting policies of subsidiaries have been adapted to those of the Group for transactions and other events in similar circumstances.

The annual accounts of consolidated subsidiaries have been prepared as of the same date and for the same reporting period as the annual accounts of the Company.

Associates are entities over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those entities. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are initially recognized at acquisition cost, including any cost directly attributable to the acquisition and any consideration receivable or payable contingent on future events or on compliance with certain conditions.

Subsequently, investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases.

The excess of the cost of the investment over the Group's share of the fair values of the identifiable net assets is recognized as goodwill, which is included in the carrying amount of the investment. Any shortfall, once the cost of the investment and the identification and measurement of the associate's net assets have been evaluated, is recognized as income when determining the investor's share of the profit and loss of the associate for the year in which it was acquired.

The accounting policies of associates have been harmonized in terms of timing and measurement, applying the policies described for subsidiaries.

The Group's share of the profit and loss of an associate from the date of acquisition is recognized as an increase or decrease in the value of the investments, with a credit or debit to share of the profit and loss for the year of "equity-accounted investees" in the consolidated statement of profit and loss (consolidated statement of comprehensive income). The Group's share of other comprehensive income of associates from the date of acquisition is recognized as an increase or decrease in the investments in associates with a balancing entry recognized by type in other comprehensive income. The distribution of dividends is recognized as a decrease in the value of the investment. The Group's share of profit and loss, including impairment losses recognized by the associates, is calculated based on income and expenses arising from application of the acquisition method.

When the Group's share of the losses in an investment accounted for using the equity method equals or exceeds its interest in the entity, the Group does not recognize additional losses, unless it has incurred in obligations or made payments on behalf of the other entity.

The Group's share of the profit and loss of an associate and changes in equity is calculated to the extent of the Group's interest in the associate at year end and does not reflect the possible exercise or conversion of potential voting rights. However, the Group's share is calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of associates.

Information on the subsidiaries and associates included in the consolidated Group is presented in Appendix I.

(b) Business combinations

On the date of transition to IFRS-EU, 1 January 2004, the Group applied the exception permitted under IFRS 1 "First-time adoption of International Financial Reporting Standards", whereby only those business

combinations performed as from 1 January 2004 have been recognized using the acquisition method. Entities acquired prior to that date were recognized in accordance with accounting prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group applies the revised IFRS 3 "Business combinations" in transactions made subsequent to 1 January 2010.

The Group applies the acquisition method for business combinations.

The acquisition date is the date on which the Group obtains control of the acquiree.

Business combinations made subsequent to 1 January 2010

The cost of the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, equity instruments issued and any additional consideration contingent on future events or the fulfilment of certain conditions, in exchange for control of the acquiree.

The consideration paid excludes all amounts that do not form part of the exchange for the acquired business. Acquisition-related costs are accounted for as expenses when incurred. Share increase costs are recognized as equity when the increase takes place and borrowing costs are deducted from the financial liability when it is recognized.

At the acquisition date the Group recognizes at fair value the assets acquired and liabilities assumed. Liabilities assumed include any contingent liabilities that represent present obligations arising from past events for which the fair value can be reliably measured. The Group also recognizes indemnification assets transferred by the seller at the same time and following the same measurement criteria as the item that is subject to indemnification from the acquired business, taking into consideration, where applicable, the insolvency risk and any contractual limit on the indemnity amount.

This criterion does not include non-current assets or disposal groups of assets which are classified as held for sale, long-term defined benefit employee benefit liabilities, share-based payment transactions, deferred tax assets and liabilities and intangible assets arising from the acquisition of previously transferred rights.

Assumed assets and liabilities are classified and designated for subsequent measurement in accordance with the contractual terms, economic conditions, operating or accounting policies and other factors that exist at the acquisition date, except for leases and insurance contracts.

The excess between the consideration transferred and the value of net assets acquired and liabilities assumed, less the value assigned to non-controlling interests, is recognized as goodwill. Where applicable, any shortfall, after evaluating the consideration transferred, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognized in profit and loss.

When a business combination has been provisionally determined, net identifiable assets have initially been recognized at their provisional value, and any adjustments made during the measurement period have been recorded as if they had been known at that date. Where applicable, comparative figures for the prior year have been restated. Adjustments to the provisional values only reflect information relating to events and circumstances existing at the acquisition date and which, had they been known, would have affected the amounts recognized at that date. Once this period has elapsed, adjustments are only made to initial values when errors must be corrected. Any potential benefits arising from tax losses and other deferred tax assets of the acquiree that have not been recorded as they did not qualify for recognition at the acquisition date, are accounted for as income tax revenue, provided the adjustments were not made during the measurement period.

The contingent consideration is classified in accordance with underlying contractual terms as a financial asset or financial liability, equity instrument or provision. Provided that subsequent changes to the fair value of a financial asset or financial liability do not relate to an adjustment of the measurement period, they are recognized in consolidated profit and loss. The contingent consideration classified, where applicable, as equity is not subject to subsequent change, with settlement being recognized in equity. The contingent consideration

classified, where applicable, as a provision is recognized subsequently in accordance with the relevant measurement standard.

Business combinations made prior to 1 January 2010

The cost of the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Any additional consideration contingent on future events or the fulfilment of certain conditions is included in the cost of the combination provided that it is probable that an outflow of resources embodying economic benefits will be required and the amount of the obligation can be reliably estimated. Subsequent recognition of contingent considerations or subsequent variations to contingent considerations is recognized as a prospective adjustment to the cost of the business combination.

Where the cost of the business combination exceeds the Group's interest in the fair value of the identifiable net assets of the entity acquired, the difference is recognized as goodwill, whilst the shortfall, once the costs of the business combination and the fair values of net assets acquired have been reconsidered, is recognized in profit and loss.

(c) Non-controlling interests

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recognized at the acquisition date at the proportional part of the fair value of the identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date were recognized at the proportional part of the equity of the subsidiaries at the date of first consolidation.

Non-controlling interests are disclosed in the consolidated balance sheet under equity separately from equity attributable to the Parent. Non-controlling interests' share in consolidated profit and loss for the year (and in consolidated comprehensive income for the year) is disclosed separately in the consolidated statement of profit and loss (consolidated statement of comprehensive income).

The consolidated profit and loss for the year, consolidated comprehensive income and changes in equity of the subsidiaries attributable to the Group and non-controlling interests after consolidation adjustments and eliminations, is determined in accordance with the percentage ownership at year end, without considering the possible exercise or conversion of potential voting rights. However, Group and non-controlling interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries.

Profit and loss and each component of other comprehensive income are assigned to equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their interest, although this implies a balance receivable from non-controlling interests. Agreements signed between the Group and the non-controlling interests are recognized as a separate transaction.

The increase and reduction of non-controlling interests in a subsidiary in which control is retained is recognized as an equity instrument transaction. Consequently, no new acquisition cost arises on increases, nor is a gain recorded on reductions; rather, the difference between the consideration transferred or received and the carrying amount of the non-controlling interests is recognized in the reserves of the investor, without prejudice to reclassifying consolidation reserves and reallocating other comprehensive income between the Group and the non-controlling interests. When a Group's interest in a subsidiary diminishes, non-controlling interests are recognized at their share of the net consolidated assets, including goodwill.

(d) Joint arrangements

Joint arrangements are those in which there is a contractual agreement to share the control over an economic activity, in such a way that the decisions over relevant activities require the unanimous consent of the Group and the remaining venturers. Under IFRS 11 "Joint arrangements" investments in joint arrangements are

classified as joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than on the legal structure of the joint agreement.

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated balance sheet.

The acquisition cost of investments in joint arrangements is determined consistently with that established for investments in associates.

(e) Foreign currency transactions and balances

(i) *Functional and presentation currency*

The consolidated annual accounts are presented in thousands of Euros, which is the functional and presentation currency of the Parent.

(ii) *Foreign currency transactions, balances and cash flows*

Foreign currency transactions are translated into the functional currency using the previous month's exchange rate for all transactions performed during the current month. This method does not differ significantly from applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into thousands of Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into thousands of Euros at the exchange rate at the date that the fair value was determined.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into thousands of Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognized separately in the statement of cash flows as "Effect of exchange rate fluctuations on cash and cash equivalents".

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into thousands of Euros of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

(iii) *Translation of foreign operations*

The translation into thousands of Euros of foreign operations for which the functional currency is not the currency of a hyperinflationary economy is based on the following criteria:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date;

- Income and expenses, including comparative amounts, are translated using the previous month's exchange rate for all transactions performed during the current month. This method does not differ significantly from using the exchange rate at the date of the transaction;

- Translation differences resulting from application of the above criteria are recognized in other comprehensive income.

(f) Borrowing costs

In accordance with IAS 23 "Borrowing Costs", since 1 January 2009 the Group recognizes borrowing costs directly attributable to the purchase, construction or production of qualifying assets as an increase in the value

of these assets. Qualifying assets are those which require a substantial period of time before they can be used or sold. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined as the actual borrowing costs incurred, less any investment income on the temporary investment of those funds. Capitalized borrowing costs corresponding to general borrowing are calculated as the weighted average of the qualifying assets without considering specific funds. The amount of borrowing costs capitalized cannot exceed the amount of borrowing costs incurred during that period. The capitalized borrowing costs include adjustments to the carrying amount of financial liabilities arising from the effective portion of hedges entered into by the Group.

The Group begins capitalizing borrowing costs as part of the cost of a qualifying asset when it incurs expenditure for the asset, interest is accrued, and it undertakes activities that are necessary to prepare the asset for its intended use or sale, and ceases capitalizing borrowing costs when all or substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Nevertheless, capitalization of borrowing costs is suspended when active development is interrupted for extended periods.

The remaining interest costs are recognized as an expense in the year in which they are incurred.

(g) Property, plant and equipment

(i) *Initial recognition*

Property, plant and equipment are recognized at cost or deemed cost, less accumulated depreciation and any accumulated impairment losses. Land is not subject to depreciation. The cost of self-constructed assets is determined using the same principles as for an acquired asset, while also considering the criteria applicable to production costs of inventories. Capitalized production costs are recognized by allocating the costs attributable to the asset to "Self-constructed non-current assets" in the consolidated statement of profit and loss.

(ii) *Depreciation*

Property, plant and equipment are depreciated by allocating the depreciable amount of an asset on a systematic basis over its useful life. The depreciable amount is the cost or deemed cost of an asset, less its residual value. The Group determines the depreciation charge separately for each item for a component of property, plant and equipment with a cost that is significant in relation to the total cost of the asset.

Property, plant and equipment are depreciated using the following criteria:

	Depreciation method	Rates
Buildings	Straight line	1% - 3%
Other property, technical equipment and machinery	Straight line	4%-10%
Other property, plant and equipment	Straight line	7% - 33%

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(iii) *Subsequent recognition*

Subsequent to initial recognition of the asset, only those costs incurred which will probably generate future profits and for which the amount may reliably be measured are capitalized. Costs of day-to-day servicing are recognized in profit and loss as incurred.

Replacements of property, plant and equipment which qualify for capitalization are recognized as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been

depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

(iv) *Impairment*

The Group tests for impairment and reversals of impairment losses on property, plant and equipment based on the criteria set out in note 4(i) below.

(h) Intangible assets

(i) *Goodwill*

Goodwill is generated on the business combinations and is calculated using the criteria described in the section on business combinations.

Goodwill is not amortized, but is tested for impairment annually or more frequently whenever there is an indication that goodwill may be impaired. Goodwill acquired in business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in note 7 are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Gains and losses on the sale of an entity include the carrying amount of the goodwill related to the entity sold.

(ii) *Internally generated intangible assets*

Any research and development expenditure incurred during the research phase of projects is recognized as an expense when incurred.

Costs related with development activities are capitalized when:

- The Group has technical studies that demonstrate the feasibility of the production process;
- The Group has undertaken a commitment to complete production of the asset, to make it available for sale or internal use;
- The asset will generate sufficient future economic benefits;
- The Group has sufficient technical and financial resources to complete development of the asset and has devised budget control and cost accounting systems that enable monitoring of budgetary costs, modifications and the expenditure actually attributable to the different projects.

The cost of internally generated assets by the Group is calculated using the same criteria established for determining production costs of inventories. The production cost is capitalized by allocating the costs attributable to the asset to self-constructed non-current assets in the consolidated statement of profit and loss.

Expenditure on activities that contribute to increasing the value of the different businesses in which the Group as a whole operates is expensed when incurred. Replacements or subsequent costs incurred on intangible assets are generally recognized as an expense, except where they increase the future economic benefits expected to be generated by the assets.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(iii) *Other intangible assets*

Other intangible assets are carried at cost, or at fair value if they arise on business combinations, less accumulated amortization and impairment losses.

Intangible assets with indefinite useful lives are not amortized but tested for impairment at least annually.

(iv) *Intangible assets acquired in business combinations*

The cost of the identifiable intangible assets acquired in Biotest's business combination includes the fair value of the current contracts.

The cost of identifiable intangible assets acquired in the business combination of Hologic includes the fair value of the R&D projects and the Intellectual Property-Patents.

The cost of identifiable intangible assets acquired in the business combination of Novartis includes the fair value of the existing royalty agreements.

The cost of identifiable intangible assets acquired in the Progenika business combination includes the fair value of currently marketed products sold and which are classified under "Other intangible assets" and "Research and Development".

The cost of identifiable intangible assets acquired in the Talecris business combination includes the fair value of currently marketed products sold and which are classified under "Other intangible assets".

(v) *Useful life and amortization rates*

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

Intangible assets with finite useful lives are amortized by allocating the depreciable amount of an asset on a systematic basis over its useful life, by applying the following criteria:

	Amortisation method	Rates
Development expenses	Straight line	10%
Concessions, patents, licences, trademarks and similar	Straight line	4% - 20%
Computer software	Straight line	33%
Currently marketed products	Straight line	3% - 10%

The depreciable amount is the cost or deemed cost of an asset, less its residual value.

The Group does not consider the residual value of its intangible assets to be material. The Group reviews the residual value, useful life and amortization method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(i) Leases

Leases after IFRS 16 application:

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in note 2(c) and the impact of the change in note 2 (c) and 9.

(i) Definitions

Lease contracts

A lease contract is a contract that fulfills the following conditions:

- There is an identified asset explicitly specified in the contract or implicitly specified when it is made available for use by the Group. When the asset is a portion of an asset's capacity it could also be an identified asset if it is physically distinct (a floor of a building, a storage location in a warehouse) or the Group has the right to receive substantially all its of capacity.
- The lessee has the right to direct the use of the identified asset that means the right to determine how and for what purpose the asset will be used.
- The lessee has the right to obtain all the economic benefits from that use throughout the period of use.

Non-lease contracts

Even if an asset is specified in the contract, if the lessor has a substantive substitution right throughout the period of use, the asset is not identified and the contract does not contain a lease.

When the lessee does not have the right to control the use of the asset, the contract does not contain a lease.

Non-lease contracts are not under this policy and the accounting treatment will be the one for a service contract (usually recognized as an expense).

(ii) Accounting policies

Lease contracts, where Grifols acts as lessee, will be recognized at inception of the contract as:

- A lease liability representing its obligation to make future lease payments and,
- A right of use representing its right to use the identified asset.

Exception: lease contracts that fulfill any of the following conditions will be recognized as monthly expense over the lease term:

- For lease contracts where the lease term is 12 months or less at the commencement date.
- For lease contracts where the value of the leased asset (individually), when new, is lower than US Dollars 5.000 or its equivalent in another currency.

Lease liability

Initial measurement

Lease liability corresponds to the present value of payments during the lease term using the interest rate implicit in the lease or, if this cannot be readily determined, the incremental lending rate, as follows:

- Lease payments

Only lease components included in the lease contract are part of the liability calculation:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on a known index or a rate;
- The purchase option price if the lessee is reasonably certain to exercise that option;
- Any amount already paid at the contract commencement date must not be included.

Non-lease components that could be included in a lease contract (e.g. maintenance services, consumption as utilities…) are not part of the lease liability and must be recognized as an expense as soon as the service is rendered to Grifols using the corresponding account according to its nature.

- Lease term

The lease term is the non-cancellable period considering the initial term of each contract unless Grifols has a unilateral extension or termination option and there is reasonable certainty that this option will be exercised, in which case the corresponding extension term or early termination will be taken into account.

The lease liability is then calculated at the present value of the lease payments during the lease term, using an incremental discount rate specified in the contract, except for those contracts in which implicit interest rate is used because it is specifically mentioned in the contract.

- Discount rate

Under IFRS 16, a lessee shall discount the future lease payments using the lease implicit interest rate if this can be reliably determined. Otherwise, the lessee shall use the incremental borrowing rate. The Group uses the incremental borrowing rate. This is the rate that a lessee would have to pay at the commencement date of the lease for a loan of a similar term, and with similar security, to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Subsequent assessment

Subsequently, the lease financial liability will be increased by the interest on the lease liability and reduced by the payments made. The liability will be remeasured if there are changes in the amounts payable and the terms of the lease.

Lease liabilities will:

- Increase the carrying amount to reflect the corresponding accrual of interest expense;
- Reduce the carrying amount to reflect the lease payments made; and
- Remeasure (increase or reduce) the carrying amount to reflect any reassessment or lease modifications. The balancing entry will be a lease expense for retrospective lease payments or right-of-use-assets for future lease payments. The discount rate to be used depends on the event causing the reassessment or modification.

Right-of-use asset (ROU asset)

Initial measurement

ROU assets are initially measured at cost, which comprises:

- Initial measurement of the lease liability,
- Any lease payments made to the lessor at or before the commencement date,
- Estimated costs to dismantle or to remove the underlying asset,
- Less any discount or incentive received from the lessor.

Subsequent measurement

The ROU asset is measured at cost, less any accumulated depreciation and any accumulated impairment losses.

Net book value of the ROU asset must be adjusted as for any re-measurement of the lease liability.

Depreciation method and useful life

Depreciation method: straight-line basis. Depreciation starts at the lease commencement date (when the asset is available for use).

Useful life:

- If the purchase option is reasonably certain to be exercised: Useful life of the underlying asset.
- Otherwise: The earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Leases before IFRS 16 application:

(i) *Lessee accounting records*

The Group has rights to use certain assets through lease contracts.

Leases in which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

- Finance leases

  At the commencement of the lease term, the Group recognizes finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are recognized as an expense in the years in which they are incurred. Property, plant and equipment acquired through a finance lease is amortized over the useful life of the asset or within the term of the lease, whichever is less, if there is no reasonable certainty that the group will obtain the property at the end of the term of the lease.

- Operating leases

  Lease payments under an operating lease (excluding incentives) are recognized as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit.

(ii) *Leasehold investments*

Non-current investments in properties leased from third parties are recognized on the basis of the same criteria for property, plant and equipment. Investments are amortized over the lower of their useful lives and the term of the lease contract. The lease term is consistent with that established for recognition of the lease.

(iii) *Sale and leaseback transactions*

Any profit on sale and leaseback transactions that meet the conditions of a finance lease is deferred over the term of the lease.

When the leaseback is classified as an operating lease:

- If the transaction is established at fair value, any profit and loss on the sale is recognized immediately in the consolidated statement of profit and loss for the year;

- If the sale price is below fair value, any profit and loss is recognized immediately in the consolidated statement of profit and loss. However, if the loss is compensated for by future lease payments at below market price, it is deferred in proportion to the lease payments over the period for which the asset is to be used.

(j) Impairment of goodwill, other intangible assets and other non-financial assets subject to depreciation or amortization

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortization or depreciation, to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill, intangible assets with indefinite useful lives and intangible assets with finite useful lives that are not available for use for potential impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of their fair value less costs of disposal and their value in use. An asset's value in use is calculated based on an estimate of the future cash flows expected to derive from the use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows deriving from the asset.

Negative differences arising from comparison of the carrying amounts of the assets with their recoverable amounts are recognized in the consolidated statement of profit and loss. Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Impairment losses recognized for cash-generating units are first allocated to reduce, where applicable, the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset. The carrying amount of each asset may not be reduced below the highest of its fair value less costs of disposal, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognized in consolidated profit and loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortization or depreciation, had no impairment loss been recognized.

(k) Financial instruments

(i) *Classification of the financial instruments*

Financial instruments are classified at the time of their initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual agreement and with the definitions of financial assets, financial liabilities or equity instruments indicated in IAS 32 "Financial instruments: Presentation".

For purposes of its valuation, the Group classifies financial instruments in the categories of financial assets and financial liabilities at fair value through profit or loss, separating those initially designated from those held for trading or mandatorily measured at fair value through profit or loss, financial assets and financial liabilities valued at amortized cost and financial assets measured at fair value through other comprehensive income, separating the equity instruments designated as such, from other financial assets. The classification

depends on the Group's business model to manage the financial assets and the contractual terms of the cash flows.

The Group classifies a financial asset at amortized cost if it is held in the framework of a business model whose objective is to hold financial assets to obtain contractual cash flows and the contractual terms of the financial asset give rise, on specified dates, to cash flows which are only principal and interest payments on the outstanding principal amount (OPIP).

The Group classifies a financial asset at fair value through changes in other comprehensive income, if it is maintained in the framework of a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets and the contractual conditions of the financial asset give rise to, at specified dates, to cash flows that are OPIP.
The business model is determined by the key personnel of the Group and at a level that reflects the way in which they jointly manage groups of financial assets to achieve a specific business objective. The Group's business model represents the way in which it manages its financial assets to generate cash flows.

Financial assets that are part of a business model whose objective is to hold assets to receive contractual cash flows are managed to generate cash flows in the form of contractual collections during the life of the instrument. The Group manages the assets held in the portfolio to receive these specific contractual cash flows. To determine whether cash flows are obtained through the collection of contractual cash flows from financial assets, the Group considers the frequency, value and timing of sales in prior years, the reasons for those sales and expectations in relation to with the future sales activity. However, the sales themselves do not determine the business model and, therefore, cannot be considered in isolation. Instead, it is the information on past sales and future sales expectations that provides indicative data on how to achieve the stated objective of the Group with respect to the management of financial assets and, more specifically, the way where cash flows are obtained.

For assets measured at fair value, losses and gains will be recognized in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, it will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for investments in equity at fair value through other comprehensive income (COCI).

The Group reclassifies investments in debt when and only when its business model to manage those assets changes.

(ii) *Measurement*

At the time of initial recognition, the Group values a financial asset at its fair value plus, in the case of a financial asset that is not at fair value through profit or loss, the costs of the transaction that are directly attributable to the acquisition. The transaction costs of financial assets at fair value through profit or loss are taken to results.

In order to determine the fair value of financial assets or liabilities, the Group uses market data as much as possible. Based on the factors used for the measurement, the fair values are hierarchized based on the following levels:

- Level 1: quoted prices (unadjusted) within current markets for assets or liabilities identical to those under consideration.

- Level 2: factors other than the prices considered in Level 1 that come directly from the asset or liability in question, such as those that may derive directly from the price.

- Level 3: factors not based on data directly from the market.

In the event that the factors used to determine the fair value of an asset or liability are included in different levels of hierarchy, the fair value will be determined in its entirety based on the significant component located at the lowest level of hierarchy.

(iii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Group has the legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iv) *Financial assets and liabilities at fair value through profit or loss*

Financial assets or liabilities at fair value through profit or loss are those that are classified as held for trading or have been designated from the moment of initial recognition.

A financial asset or liability is classified as held for trading if:

• It is acquired or incurred mainly for the purpose of selling it or repurchasing it in the near term.

• On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking, or

• It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial assets and liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs directly attributable to the purchase or issue are recognized as an expense as incurred.

After initial recognition, they are recognized at fair value through profit or loss. The fair value is not reduced by the transaction costs that may be incurred by their eventual sale or disposal by other means.

The Group does not reclassify any financial asset or liability to or from this category as long as it is recognized in the consolidated statement of financial position.

(v) *Financial assets at amortized cost*

Financial assets at amortized cost are initially recognized at their fair value, including the transaction costs incurred, and are subsequently measured at amortized cost, using the effective interest method.

(vi) *Debt instruments*

The subsequent valuation of the debt instruments depends on the Group's business model to manage the asset and the characteristics of the cash flows of the asset. The Group's debt instruments consist mainly of trade and other receivables, which the Group classifies as financial assets at amortized cost.

Financial assets at amortized cost are assets that the Group holds for the collection of contractual cash flows when these cash flows represent only payments of principal and interest, and are valued at amortized cost. Interest income from these financial assets is included in finance income in accordance with the effective interest rate method.

(vii) *Equity instruments*

The Group holds financial assets owned, mainly equity instruments, which are measured at fair value. When Group management has chosen to present the gains and losses on the fair value of the equity investments in other comprehensive income, after the initial recognition, the equity instruments are measured at fair value, recognizing the loss or gain in other comprehensive income. The amounts recognized in other comprehensive income are not subject to reclassification to profit or loss, without prejudice to reclassification to reserves at the time when the instruments are derecognized. Dividends from such investments continue to be recognized in income for the year as other income when the Group's right to receive payments is established.

(viii) *Impairment*

As of 1 January 2018, the Group evaluates, on a prospective basis, the expected credit losses associated with its debt instruments recorded at amortized cost. The Group uses the practical solutions permitted by IFRS 9 to assess the expected credit losses related to commercial accounts using a simplified approach, eliminating the need to evaluate when there has been a significant increase in credit risk. The simplified approach requires that the expected losses be recorded from the initial recognition of receivables, so that the Group determines expected credit losses as a probability-weighted estimate of such losses over the expected life of the financial instrument.

The practical solution applied is the use of a provision matrix based on the segmentation into groups of homogeneous assets, applying the historical information of percentages of non-payment for said groups and applying reasonable information about the future economic conditions.

The percentage of non-payment is calculated according to the current experience of non-payment during the last year, as it is a very dynamic market and is adjusted for the differences between current and historical economic conditions and considering projected information, which is reasonably available.

(ix) *Derecognition of financial assets*

The Group applies the criteria for the derecognition of financial assets to a part of a financial asset or to a part of a group of similar financial assets or to a financial asset or a group of similar financial assets.

Financial assets are derecognized when the rights to receive cash flows related to them have expired or have been transferred and the Group has substantially transferred the risks and rewards derived from their ownership.

(x) *Financial liabilities at amortized cost*

Financial liabilities, including trade payables and other accounts payable, that are not classified at fair value through profit or loss, are initially recognized at their fair value, less, if applicable, the transaction costs that are directly attributable to the issue. Subsequent to the initial recognition, liabilities classified under this category are valued at amortized cost using the effective interest rate method.

(xi) *Derecognition and modification of financial liabilities*

The Group derecognizes a financial liability or part thereof when it has complied with the obligation contained in the liability, or is legally exempt from the main liability contained in the liability, either by virtue of a judicial process or by the creditor.

The Group considers that the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any commission paid net of any commission received, and using the original effective interest rate to make the discount, differs at least at 10 percent of the discounted present value of the cash flows that still remain of the original financial liability.

If the exchange is recorded as a cancellation of the original financial liability, the costs or commissions are recognized in consolidated results forming part of the result of the same. Otherwise, the costs or commissions adjust the carrying amount of the liability and are amortized by the amortized cost method during the remaining life of the modified liability.

The Group recognizes the difference between the carrying amount of the financial liability or a part of it that is canceled or assigned to a third party and the consideration paid, including any assigned asset different from the cash or liability assumed in profit or loss.

(l) Equity instruments

The Group's acquisition of equity instruments of the Parent is recognized separately at cost of acquisition in the consolidated balance sheet as a reduction in equity, regardless of the motive of the purchase. Any gains or losses on transactions with treasury equity instruments are not recognized in consolidated profit and loss.

The subsequent redemption of Parent shares, where applicable, leads to a reduction in share capital in an amount equivalent to the par value of such shares. Any positive or negative difference between the cost of acquisition and the par value of the shares is debited or credited to reserves. Transaction costs related with treasury equity instruments, including issue costs related to a business combination, are accounted for as a reduction in equity, net of any tax effect.

(m) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of conversion of inventories include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.

The raw material used to produce hemoderivatives is human plasma, which is obtained from our donation centers using the plasmapheresis method. The cost of inventories includes the amount paid to plasma donors, or the amount billed by the seller when purchased from third parties, as well as the cost of products and devices used in the collection process, rental expenses and storage. This plasma has to be stored before use, which is an essential part of the production process. During the storage period, the plasma undergoes various virological tests and should be kept in quarantine in accordance with FDA and European Medicines Agency regulations, in order to guarantee that all the plasma is suitable for use in the production process.
To the extent that plasma storage costs are necessary to the production process, they are included as cost of inventories.

Indirect costs such as general management and administration costs are recognized as expenses in the period in which they are incurred.

The cost of raw materials and other supplies and the cost of merchandise are allocated to each inventory unit on a weighted average cost basis.

The transformation cost is allocated to each inventory unit on a FIFO (first-in, first-out) basis.

The Group uses the same cost model for all inventories of the same nature and with a similar use.

Volume discounts extended by suppliers are recognized as a reduction in the cost of inventories when it is probable that the conditions for discounts to be received will be met. Discounts for prompt payment are recognized as a reduction in the cost of the inventories acquired.
When the cost of inventories exceeds net realizable value, materials are written down to net realizable value, which is understood to be:

- For raw materials and other supplies, replacement cost. Nevertheless, raw materials and other supplies are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production;

- Merchandise and finished goods, estimated selling price less costs to sell;

- Work in progress, the estimated selling price of related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale.

The previously recognized write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances. The reversal of the write-down is limited to the lower of the cost and revised net realizable value of the inventories. Write-downs may be reversed with a credit to "Cost of sales".

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group classifies cash flows relating to interest received and paid as operating activities, and dividends received and distributed are classified under investing and financing activities, respectively.

(o) Government grants

Government grants are recognized when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(i) *Capital grants*

Outright capital grants are initially recognized as deferred income in the consolidated balance sheet. Income from capital grants is recognized in the consolidated statement of profit and loss in line with the depreciation of the corresponding financed assets.

(ii) *Operating grants*

Operating grants received to offset expenses or losses already incurred, or to provide immediate financial support not related to future disbursements, are recognized in the consolidated statement of profit and loss.

(iii) *Interest rate grants*

Financial liabilities comprising implicit assistance in the form of below-market interest rates are initially recognized at fair value. The difference between this value, adjusted where necessary for the issue costs of the financial liability and the amount received, is recognized as a government grant based on the nature of the grant awarded.

(p) Employee benefits

(i) *Defined contribution plans*

The Group recognizes the contributions payable to a defined contribution plan in exchange for a service in the period in which contributions are accrued. Accrued contributions are recognized as an employee benefit expense in the corresponding consolidated statement of profit and loss in the year that the contribution was made.

(ii) *Termination benefits*

Termination benefits are recognized at the earlier of the date when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring that involves the payment of termination benefits.

For termination benefits payable as a result of an employee's decision to accept an offer of benefits, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the

employee accepts the offer and when a restriction on the Group's ability to withdraw the offer takes effect.

For termination benefits payable as a result of the Group's decision to make an employee redundant, the Group can no longer withdraw the offer when it has informed the affected employees or union representatives of the plan and the actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made. The plan must identify the number of employees to be made redundant, their job classifications or functions and their locations and the expected completion date. The plan must also establish the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

If the Group expects to settle the termination benefits in full more than twelve months after year end, the liability is discounted using the market yield on high quality corporate bonds.

(iii) *Short-term employee benefits*

The Group recognizes the expected cost of short-term employee benefits in the form of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. In the case of non-accumulating compensated absences, the expense is recognized when the absences occur.

The Group recognizes the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(iv) *Restricted Share Unit Retention Plan (RSU)*

The Group gives share-based payments to certain employees who render services to the Company. The fair value of the services received is determined based on the estimated fair value of the shares given at the grant date. Because the equity instruments granted do not vest until the employees complete a specified period of service, those services are accounted for during the vesting period in the statement of profit and loss as an expense for the year, with the corresponding increase in equity. The amount recognized corresponds to that settled once the agreed terms have been met and it will not be adjusted or revalued during the accrual period, as the commitment is settled in the form of shares.

The total amount recognized is calculated based on the incentive payable in shares, increasing in line with percentages agreed by the Group. If an employee decides to leave his/her job prior to the end of the accrual period, he/she will only receive the agreed incentive in the form of shares and the Company will be able to choose whether to settle in cash or using equity instruments.

(q) Provisions

Provisions are recognized when the Group has a present obligation (legal or implicit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. No provisions are recognized for future operating losses.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognized as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate used to determine the present value is a pre-tax rate that reflects the evaluations that the current market is making of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

If it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the consolidated statement of profit and loss item where the corresponding expense was recognized.

(r) Revenue recognition

Revenue from the sale of goods or services is recognized at an amount that reflects the consideration that the Group expects to be entitled to receive in exchange for transferring goods or services to a customer, at the time when the customer obtains control of the goods or services rendered. The consideration that is committed in a contract with a client can include fixed amounts, variable amounts, or both. The amount of the consideration may vary due to discounts, reimbursements, incentives, performance bonuses, penalties or other similar items. Contingent consideration is included in the transaction price when it is highly probable that the amount of revenue recognized is not subject to future significant reversals. Revenue is presented net of the value added tax and any other amount or tax, which in substance corresponds to amounts received on behalf of third parties.

(i) *Sale of goods*

Revenue from the sale of goods is recognized when the Group meets the performance obligation by transferring the assets committed to the customer. An asset is transferred when the customer obtains control of that asset. When evaluating the satisfaction of the performance obligation, the Group considers the following indicators of the transfer of control, which include, but are not limited to the following:

- The Group has a present right to payment for the asset
- The customer has the legal right to the asset
- The Group has transferred the physical possession of the asset
- The customer has the significant risks and rewards of ownership of the asset
- The customer has accepted the asset

The Group participates in the government-managed Medicaid programs in the United States, accounting for Medicaid rebates by recognizing an accrual at the time a sale is recorded for an amount equal to the estimated claims for Medicaid rebates attributable to the sale. Medicaid rebates are estimated based on historical experience, legal interpretations of the applicable laws relating to the Medicaid program and any new information regarding changes in the program regulations and guidelines that would affect rebate amounts. Outstanding Medicaid claims, Medicaid payments and inventory levels are analyzed for each distribution channel and the accrual is adjusted periodically to reflect actual experience. While rebate payments are generally made in the following or subsequent quarter, any adjustments for actual experience have not been material.

As is common practice in the sector, the purchase contracts signed by some customers with the Group entitle these customers to price discounts for a minimum purchase volume, volume discounts or prompt payment discounts. The Group recognizes these discounts as a reduction in sales and receivables in the same month that the corresponding sales are invoiced based on the customer's actual purchase figures or on past experience when the customer's actual purchases will not be known until a later date.

In the USA, the Group enters into agreements with certain customers to establish contract pricing for the products, which these entities purchase from the authorized wholesaler or distributor (collectively, wholesalers) of their choice. Consequently, when the products are purchased from wholesalers by these entities at the contract price which is less than the price charged by the Group to the wholesaler, the Group provides the wholesaler with a credit referred to as a chargeback. The Group records the chargeback accrual at the time of the sale. The allowance for chargebacks is based on Group's estimate of the wholesaler inventory levels, and the expected sell-through of the products by the wholesalers at the contract price based on historical chargeback experience and other factors. The Group periodically monitors the factors that influence the provision for chargebacks, and makes adjustments when it considers that actual chargebacks may differ from established allowances. These adjustments occur in a relatively short period of time. As these chargebacks are typically settled within 30 to 45 days of the sale, adjustments for actual experience have not been material.

(ii) *Services rendered*

Revenues associated with the rendering of service transactions are recognized by reference to the stage of completion at the consolidated balance sheet date when the outcome of the transaction can be estimated reliably. The outcome of a transaction can be estimated reliably when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Group.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of costs incurred that are recoverable.

(s) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or consolidated tax loss for the year. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, whereas deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses, and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Current and deferred tax are recognized as income or an expense and included in profit and loss for the year, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different year, directly in equity, or from a business combination.

Grifols periodically evaluates the positions taken in the tax declarations regarding the situations in which the applicable tax regulations are subject to interpretation and establishes provisions, if necessary, based on the amounts expected to be paid to the tax authorities, whose provision is reflected in the tax gain (loss).

(i) *Taxable temporary differences*

Taxable temporary differences are recognized in all cases except where:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income;

- They are associated with investments in subsidiaries over which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the temporary difference will reverse in the foreseeable future.

(ii) *Deductible temporary differences*

Deductible temporary differences are recognized provided that:

- It is probable that sufficient taxable income will be available against which the deductible temporary difference can be utilized, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income;

- The temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and sufficient taxable income is expected to be

generated against which the temporary difference can be offset.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets and if the Group intends to use these opportunities or it is probable that they will be utilized.

(iii) *Measurement*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

At year end the Group reviews the fair value of deferred tax assets to write down the balance if it is not probable that sufficient taxable income will be available to apply the tax asset.

Deferred tax assets which do not meet the above conditions are not recognized in the consolidated balance sheet. At year end the Group assesses whether deferred tax assets which were previously not recognized now meet the conditions for recognition.

(iv) *Offset and classification*

The Group only offsets current tax assets and current tax liabilities if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group only offsets deferred tax assets and liabilities where it has a legally enforceable right, where these relate to income taxes levied by the same taxation authority and where the taxation authority permits the entity to settle on a net basis, or to realize the asset and settle the liability simultaneously for each of the future years in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognized in the consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment, assess its performance and, based on which, differentiated financial information is available.

(u) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realized or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realized within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorized for issue.

(v) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Property, plant and equipment acquired by the Group for long-term use to minimize the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's operations, are recognized as assets applying the measurement, presentation and disclosure criteria described in note 4(g).

(5) Financial Risk Management Policy

(a) General

The Group is exposed to the following risks associated with the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk: includes interest rate risk, currency risk and other price risks.

This note provides information on the Group's exposure to each of these risks, the Group's objectives and procedures to measure and mitigate this risk, and the Group's capital management strategy. More exhaustive quantitative information is disclosed in note 30 to the consolidated annual accounts.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, define appropriate risk limits and controls and to control risks and comply with limits. Risk management policies and procedures are reviewed regularly so that they reflect changes in market conditions and the Group's activities. The Group's management procedures and rules are designed to create a strict and constructive control environment in which all employees understand their duties and obligations.

The Group's Audit Committee supervises how management controls compliance with the Group's risk management procedures and policies and reviews whether the risk management policy is suitable considering the risks to which the Group is exposed. This committee is assisted by Internal Audit which acts as supervisor. Internal Audit performs regular and ad hoc reviews of the risk management controls and procedures and reports its findings to the Audit Committee.

Credit risk

Credit risk is the risk to which the Group is exposed in the event that a customer or counterparty to a financial instrument fails to discharge a contractual obligation, and mainly results from trade receivables and the Group's investments in financial assets.

Trade receivables

The Group does not predict any significant insolvency risks as a result of delays in receiving payment from some European countries due to their current economic situation. The main risk in these countries is that of late payments, which is mitigated through the possibility of claiming interest as foreseen by prevailing legislation. No significant bad debt or late payment issues have been detected for sales to private entities.

The Group recognizes impairment based on its best estimate of the expected losses on trade and other receivables. The main impairment losses recognized are due to specific losses relating to individually identified risks. At year end, these impairment losses are immaterial.

Details of exposure to credit risk are disclosed in note 30.

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure where possible, that it always has sufficient liquidity to settle its obligations at the maturity date, both in normal conditions and in times of tension, to avoid incurring unacceptable losses or tarnishing the Group's reputation.

The Group manages liquidity risk on a prudent basis, based on availability of cash and sufficient committed unused long-term credit facilities, enabling the Group to implement its business plans and carry out operations using stable and secure sources of financing.

On 15 November 2019 the Group concluded the refinancing process of its senior secured debt for approximately Euros 5,800 million. The new financing includes a Term Loan B for US Dollars 2,500 million and Euros 1,360 million, both aimed at institutional investors; the issue of two bonds for Euros 1,675 million (Senior Secured Notes); and the extension of a multi-currency revolving credit facility up to US Dollars 500 million.

In September 2018 the Group received an additional non-current loan from the European Investment Bank totaling Euros 85,000 thousand. The loan will be used to support certain investments in R&D which are mainly focused on searching for new therapeutic for plasmatic proteins. Financial terms include a fixed interest rate for a period of 10 years with a grace period of two years. At 31 December 2019, the carrying amount of the loans obtained from the European Investment Bank is Euros 233,750 thousand (Euros 244,375 thousand at 31 December 2018).

At 31 December 2019 the Group has total cash and cash equivalents of Euros 741,982 thousand (Euros 1,033,792 thousand at 31 December 2018). The Group also has approximately Euros 532,169 thousand in unused credit facilities (Euros 404,808 thousand at 31 December 2018), including Euros 445,434 thousand on the revolving credit facility (Euros 262,008 thousand at 31 December 2018).

As in previous years, the Group continues with its quarterly program for optimization of working capital, which is mainly based on contracts to sell receivables without recourse.

Market risk

Market risk comprises the risk of changes in market prices, for example, exchange rates, interest rates, or the prices of equity instruments affecting the Group's revenues or the value of financial instruments it holds. The objective of managing market risk is to manage and control the Group's exposure to this risk within reasonable parameters at the same time as optimizing returns.

(i) Currency risk

The Group operates internationally and is therefore exposed to currency risk when operating with foreign currencies, especially with regard to the US Dollar. Currency risk is associated with future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The Group holds significant investments in foreign operations, the net assets of which are exposed to currency risk. The conversion risk affecting net assets of the Group's foreign operations in US Dollars is mitigated primarily through borrowings in this foreign currency.

The Group's main exposure to currency risk is with regard to the US Dollar, which is used in a significant percentage of transactions in foreign functional currencies.

Details of the Group's exposure to currency risk at 31 December 2019 and 2018 of the most significant financial instruments are shown in note 30.

(ii) Interest rate risk

The Group's interest rate risks arise from current and non-current borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. Fixed-rate borrowings expose the Group to fair value interest rate risk.

The objective of the management of interest rate risk is to achieve a balance in the structure of the debt, keeping part of the external resources issued at a fixed rate and covering part of the variable rate debt through hedges.

A significant part of the financing obtained accrues interest at fixed rates. This fixed interest debt (Senior Notes) amounts to Euros 2,675 million, which represents approximately 63% of the Group's total debt in Euros. The additional loans of Euros 233,750 thousand received from the European Investment Bank represent approximately 5% of the Group's total debt in Euros.

Senior debt in Euros represents approximately 38% of the Group's total Senior debt at 31 December 2019 (12% at 31 December 2018).

Total fixed-interest debt represents 45% of total debt at 31 December 2019 (19% at 31 December 2018).

(iii) Market price risk

Price risk affecting raw materials is mitigated by the vertical integration of the hemoderivatives business in a highly-concentrated sector.

(b) Capital management

The directors' policy is to maintain a solid capital base in order to ensure investor, creditor and market confidence and sustain future business development. The board of directors defines and proposes the level of dividends paid to shareholders.

The directors consider various arguments to calculate capital structure:

- The directors control capital performance using rates of returns on equity (ROE). In 2019 and 2018 the ROE stood at 14%. The ROE is calculated by dividing profit attributable to the Parent by the equity attributable to the Parent.

	Thousand of Euros	
	2019	2018
Profit attributable to the parent	625,146	596,642
Equity attributable to the Parent	4,617,254	4,225,554
ROE	14%	14%

- In accordance with the senior secured debt contract, the Group is subject to compliance with some covenants. At 31 December 2019 and 2018, the Group complies with the covenants in the contract.

- Consideration of the Company's credit rating (see note 21 (d)).

The Parent held Class A and B treasury stock equivalent to 0.5% of its capital at 31 December 2019 (0.6% at 31 December 2018). The Group does not have a formal plan for repurchasing shares.

(6) Segment Reporting

In accordance with IFRS 8 "Operating Segments", financial information for operating segments is reported in the accompanying Appendix II, which forms an integral part of this note to the consolidated annual accounts.

Group companies are divided into four areas: companies from the industrial area, companies from the commercial area, companies from the services area and companies from the research area. Within each of these areas, activities are organized based on the nature of the products and services manufactured and marketed.

Assets, liabilities, income and expenses for segments include directly and reliably attributable items. Items which are not attributed to segments by the Group are:

- Balance sheet: equity, cash and cash equivalents and loans and borrowings.
- Statement of profit and loss: finance result and income tax.

(a) Operating segments

The operating segments defined by the steering committee are as follows:

- Bioscience: including all activities related with products derived from human plasma for therapeutic use.
- Hospital: comprising all non-biological pharmaceutical products and medical supplies manufactured by Group companies earmarked for hospital pharmacy. Products related with this business which the Group does not manufacture but markets as supplementary to its own products are also included.
- Diagnostic: including the marketing of diagnostic testing equipment, reagents and other equipment, manufactured by Group or other companies.
- Bio Supplies: groups together all transactions related to biological products for non-therapeutic use, Kedrion production agreements, and third-party plasma sales channeled through Haema and Biotest.
- Others: including the rendering of manufacturing services to third party companies.

Details of net sales by groups of products for 2019, 2018 and 2017 are as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Bioscience			
Haemoderivatives	3,993,462	3,516,704	3,429,785
Diagnostic			
Transfusional medicine	680,766	650,180	679,692
Other diagnostic	19,937	19,797	23,377
Hospital			
Fluid therapy and nutrition	47,677	52,574	47,699
Hospital supplies	67,489	58,014	52,466
Bio supplies	266,540	167,004	66,791
Others	22,820	22,451	18,263
Total	5,098,691	4,486,724	4,318,073

The Group has concluded that hemoderivative products are sufficiently alike to be considered as a whole for the following reasons:

- All these products are human plasma derivatives and are manufactured in a similar way.
- The customers and methods used to distribute these products are similar.
- All these products are subject to the same regulations regarding production and the same regulatory environment.

(b) Geographical information

Geographical information is grouped into four areas:

- United States of America and Canada
- Spain
- Rest of the European Union
- Rest of the world

The definition of these four segments is mainly due to the geographical level that Group management sets to manage its revenue as they respond to specific economic scenarios. The main framework of the Group is consistent with this geographical segment grouping, including the monitoring of its commercial operations and its information systems.

The financial information reported for geographical areas is based on sales to third parties in these markets as well as the location of assets.

(c) Main customers

In 2019, there are no customers representing more than 10% of the Group's gross revenue. In 2018 the revenue of one Bioscience segment customer represented approximately 10.06% of the Group's gross revenues. For 2017 one Bioscience segment customer represented 11.0% of the Group's total gross revenue.

(7) Goodwill

Details of and movement in this caption of the consolidated balance sheet at 31 December 2018 were as follows:

		Thousands of Euros				
	Segment	**Balance at 31/12/2017**	Business Combination	Disposals	Translation differences	**Balance at 31/12/2018**
Net value						
Grifols UK.Ltd. (UK)	Bioscience	7,745	--	--	(63)	7,682
Grifols Italia.S.p.A. (Italy)	Bioscience	6,118	--	--	--	6,118
Biomat USA, Inc.(USA)	Bioscience	205,254	42,780	(2,827)	9,907	255,114
Grifols Australia Pty Ltd. (Australia) / Medion Diagnostics AG (Switzerland)	Diagnostic	9,543	--	--	(272)	9,271
Grifols Therapeutics, Inc. (USA)	Bioscience	1,852,905	--	--	87,871	1,940,776
Araclon Biotech, S.L. (Spain)	Diagnostic	6,000	--	--	--	6,000
Progenika Biopharma, S.A. (Spain)	Diagnostic	40,516	--	--	--	40,516
Grifols Diagnostic (Novartis & Hologic) (USA, Spain and Hong Kong)	Diagnostic	2,435,907	--	--	114,349	2,550,256
Kiro Grifols S.L. (Spain)	Hospital	26,510	(2,134)	--	--	24,376
Goetech LLC (USA)	Hospital	--	55,321	--	3,624	58,945
Haema AG (Germany)	Bioscience	--	171,134	--	--	171,134
Biotest Pharma Corp (USA)	Bioscience	--	136,234	--	2,808	139,042
		4,590,498	403,335	(2,827)	218,224	5,209,230

(See note 3)

Details of and movement in this caption of the consolidated balance sheet at 31 December 2019 are as follows:

		Thousands of Euros			
	Segment	**Balance at 31/12/2018**	Business Combination	Translation differences	**Balance at 31/12/2019**
Net value					
Grifols UK.Ltd. (UK)	Bioscience	7,682	--	425	8,107
Grifols Italia.S.p.A. (Italy)	Bioscience	6,118	--	--	6,118
Biomat USA, Inc.(USA)	Bioscience	255,114	(4,278)	5,060	255,896
Grifols Australia Pty Ltd. (Australia) / Medion Diagnostics AG (Switzerland)	Diagnostic	9,271	--	201	9,472
Grifols Therapeutics, Inc. (USA)	Bioscience	1,940,776	--	38,902	1,979,678
Araclon Biotech, S.L. (Spain)	Diagnostic	6,000	--	--	6,000
Progenika Biopharma, S.A. (Spain)	Diagnostic	40,516	--	--	40,516
Grifols Diagnostic (Novartis & Hologic) (USA, Spain and Hong Kong)	Diagnostic	2,550,256	--	50,694	2,600,950
Kiro Grifols S.L. (Spain)	Hospital	24,376	--	--	24,376
Goetech LLC (USA)	Hospital	58,945	--	1,181	60,126
Haema AG (Germany)	Bioscience	171,134	18,880	--	190,014
Biotest Pharma Corp (USA)	Bioscience	139,042	10,943	2,963	152,948
Interstate Blood Bank, Inc. (USA)	Bioscience	--	172,663	199	172,862
		5,209,230	198,208	99,625	5,507,063

(See note 3)

Impairment testing:

As a result of the acquisition of Talecris in 2011, and for impairment testing purposes, the Group combines the CGUs allocated to the Bioscience segment, grouping them together at segment level, because substantial synergies were expected to arise on the acquisition of Talecris, and due to the vertical integration of the business and the lack of an independent organized market for the products. Because the synergies benefit the Bioscience segment globally, they cannot be allocated to individual CGUs. The Bioscience segment represents the lowest level to which goodwill is allocated and is subject to control by Group management for internal control purposes.

Since the acquisition of Novartis' Diagnostic business unit in 2014, the Group combines Araclon, Progenika, Australia and Hologic's share of NAT donor screening unit acquisition into a single CGU for the Diagnostic business as the acquisition is supporting not only the vertically integration business but also cross-selling opportunities. In addition, for management purposes, the Group's management is focused on the business more than geographical areas or individual companies.

Due to the acquisition of an additional 40% stake of Kiro Grifols S.L. and a 51% stake of Goetech LLC (Medkeeper), the Group decided to group Kiro Grifols S.L., Laboratorios Grifols S.L. and Medkeeper into a single CGU for the Hospital business since the acquisitions are supporting cross-selling opportunities.

The CGUs established by management are:

- Bioscience
- Diagnostic
- Hospital

The recoverable amount of the Bioscience CGU was calculated based on its value in use calculated as the present value of the future cash flows discounted at a discount rate considering the related inherent risk.

The recoverable amount of the Diagnostic CGU was calculated based on its fair value less costs of disposal. In 2018, the fair value less costs of disposal was calculated as the present value of the future cash flows discounted at a discount rate considering the related inherent risk. In 2019, the fair value less costs of disposal has been calculated considering the EBITDA multiple, defined as Operating Result before Interests, Tax and Amortization and Depreciation, used in connection with an agreement for the acquisition of a 45% stake in Grifols Diagnostic Solutions, Inc. by Shanghai RAAS blood products Co, Ltd. As Grifols Diagnostic Solutions, Inc. is the most significant part of the Diagnostic CGU, the consideration paid to acquire a relevant stake of that CGU, in an arm's length transaction, provides the best evidence of that CGU's fair value less costs of disposal.

In 2018, the recoverable amount of the Hospital CGU was calculated based on its fair value less costs of disposal calculated as the present value of the future cash flows discounted at a discount rate considering the related inherent risk. In 2019, the recoverable amount of the Hospital CGU has been calculated based on its value in use calculated as the present value of the future cash flows discounted at a discount rate considering the related inherent risk.

This value in use calculations use cash flow projections for five years based on the financial budgets approved by management. Cash flows estimated as of the year in which stable growth in the CGU has been reached are extrapolated using the estimated growth rates indicated below.

The key assumptions used in calculating impairment testing of the CGUs for 2018 were as follows:

	Perpetual Growth rate	Pre-tax discount rate
Bioscience	2%	8.90%
Diagnostic	2%	9.40%
Hospital	1.50%	13.10%

The key assumptions used in calculating impairment testing of the CGUs for 2019 have been as follows:

	Perpetual Growth rate	Pre-tax discount rate	EBITDA multiple
Bioscience	2%	8.80%	--
Diagnostic	--	--	14.5x
Hospital	1.50%	10.80%	--

Management determined budgeted gross margins based on past experience, investments in progress which would imply significant growth in production capacity and its forecast international market development. Perpetual growth rates are consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the CGU and the countries in which they operate.

The main assumptions used for determining the discount rates are the following:

- Risk free rate: government bonds at 30 years.
- Market risk premium: premium based on market research.
- Unlevered beta: average market beta.
- Debt to equity ratio: average market ratio.

The reasonably possible changes considered for the Bioscience and Hospital CGUs are a variation in the discount rate, as well as in the perpetual growth rate estimated. The reasonably possible changes considered for the Diagnostic CGU are a variation in the EBITDA margin, according to the following detail:

	Perpetual Growth rate	Pre-tax discount rate	EBITDA margin
Bioscience	+/- 50 bps	+/- 50 bps	--
Diagnostic	--	--	+/- 250 bps
Hospital	+/- 50 bps	+/- 50 bps	--

The reasonably possible changes in key assumptions considered by management in the calculation of the CGU's recoverable amount would not cause the carrying amount of the relevant CGU to exceed its recoverable amount.

At 31 December 2019 Grifols' stock market capitalization totals Euros 18,831 million (Euros 13,978 million at 31 December 2018).

(8) Other Intangible Assets

Details of other intangible assets and movement during the years ended 31 December 2019 and 2018 are included in Appendix III, which forms an integral part of these notes to the consolidated annual accounts.

Intangible assets acquired from Talecris mainly include currently marketed products. Identifiable intangible assets correspond to Gamunex and have been recognized at fair value at the acquisition date of Talecris and classified as currently marketed products. Intangible assets recognized comprise the rights on the Gamunex product, its commercialization and distribution license, trademark, as well as relations with hospitals. Each of these components is closely linked and fully complementary, are subject to similar risks and have a similar regulatory approval process.

Intangible assets acquired from Progenika mainly include currently marketed products. Identifiable intangible assets correspond to blood, immunology and cardiovascular genotyping. These assets have been recognized at fair value at the acquisition date of Progenika and classified as currently marketed products.

The cost and accumulated amortization of currently marketed products acquired from Talecris and Progenika at 31 December 2018 is as follows:

	Thousands of Euros			
	Balance at 31/12/2017	Additions	Translation differences	**Balance at 31/12/2018**
Cost of currently marketed products - Gamunex	1,000,584	--	47,451	1,048,035
Cost of currently marketed products - Progenika	23,792	--	--	23,792
Accumulated amortisation of currently marketed products - Gamunex	(219,572)	(33,775)	(11,573)	(264,920)
Accumulated amortisation of currently marketed products - Progenika	(11,496)	(2,379)	--	(13,875)
Carrying amount of currently marketed products	793,308	(36,154)	35,878	793,032

The cost and accumulated amortization of currently marketed products acquired from Talecris and Progenika at 31 December 2019 is as follows:

	Thousands of Euros			
	Balance at 31/12/2018	Additions	Translation differences	**Balance at 31/12/2019**
Cost of currently marketed products - Gamunex	1,048,035	--	21,007	1,069,042
Cost of currently marketed products - Progenika	23,792	--	--	23,792
Accumulated amortisation of currently marketed products - Gamunex	(264,920)	(35,661)	(5,284)	(305,865)
Accumulated amortisation of currently marketed products - Progenika	(13,875)	(2,379)	--	(16,254)
Carrying amount of currently marketed products	793,032	(38,040)	15,723	770,715

The estimated useful life of the currently marketed products acquired from Talecris is considered limited, has been estimated at 30 years on the basis of the expected life cycle of the product (Gamunex) and is amortized on a straight-line basis.

At 31 December 2019 the residual useful life of currently marketed products is 21 years and 5 months (22 years and 5 months at 31 December 2018).

The estimated useful life of the currently marketed products acquired from Progenika is considered limited, has been estimated at 10 years on the basis of the expected life cycle of the product and is amortized on a straight-line basis.

At 31 December 2019 the residual useful life of currently marketed products acquired from Progenika is 3 years and 2 months (4 years and 2 months at 31 December 2018).

(a) Self – constructed intangible assets

At 31 December 2019 the Group has recognized Euros 48,797 thousand as self-constructed intangible assets (Euros 58,254 thousand at 31 December 2018).

(b) Purchase commitments

At 31 December 2019 the Group has intangible asset purchase commitments amounting to Euros 381 thousand (Euros 589 thousand at 31 December 2018).

(c) Intangible assets with indefinite useful lives and other intangibles in progress

At 31 December 2019 the Group recognizes plasma center licenses with indefinite useful lives under intangible assets for a carrying amount of Euros 29,960 thousand (Euros 26,917 thousand at 31 December 2018).

The Group has also an amount of Euros 223,161 thousand as development costs in progress (Euros 206,087 thousand at 31 December 2018).

In 2019, Grifols reached an agreement with the US biotech company Rigel Pharmaceuticals to exclusively commercialize fostamatinib disodium hexahydrate in all potential future indications in Europe and Turkey.

Under terms of the agreement, Grifols did an initial payment of US Dollars 30 million and an additional payment of US Dollars 17.5 million related to regulatory milestones. The Group has registered those payments as an intangible asset following IAS 38 standard.

This asset will not be amortized until it is available for use, that is, after the final approval of the regulator. It will be annually tested for impairment until it is available for use.

(d) Results on disposal of intangible assets

No profit on disposal and sale of intangibles has been recognized in 2019. Total profit on disposals and sale of intangible assets in 2018 amounted to Euros 8,101 thousand, mainly due to the sale of plasma centers to Kedplasma.

(e) Impairment testing

Indefinite-lived intangible assets have been allocated to the cash-generating unit (CGU) of the Bioscience segment. These assets have been tested for impairment together with goodwill (see note 7).

Impairment testing has been analyzed for each of the intangible assets in progress by calculating its recoverable amount based on their fair value.

On 29 January 2018 (prior to the date that the 2017 consolidated annual accounts were authorized for issued) Aradigm communicated that it had not obtained the approval of the Antimicrobial Drugs Advisory Committee of the US Food and Drug Administration (FDA) for Linahiq™. As the Committee did not recommend it as a treatment for non-cystic fibrosis bronchiectasis patients with chronic lung *Pseudomonas aeruginosa* infections, the intangible assets related to the product have been totally impaired and recognized as R&D expense in the statement of profit and loss for 2017 for an amount of Euros 63,675 thousand. In 2017 the investment in this company and the bonds that the Group held with the company were impaired.

(9) Leases

Leases after IFRS 16 application

Details of leases in the consolidated balance sheet at 31 December 2019 are as follows:

Right-of-use assets	Thousands of Euros
	31/12/2019 (*)
Land and Buildings	685,405
Machinery	4,469
Computer equipment	4,324
Vehicles	9,660
	703,858

Lease liabilities	Thousands of Euros
	31/12/2019 (*)
Non-current	696,285
Current	44,405
	740,690

(*) In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019 see note 2.

Maturity detail is as follows:

Maturity:	Thousands of Euros
	31/12/2019
Up to one year	44,464
Two years	41,444
Between 3 and 5 years	155,300
More than 5 years	499,482
	740,690

At 31 December 2019, the Group has recognized an amount of Euros 747,873 thousand related to additions of right-of- use assets, from which Euros 664,948 thousand correspond to the initial addition. Movement during the year ended 31 December 2019 is included in Appendix IV, which forms an integral part of these notes to the consolidated annual accounts.

At 31 December 2019, the amounts recognized in the consolidated statement of profit and loss related to lease agreements are:

Right-of-use depreciation	Thousands of Euros
	31/12/2019
Buildings	49,786
Machinery	1,768
Computer equipment	2,204
Vehicles	4,613
	58,371

	Thousands of Euros
	31/12/2019
Finance lease expenses (note 27)	34,558
	34,558

	Thousands of Euros
	31/12/2019
Expenses related to short-term or low-value agreements	20,247
Other operating lease expenses	12,988
	33,235

At 31 December 2019, the Group has paid a total of Euros 73,785 thousand related to lease contracts.

The total amount recognized in the balance sheet corresponds to lease contracts in which the Group is the lessee.

Leases before IFRS 16 application

(a) Operating leases (as lessee)

At 31 December 2018 and 2017 the Group leases buildings and warehouses from third parties under operating leases.

Operating lease instalments of Euros 84,299 thousand have been recognized as an expense for the year ended at 31 December 2018 (Euros 80,136 thousand at 31 December 2017) and comprise minimum lease payments.

Future minimum payments on non-cancellable operating leases at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Up to one year	63,959	46,541
Between 1 and 5 years	200,156	156,897
More than 5 years	136,464	58,905
	400,579	262,343

(b) Operating leases (as lessor)

At 31 December 2018 and 2017 the Group has no lease contracts as lessor.

(10) Property, Plant and Equipment

Details of property, plant and equipment and movement in the consolidated balance sheet at 31 December 2019 and 2018 are included in Appendix V, which forms an integral part of this note to the consolidated annual accounts.

Property, plant and development under construction at 31 December 2019 and 2018 mainly comprise investments made to extend the companies' equipment and to increase their productive capacity.

In 2019, the Group has capitalized interests for a total amount of Euros 14,894 thousand (Euros 8,955 thousand in 2018)

a) Insurance

Group policy is to contract sufficient insurance coverage for the risk of damage to property, plant and equipment. At 31 December 2019 the Group has a combined insurance policy for all Group companies, which more than adequately covers the carrying amount of all the Group's assets.

b) Losses on disposal of property, plant and equipment

Total losses incurred on disposals of property, plant and equipment for 2019 amount to Euros 1,408 thousand (Euros 1,401 thousand of loss in 2018).

c) Assets under finance lease

The Group contracted the following types of property, plant and equipment under finance leases at 31 December 2018:

	Thousands of Euros		
	Cost	Accumulated depreciation	Carrying amount
Land and buildings	2,389	(898)	1,491
Plant and machinery	15,690	(7,237)	8,453
	18,079	(8,135)	9,944

From 1 January 2019 leased assets are presented as a separate line item in the balance sheet due to the implementation of the new IFRS 16 (See notes 2 (c), 4 (j) and 9).

d) Self – constructed property, plant and equipment

At 31 December 2019 the Group has recognized Euros 102,229 thousand as self -constructed property, plant and equipment (Euros 66,995 thousand at 31 December 2018).

e) Purchase commitments

At 31 December 2019 the Group has property, plant and equipment purchase commitments amounting to Euros 52,519 thousand (Euros 47,148 thousand at 31 December 2018).

f) Impairment

A group of assets forming part of the Hospital segment has been tested for impairment due to the results of the segment and no impairment has been observed. The recoverable amount of the aforementioned assets is calculated based on the fair value less cost of disposal, using cash flow projections based on five-year financial budgets approved by management. Cash flows estimated as of the year in which stable growth has been reached by the assets are extrapolated using a pre-tax discount rate of 10.3% and a perpetual growth rate of 2% (10.1% and 2% respectively in 2018).

(11) Equity-Accounted Investees

Details of this caption in the consolidated balance sheet for equity accounted investees with similar activity to that of the Group at 31 December 2019 and 2018 are as follows:

		Thousands of Euros		Thousands of Euros
	% ownership	**31/12/2019**	% ownership	**31/12/2018**
Interstate Blood Bank, Inc.	100.00%	--	49.19%	29,595
Bio Blood Components Inc.	0.00%	--	48.97%	38,223
Plasma Biological Services, LLC	0.00%	--	48.90%	21,809
Access Biologicals LLC	49.00%	49,922	49.00%	47,742
Plasmavita HealthCare	50.00%	10,368	50.00%	9,920
		60,290		147,289

Movement in the investments in equity-accounted investees with similar activity to that of the Group for the year ended at 31 December 2019is as follows:

	Thousands of Euros
	2019
Balance at 1 January	--
Transfer accounted investees with similar activity to that of the Group	147,289
Transfers	(94,127)
Share of profit / (losses)	8,972
Share of other comprehensive income / translation differences	2,624
Losses for Impairment	--
Collected dividends	(4,468)
Balance at 31 December	60,290

Plasmavita Healthcare GmbH

In 2017, Grifols established PLASMAVITA GmbH, a joint venture between Grifols (50%) and two European partners (50%). The company aims to establish at least 10 plasma centers in Germany. The share capital amounts to 25,000 euros, divided into 25,000 nominal shares of 1 euro each, suscribed by both parties at 12,500 euros each. In addition, Grifols contributes an amount of Euros 10,000 thousand, which can be increased by an additional 10 million euros, which will be used to finance the project.

Access Biologicals LLC.

On 12 January 2017, the group announced the acquisition of 49% of the voting rights in Access Biologicals LLC, a company based in San Diego, California, USA, for the amount of US Dollars 51 million. Grifols entered into an option agreement to purchase the remaining 51% voting rights in five years, in 2022. Grifols also signed a supply agreement to sell to Access Biologicals biological products not meant for therapeutic use.

The principal business activity of Access Biologicals is the collection and manufacturing of an extensive portfolio of biologicals products. Combined with closed-loop material sourcing, it provides critical support for various markets such as in-vitro diagnostic manufacturing, biopharmaceutical, cell culture and diagnostic research & development.

Movement in Access Biological's equity-accounted investment for the years ended 31 December 2019 and 2018 are as follows:

	Thousand of Euros	
	31/12/2019	**31/12/2018**
Balance at 1 January	47,742	44,219
Acquisitions	--	--
Share of profit / (losses)	3,938	3,039
Share of other comprehensive income / translation differences	967	2,073
Collected dividends	(2,725)	(1,589)
Balance at 31 December	49,922	47,742

Interstate Blood Bank, Inc., Bio-Blood Components, Inc. and Plasma Biological Services, Llc.

On 11 May 2016 Grifols acquired a 49.19% stake in Interstate Blood Bank, Inc. (IBBI), 48.97% of Bio-Blood Components, Inc. (Bio-Blood) and 48.90% of Plasma Biological Services, LLC. (PBS) ("IBBI Group"), a group based in Memphis, USA, for the price of US Dollars 100 million (Euros 88,215 thousand). GWWO also entered into an option agreement to purchase the remaining stakes for a price of US Dollars 100 million for an option price of US Dollars 10 million (Euros 9,007 thousand) (see notes 12 and 30). The purchase price and the call right were paid upon signature of the contract. The principal business activity of IBBI and its affiliates is the collection of plasma for the plasma fractionation industry, with 23 plasma collection centers, 9 blood donation centers and one laboratory.

In April 2019, the Group has exercised the call option and has completed the acquisition of the remaining shares of the IBBI companies, which are now considered part of the group, and start using the global consolidation method instead of the equity method (see note 3(c)). In September 2019, the Group merged all IBBI companies into Interstate Blood Bank, Inc. (IBBI). As a consequence, the Group now owns 100% in IBBI.

Movement in Interstate Blood Bank, Inc., Bio-blood Components, Inc. and Plasma Biological Services, LLC.'s equity-accounted investment for the years ended 31 December 2019 and 2018 is as follows:

	Thousands of Euros			Thousands of Euros				
	31/12/2019			**31/12/2018**				
	IBBI	Bio-Blood	PBS	IBBI	Bio-Blood	PBS	**TOTAL 2019**	**TOTAL 2018**
Balance at 1 January	29,595	38,223	21,809	27,936	32,960	23,010	89,627	83,906
Transfers	(31,453)	(38,606)	(24,068)	--	--	--	(94,127)	--
Share of profit / (losses)	6,853	(2,543)	276	1,830	3,492	(2,181)	4,586	3,141
Share of other comprehensive income / translation differences	(3,251)	2,926	1,983	1,298	1,771	980	1,658	4,049
Collected dividend	(1,744)	--	--	(1,469)	--	--	(1,744)	(1,469)
Balance at 31 December	0	0	0	29,595	38,223	21,809	0	89,627

Details of this caption in the consolidated balance sheet for the rest of equity accounted investees at 31 December 2019 and 2018 are as follows:

		Thousands of Euros		Thousands of Euros
	% ownership	**31/12/2019**	% ownership	**31/12/2018**
Alkahest, Inc.	47.58%	14,708	47.58%	28,336
Albajuna Therapeutics, S.L	49.00%	5,228	30.00%	1,106
Singulex, Inc.	0.00%	--	19.33%	19,256
GigaGen, Inc	43.96%	23,997	43.96%	28,363
Mecwins, S.A.	24.99%	2,338	24.99%	2,555
Medcom Advance, S.A	45.00%	7,912	--	--
		54,183		79,616

Movement in the investments in the rest of equity-accounted investees at 31 December 2019, 2018 and 2017 is as follows:

	Thousands of Euros		
	2019	**2018**	**2017**
Balance at 1 January	79,616	219,009	201,345
Acquisitions	12,369	12,222	80,685
Transfers	--	500	(16,000)
Share of profit / (losses)	(19,744)	(11,038)	(13,195)
Share of other comprehensive income / translation differences	1,736	9,270	(27,134)
Losses for Impairment	(19,794)	--	(6,692)
Collected dividends	--	(3,058)	--
Balance at 31 December	54,183	226,905	219,009

Medcom Advance, S.A.

In February 2019, the Group completed the acquisition of 45% of the shares in Medcom Advance, S.A. for an amount of Euros 8,602 thousand. Medcom Advance, S.A. is a company dedicated to investigation and development with a view to establishing proprietary patents using nanotechnology. The company is equityaccounted.

Mecwins, S.A.

On 22 October 2018 Grifols allocated Euros 2 million to the capital increase of Mecwins through Progenika Biopharma, reaching 24.99% of the total capital.

Mecwins is a spin-off of the Institute of Micro and Nanotechnology of the Center for Scientific Research (CSIC), specialized in the development of innovative nanotechnological analysis tools for the diagnosis and prognosis of diseases.

Mecwins has developed ultrasensitive optical reading immunoassay technology from nanosensors for the detection of protein biomarkers in blood. This technology has potential applications in fields such as oncology, cardiovascular and infectious diseases.

The injection of capital, in which CRB Inverbio also participated with an additional Euros 2 million, will enable Mecwins to start developing pre-commercial prototypes of this technology and for Grifols to position itself in the field of nanotechnology applied to diagnosis.

GigaGen Inc.

On 5 July 2017, Grifols through its 100% subsidiary Grifols Innovation and New Technologies Limited ("GIANT") acquired a 43.96% shareholding in GigaGen, Inc., a company based in San Francisco (USA) for the amount of US Dollars 35 million.

GIANT and GigaGen entered into a Research and Collaboration Agreement whereby in exchange of a collaboration fee of US Dollars 15 million in the aggregate, GigaGen will commit to carry out research activities to develop recombinant polyclonal immunoglobulin therapies derived from human B cells for the treatment of human diseases.

Movement in Gigagen's equity-accounted investment for the years ended 31 December 2019 and 2018 is as follows:

	Thousand of Euros	
	31/12/2019	**31/12/2018**
Balance at 1 January	28,363	29,047
Acquisitions	--	--
Share of profit / (losses)	(5,002)	(1,562)
Share of other comprehensive income / translation differences	636	878
Pérdidas por deterioro de valor	--	--
Balance at 31 December	23,997	28,363

Singulex, Inc.

On 17 May 2016 Grifols subscribed and paid a capital increase for an amount of US Dollars 50 million (Euros 44,107 thousand) in the US company Singulex, Inc. ("Singulex"). As a result, Grifols held a 19.33% common stock

interest in Singulex on a fully diluted basis at a pre-money valuation of US Dollars 200 million. Grifols was entitled to appoint a director to serve the board of directors of Singulex. As a result, Singulex granted Grifols an exclusive worldwide license for the use and sale of Singulex' technology for the blood donor and plasma screening which has ensured the safety of blood and plasma products.

During the second half of 2019, Singulex has announced the cease of all its operations, after entering bankruptcy. Therefore, the Group has impaired both the investment made and loans granted by Grifols to this company (see note 12).

Movement in Singulex, Inc.'s equity-accounted investment for the years ended 31 December 2019 and 2018 is as follows:

	Thousand of Euros	
	31/12/2019	**31/12/2018**
Balance at 1 January	19,256	29,322
Share of profit / (losses)	--	(10,975)
Share of other comprehensive income / translation differences	538	909
Losses for Impairment	(19,794)	--
Balance at 31 December	0	19,256

Kiro Grifols, S.L.

On 25 July 2017 the Group acquired an additional 40% interest in Kiro Grifols, S.L for an amount of Euros 12.8 million. With this new acquisition, Grifols owns 90% in Kiro Grifols S.L., which is considered part of the group, and started using the global consolidation method instead of the equity method (see note 3(b)).

(12) Financial Assets

Details of non-current financial assets on the consolidated balance sheet at 31 December 2019 and 2018 are as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Financial investments in shares with stock market	7	7
Total Non-current financial assets measured at fair value	7	7
Non-current guarantee deposits	5,433	5,566
Other non-current financial assets (a)	29,504	1,908
Non-current loans to related parties (see note 31)	86,363	82,969
Non-current loans to EEAA (b) (see note 31)	17,623	17,151
Total Non-current financial assets measured at amortized cost	138,923	107,594

Details of other current financial assets on the consolidated balance sheet at 31 December 2019 and 2018 are as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Current derivatives (c) (see note 30)	--	19,934
Other current financial assets (d) (see note 30)	1,716,738	--
Total Non-current financial assets measured at fair value	1,716,738	19,934

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Deposits and guarantees	713	822
Other current financial assets (a)	10,691	--
Current loans to third parties	65	56
Current loans to associates (b) (see note 31)	719	33,153
Total other current financial assets	12,188	34,031

(a) Other financial assets

The closing balance is mainly related to balances with other related parties (see note 31).

(b) Loans to associates

On 2 October 2017 the Group's subsidiary Grifols Diagnostic Solutions, Inc. granted a loan of US Dollars 20,000 thousand (Euros 16,676 thousand), that bear at an interest rate of 5% and mature on 19 September 2019. In the first half of 2018, the Group made an additional contribution amounting to US Dollars 12,339 (Euros 11,063 thousand). As a result, the Group owned 19.33 % of the common stock of Singulex Inc. During the second half of 2019, Singulex has announced the cease of all its operations, after entering bankruptcy, so the Group has impaired the investment made and loans granted by Grifols to this company (see note 11). Consequently, financial impairment has been recognized in statement of profit and loss amounting to Euros 35,565 thousand (see note 27).

On 8 February 2017, the subsidiary Grifols Worldwide Operations granted a loan of US Dollars 11,000 thousand (Euros 10,809 thousand) to Interstate Blood Bank Inc, with interest at a rate of 4% and falling due on 6 February 2022. In April 2019, the Group has exercised the call option and has completed the acquisition of the remaining shares of the IBBI companies. As a result of this new acquisition, Grifols owns 100% of the companies, which is now considered part of the group, and has started to use the full consolidation method instead of the equity method (see note 3(c)).

During the second half of 2019, Aradigm has announced the cease of all its operations, after entering bankruptcy, and therefore all the loans granted by Grifols to this company havebeen impaired.

During fiscal year 2018, the Group granted a credit line to Alkahest of US Dollars 100 million, that bear at an annual interest rate of 5% and mature on 2020. At 31 December 2020, Alkahest has used an amount of US Dollars 20 million (Euros 18,342 thousand)

(c) Current derivatives

During the year ended 31 December 2019, movement related to current derivatives corresponds to the call/purchase options described below:

- Call option on the non-acquired shares of Interstate Blood Bank, Inc., Bio-Blood Components, Inc. and Plasma Biological Services, LLC. On 30 April 2019, the call option was exercised by the Group via written notice of its intention (see note 29).

- Biotest Pharmaceuticals Corporation option to purchase two donation centers from ADMA Centers. The purchase option was executed on 1 January 2019 (see note 29).

(d) Other current financial assets

As of 31 December 2019, Grifols delivered 90 shares of its subsidiary GDS in exchange of a contractual right resulting in an investment in an associate (equivalent to 1,766 million of SRAAS shares), because at that date no shares of SRAAS were received. As a consequence, as of 31 December 2019, SRAAS was the minority shareholder owner of the 45% of GDS. Such contractual right fulfills the definition of financial asset under IFRS 9 – Financial Instruments and has been classified as a financial asset at fair value with changes in results for not complying with the principal and interest payment criteria (because they will be received participations in SRAAS). Grifols has registered the aforementioned contractual right for the fair value of the GDS shares delivered and subsequently said right was measured based on its fair value with changes in results. This asset amounts EUR 1,717 million (see note 2 and 30).

(13) Inventories

Details of inventories at 31 December 2019 and 2018 are as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Goods for resale	139,738	118,876
Raw materials and supplies	766,089	647,399
Work in progress and semi-finished goods	921,240	744,436
Finished goods	515,523	438,649
	2,342,590	1,949,360

Movement in the inventory provision was as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Balance at 1 January	48,840	35,764	33,069
Net charge for the year	42,096	10,398	8,232
Cancellations for the year	(118)	(558)	(357)
Translation differences	13,433	3,236	(5,180)
Balance at 31 December	104,251	48,840	35,764

(14) Trade and Other Receivables

Details at 31 December 2019 and 2018 are as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Trade receivables	390,205	289,316
Receivables from associates (note 31)	1,883	382
Bad debt provision (note 30)	(22,291)	(20,531)
Trade receivables	**369,797**	**269,167**
Other receivables (note 30)	8,403	9,901
Personnel	2,163	2,082
Advance payments (note 30)	20,864	35,426
Taxation authorities, VAT recoverable	46,561	42,707
Other public entities	4,518	2,302
Other receivables	**82,509**	**92,418**
Current income tax assets	**38,269**	**42,205**
Total trade and other receivables	**490,575**	**403,790**

Other receivables

During 2019, 2018 and 2017 the Grifols Group has sold receivables without recourse to some financial entities (factor). The main conditions of these contracts include the advanced collection of the transferred credits that varies between 70% and 100% of the nominal amount, less the expenses associated with the sale, and a percentage of insolvency risk coverage on the factor side that varies between 90% and 100% of the nominal of the transferred credits. The amount not covered by the factor is recognized in the consolidated balance sheet as a balance receivable from the debtors until the credit rights nominal is charged. At 31 December 2019, the amount not covered by the factor amounts to Euros 675 thousand (Euros 1,220 thousand at 31 December 2018), which does not differ significantly from its fair value and coincides with the amount of maximum exposure to losses. The credit transferred by the factor are paid in advance at the time of the sale, therefore, the default risk for this part of the nominal amount is transferred at the same time. However, in all cases, the credit risk has been substantially transferred to the factor. Likewise, in all cases, the control of the transferred credit (understood as the ability of the factor to sell those assets to a third party) is unilaterally transferred without the need to impose additional restrictions on the sale and, as a result, the Group writes off the transferred asset from the consolidated balance sheet for the amount covered by the coverage limit.

Total balances receivable without recourse sold to financial institutions through the aforementioned contracts in 2019 amount to Euros 1,593,260 thousand (Euros 1,188,216 thousand in 2018 and Euros 912,204 thousand in 2017).

The finance cost of these operations for the Group totals approximately Euros 9,171 thousand which has been recognized under finance costs in the consolidated statement of profit and loss for 2019 (Euros 6,053 thousand in 2018 and Euros 3,973 thousand in 2017) (see note 27).

Details of balances with related parties are shown in note 31.

(15) Cash and Cash Equivalents

Details of this caption of the consolidated balance sheet at 31 December 2019 and 2018 are as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Current deposits	63	441,614
Cash in hand and at banks	741,919	592,178
Total cash and cash equivalents	741,982	1,033,792

(16) Equity

Details of consolidated equity and movement are shown in the consolidated statement of changes in equity.

(a) Share capital

At 31 December 2019 and 2018, the Company's share capital amounts to Euros 119,603,705 and comprises:

- Class A shares: 426,129,798 ordinary shares of Euros 0.25 par value each, subscribed and fully paid and of the same class and series.

- Class B shares: 261,425,110 non-voting preference shares of 0.05 Euros par value each, of the same class and series, and with the preferential rights set forth in the Company's by-laws.

The main characteristics of the Class B shares are as follows:

- Each Class B share entitles its holder to receive a minimum annual preferred dividend out of the distributable profits at the end of each year equal to Euros 0.01 per Class B share provided that the aggregate preferred dividend does not exceed the distributable profits of that year and a distribution of dividends has been approved by the Company's shareholders. This preferred dividend is not cumulative if sufficient distributable profits are not obtained in the period.

- Each Class B share is entitled to receive, in addition to the above-mentioned preferred dividend, the same dividends and other distributions as for one Grifols ordinary share.

- Each Class B share entitles the holder to its redemption under certain circumstances, if a takeover bid for all or part of the shares in the Company has been made, except if holders of Class B shares have been entitled to participate in the bid on the same terms as holders of Class A shares. The redemption terms and conditions reflected in the Company's by-laws limit the amount that may be redeemed, requiring that sufficient distributable reserves be available, and limit the percentage of shares to be redeemed in line with the ordinary shares to which the bid is addressed.

- In the event the Company were to be wound up and liquidated, each Class B share entitles the holder to receive, before any amounts are paid to holders of ordinary shares, an amount equal to the sum of (i) the par value of the Class B share, and (ii) the share premium paid for the Class B share when it was subscribed. In addition to the Class B liquidation preference amount, each holder is entitled to receive the same liquidation amount that is paid for each ordinary share.

These shares are freely transferable.

Since 23 July 2012 the ADSs (American Depositary Shares) representing Grifols' Class B shares (non-voting shares) have had an exchange ratio of 1:1 in relation to Class B shares, ie.1 ADS represents 1 Class B share. The previous rate was 2 ADS per 1 Class B share.

The Company's knowledge of its shareholders is based on information provided voluntarily or in compliance with applicable legislation. According to the information available to the Company, there are no interests representing more than 10% of the Company's total capital at 31 December 2019 and 2018.

At 31 December 2019 and 2018, the number of outstanding shares is equal to the total number of Company shares, less treasury stock.

Movement in outstanding shares during 2018 is as follows:

	Class A shares	Class B shares
Balance at 1 January 2018	426,129,798	257,127,304
(Acquisition) / disposal of treasury stock (note 16 (d))	--	479,355
Balance at 31 December 2018	426,129,798	257,606,659

Movement in outstanding shares during 2019 is as follows:

	Class A shares	Class B shares
Balance at 1 January 2019	426,129,798	257,606,659
(Acquisition) / disposal of treasury stock (note 16 (d))	--	403,399
Balance at 31 December 2019	426,129,798	258,010,058

(b) Share premium

Movement in the share premium is described in the consolidated statement of changes in equity, which forms an integral part of this note to the consolidated annual accounts.

(c) Reserves

The drawdown of accumulated gains is subject to legislation applicable to each of the Group companies. At 31 December 2019, Euros 12,891 thousand equivalent to the carrying amount of development costs pending amortization of certain Spanish companies (Euros 35,613 thousand at 31 December 2018) (see note 8) are, in accordance with applicable legislation, restricted reserves which cannot be distributed until these development costs have been amortized.

In October 2017, the Group acquired an additional 12,020 Progenika Biopharma, S.A. shares. As a result, the Group has increased its investment from 89.25% to 90.23%. The difference between the share capital increase carried out by the Group and the non-controlling interest has been recognized as a Euros 374 thousand decrease in reserves.

In June 2018, Grifols made the decision to divest in TiGenix and participated in the takeover bid made by Takeda in the first half of 2018. This divestment generated a positive impact on reserves of Euros 4,900 thousand and a negative impact of Euros 4,900 thousand in "Other comprehensive income".

In June 2018, Grifols executed the purchase option for 6.41% of the shares of Progenika owned by Ekarpen Private Equity, S.A. for an amount of Euros 5,300 thousand. As a result, the Group increased its interest from 90.23% to 96.64%. The difference between the acquisition carried out by the Group and the non-controlling interest was recognized in reserves.

In September 2018, the Group acquired 41,387 shares of Progenika Biopharma, S.A for an amount of Euros 4,333 thousand. As a result, the Group increased its interest from 96.64% to 99.99%. The difference between the acquisition carried out by the Group and the non-controlling interest was recognized against reserves.

In June 2019, Kiro Grifols, S.L. increased capital by an amount of Euro 7,500 thousand. The Group continues to hold a 90% interest, with an increase in non-controlling interest that corresponds to 10% of the capital increase (see note 18).

In July 2019, the Group acquired 33 shares of Progenika Biopharma, S.A for an amount of Euros 4 thousand. As a result, the Group increased its interest from 99.99% to 100%. With this acquisition, the Group has the full control of Progenika Biopharma, S.A and therefore it ceases to have non-controlling interest (see note 18).

In April 2019 and December 2019 the Group subscribed two share capital increases in Araclon Biotech, S.L of Euros 16.8 million and Euros 5.9 million, respectively. After the latter capital increase Grifols' interest rises to 75.1% (see note 18).

As of 31 December 2019, Grifols delivered 90 shares of its subsidiary Grifols Diagnostic Solutions, Inc. in exchange of a contractual right resulting in an investment in an associate (equivalent to 1,766 million of SR shares), because at that date no shares of Shanghai RAAS Blood Products Co. Ltd. were received. This transaction generates an impact in reserves of EUR 227 million (see note 2).

At 31 December 2019 and 2018 reserves include the IFRS-EU first-time adoption revaluation reserves and legal reserve of certain Group companies.

Legal reserve

Companies in Spain are obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase.

At 31 December 2019 and 2018 the legal reserve of the Company amounts to Euros 23,921 thousand which corresponds to 20% of the share capital.

Distribution of the legal reserves of Spanish companies is subject to the same restrictions as those of the Company and at 31 December 2019 the balance of the legal reserve of other Spanish companies amounts to Euros 2,066 thousand (Euros 2,527 thousand at 31 December 2018).

Other foreign Group companies have a legal reserve amounting to Euros 892 thousand at 31 December 2019 (Euros 843 thousand at 31 December 2018).

(d) Treasury stock

At 31 December 2019 and December 2018 the Company does not have any Class A treasury stock.

Movement in Class B treasury stock during 2018 was as follows:

	shares	Thousands of Euros
Balance at 1 January 2018	4,297,806	62,422
Disposal Class B shares	(479,355)	(6,981)
Balance at 31 December 2018	3,818,451	55,441

Movement in Class B treasury stock during 2019 is as follows:

	shares	Thousands of Euros
Balance at 1 January 2019	3,818,451	55,441
Disposal Class B shares	(403,399)	(5,857)
Balance at 31 December 2019	3,415,052	49,584

In March 2019 the Group delivered 403,399 treasury stocks (Class B shares) to eligible employees as compensation for the Restricted Share Unit Retention Plan (see note 29).

In March 2018 the Group delivered 480,661 treasury stocks (Class B shares) to eligible employees as compensation for the Restricted Share Unit Retention Plan (see note 29).

The Parent held Class B treasury stock equivalent to 0.5% of its capital at 31 December 2019 (0.6% at 31 December 2018).

(e) Distribution of profit

The profits of Grifols, S.A. and subsidiaries will be distributed as agreed by respective shareholders at their general meetings.

The proposed distribution of profit of the Parent Grifols, S.A. for the years ended 31 December 2019, and the distribution of profit approved for 2018, presented at the general meeting held on 24 May 2019, is as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Voluntary reserve	1,380,207	91,059
Dividends	250,058	238,659
Profit of the Parent	1,630,265	329,718

The following dividends were paid in 2018:

	31/12/2018		
	% of par value	Euros per share	Thousands of Euros
Ordinary shares	82%	0.20	86,929
Non-voting shares	408%	0.20	52,551
Non-voting shares (preferred dividend)	20%	0.01	2,614
Total dividends paid			142,094

	31/12/2018		
	% of par value	Euros per share	Thousands of Euros
Ordinary shares (interim dividend)	80%	0.2	85,226
Non-voting shares (interim dividend)	400%	0.2	51,521
Total interim dividends paid			136,747

The following dividends were paid in 2019:

	31/12/2019		
	% of par value	Euros per share	Thousands of Euros
Ordinary shares	58%	0.15	61,850
Non-voting shares	290%	0.15	37,448
Non-voting shares (preferred dividend)	20%	0.01	2,614
Total dividends paid			101,912

	31/12/2019		
	% of par value	Euros per share	Thousands of Euros
Ordinary shares (interim dividend)	80%	0.20	85,226
Non-voting shares (interim dividend)	400%	0.20	51,602
Total interim dividends paid			136,828

At the meeting held on 25 October, 2019, the Board of Directors of Grifols approved the distribution of interim dividend for 2019, of Euros 0.20 for each Class A and B share, recognizing a total of Euros 136,828 thousand as interim dividend.

At the meeting held on 26 October, 2018, the Board of Directors of Grifols approved the distribution of an interim dividend for 2018, of Euros 0.20 for each Class A and B share, recognizing a total of Euros 136,747 thousand as interim dividend.

These amounts to be distributed did not exceed the profits generated by the Company since the end of the last reporting period, less the estimated income tax payable on these profits, in accordance with article 277 of the Revised Spanish Companies Act.

The Statement of Liquidity for Distribution of Interim Dividend of Grifols, S.A. prepared in accordance with legal requirements and which shows the existence of sufficient liquidity to be able to distribute the aforementioned interim dividend is provided in Appendix VI.

At a general meeting held on 24 May 2019 the shareholders approved the distribution of a preferred dividend of Euros 0.01 for every Class B non-voting share.

The distribution of the profit for the years ended 31 December 2018 and 2019 is presented in the consolidated statement of changes in equity.

(f) Restricted Share Unit Retention Plan

The Group has set up a Restricted Share Unit Retention Plan (hereinafter RSU Plan) for certain employees (see note 29). This commitment will be settled using equity instruments and the cumulative accrual amounts to Euros 12,498 thousand at 31 December 2019 (Euros 12,652 thousand at 31 December 2018).

(17) Earnings Per Share

The calculation of basic earnings per share is based on the profit for the year attributable to the shareholders of the Parent divided by the weighted average number of ordinary shares in circulation throughout the year, excluding treasury stock.

Details of the calculation of basic earnings per share are as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Profit for the year attributable to shareholders of the Parent (thousands of Euros)	625,146	596,642	662,700
Weighted average number of ordinary shares outstanding	685,115,836	684,709,377	684,197,276
Basic earnings per share (Euros per share)	0.91	0.87	0.97

The weighted average of the ordinary shares outstanding (basic) is as follows:

	Number of shares		
	31/12/2019	**31/12/2018**	**31/12/2017**
Issued shares outstanding at 1 January	684,794,839	684,346,294	683,854,491
Effect of shares issued	--	--	--
Effect of treasury stock	320,997	363,083	342,785
Average weighted number of ordinary shares outstanding (basic) at 31 December	685,115,836	684,709,377	684,197,276

Diluted earnings per share are calculated by dividing profit for the year attributable to shareholders of the Parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares.

The RSU Plan granted by the Group and payable in shares, assumes the existence of dilutive potential shares. Diluted earnings per share have been calculated as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Profit for the year attributable to shareholders of the Parent (thousands of Euros)	625,146	596,642	662,700
Weighted average number of ordinary shares outstanding (diluted)	684,719,195	684,686,164	684,243,891
Diluted earnings per share (Euros per share)	0.91	0.87	0.97

The weighted average number of ordinary shares outstanding diluted has been calculated as follows:

	Number of shares		
	31/12/2019	**31/12/2018**	**31/12/2017**
Issued shares outstanding at 1 January	684,794,839	684,346,294	683,854,491
Effect of RSU shares	(396,641)	(23,213)	46,615
Effect of shares issued	--	--	--
Effect of treasury stock	320,997	363,083	342,785
Average weighted number of ordinary shares outstanding (diluted) at 31 December	684,719,195	684,686,164	684,243,891

(18) Non-Controlling Interests

Details of non-controlling interests and movement at 31 December 2018 are as follows:

	Thousands of Euros					
	Balance at 31/12/2017	Additions	Disposals	Business Combination / Additions to Consolidated Group	Translation differences	**Balance at 31/12/2018**
Grifols (Thailand) Pte Ltd	3,579	193	(43)	--	206	3,935
Grifols Malaysia Sdn Bhd	1,372	326	--	--	37	1,735
Araclon Biotech, S.A.	(1,477)	(2,011)	--	--	--	(3,488)
Progenika Biopharma, S.A.	880	--	(871)	--	--	9
VCN Bioscience, S.L	421	(281)	--	--	--	140
Kiro Grifols , S.L.	111	(463)	--	--	--	(352)
Haema AG	--	--	--	220,190	--	220,190
Biotest US Corporation	--	--	--	249,691	(810)	248,881
	4,886	(2,236)	(914)	469,881	(567)	471,050

Details of non-controlling interests and movement at 31 December 2019 are as follows:

	Thousands of Euros					
	Balance at 31/12/2018	Additions	Disposals	Capital increases	Translation differences	**Balance at 31/12/2019**
Grifols (Thailand) Pte Ltd	3,935	193	--	--	421	4,549
Grifols Malaysia Sdn Bhd	1,735	380	--	--	56	2,171
Araclon Biotech, S.A.	(3,488)	(1,975)	--	5,892	--	429
Progenika Biopharma, S.A.	9	--	(9)	--	--	0
VCN Bioscience, S.L	140	(292)	--	--	--	(152)
Kiro Grifols , S.L.	(352)	(374)	--	750	--	24
Haema AG	220,190	5,881	--	--	--	226,071
Biotest US Corporation	248,881	19,685	--	--	11,444	280,010
Grifols Diagnostic Solutions, Inc. (see note 2)	--	1,510,547	--	--	--	1,510,547
	471,050	1,534,045	(9)	6,642	11,921	2,023,649

At 31 December 2019, the summary financial information on the non-controlling interests of Haema AG and Biotest US Corporation, is as follows:

	Thousands of Euros 31/12/2019		Thousands of Euros 31/12/2018	
	Haema AG	**Biotest US Corp**	**Haema AG**	**Biotest US Corp**
Non-current assets	244,107	299,045	199,056	215,072
Current assets	32,576	60,099	19,527	40,352
Total Assets	276,683	359,144	218,583	255,424
Non-current liabilities	22,226	56,425	98	8,766
Current liabilities	28,386	22,709	(1,705)	(2,223)
Total Liabilities	50,612	79,134	(1,607)	6,543
Total equity	226,071	280,010	220,190	248,881

At 31 December 2019, the summary financial information on the non-controlling interests of GDS Group is as follows:

	Thousands of Euros 31/12/2019	Thousands of USD 31/12/2019
Non-current assets	3,416,366	3,834,871
Current assets	273,259	306,734
Total Assets	3,689,625	4,141,605
Non-current liabilities	224,635	252,153
Current liabilities	108,220	121,478
Total Liabilities	332,855	373,631
Total equity	3,356,770	3,767,974

(19) Grants

Details are as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Capital grants	10,785	11,149
Interest rate grants (preference loans) (See note 21 (d))	592	696
	11,377	11,845

Interest-rate grants (preference loans) reflect the implicit interest on loans extended by the Spanish Ministry of Science and Technology as these are interest free.

Grants totaling Euros 1,388 thousand have been recognized in the consolidated statement of profit and loss for the year ended at 31 December 2019 (Euros 1,166 thousand for the year ended at 31 December 2018).

(20) Provisions

Details of provisions at 31 December 2019 and 2018 are as follows:

	Thousands of Euros	
Non-current provisions (a)	**31/12/2019**	**31/12/2018**
Provisions for pensions and similar obligations	5,991	5,296
Other provisions	2,039	818
Non-current provisions	8,030	6,114

	Thousands of Euros	
Current provisions (b)	**31/12/2019**	**31/12/2018**
Trade provisions	53,109	80,055
Current provisions	53,109	80,055

(a) Non-current provisions

At 31 December 2019, 2018 and 2017 provisions for pensions and similar obligations mainly comprise a provision made by certain foreign subsidiaries in respect of labor commitments with certain employees.

Movement in provisions during 2017 was as follows:

	Thousands of Euros						
	Balance at 31/12/2016	Business combination	Net charge	Cancellations	Reclassifications	Translation differences	**Balance at 31/12/2017**
Non-current provisions	5,118	23	422	(23)	290	(67)	5,763
	5,118	23	422	(23)	290	(67)	5,763

Movement in provisions during 2018 was as follows:

	Thousands of Euros					
	Balance at 31/12/2017	Net charge	Cancellations	Reclassifications	Translation differences	**Balance at 31/12/2018**
Non-current provisions	5,763	635	(565)	277	4	6,114
	5,763	635	(565)	277	4	6,114

Movement in provisions during 2019 is as follows:

	Thousands of Euros					
	Balance at 31/12/2018	Net charge	Cancellations	Reclassifications	Translation differences	**Balance at 31/12/2019**
Non-current provisions	6,114	1,467	(30)	464	15	8,030
	6,114	1,467	(30)	464	15	8,030

(b) Current provisions

Movement in trade provisions during 2017 was as follows:

	Thousands of Euros						
	Balance at 31/12/2016	Business Combination	Net charge	Cancellations	Reclassification	Translation differences	**Balance at 31/12/2017**
Trade provisions	89,588	41,841	(4,812)	(2,886)	(2,600)	(14,136)	106,995
	89,588	41,841	(4,812)	(2,886)	(2,600)	(14,136)	106,995

Movement in trade provisions during 2018 was as follows:

	Thousands of Euros				
	Balance at 31/12/2017	Net charge	Cancellations	Translation differences	**Balance at 31/12/2018**
Trade provisions	106,995	(30,668)	(290)	4,018	80,055
	106,995	(30,668)	(290)	4,018	80,055

Movement in trade provisions during 2019 is as follows:

	Thousands of Euros				
	Balance at 31/12/2018	Net charge	Cancellations	Translation differences	**Balance at 31/12/2019**
Trade provisions	80,055	(25,249)	(3,142)	1,445	53,109
	80,055	(25,249)	(3,142)	1,445	53,109

(21) Financial Liabilities

This note provides information on the contractual conditions of the Group's financial liabilities, which are measured at amortized cost. For further information on exposure to interest rate risk, currency risk and liquidity risk and the fair values of financial liabilities, please refer to note 30.

Details at 31 December 2019 and 2018 are as follows:

	Thousands of Euros	
Financial liabilities	**31/12/2019**	**31/12/2018**
Non-current obligations (a)	2,588,030	1,000,000
Senior secured debt (b)	3,285,086	4,771,285
Other loans (b)	216,686	239,686
Finance lease liabilities	--	9,537
Other non-current financial liabilities (d)	59,981	78,955
Non-current lease liabilities (note 9)	696,285	--
Total non-current financial liabilities	6,846,068	6,099,463
Current obligations (a)	89,172	102,978
Senior secured debt (b)	1,803	129,955
Other loans (b)	184,164	24,839
Finance lease liabilities	--	3,348
Other current financial liabilities (d)	41,768	16,262
Current lease liabilities (note 9)	44,405	--
Total current financial liabilities	361,312	277,382

On 15 November 2019 the Group concluded the refinancing process of its senior secured debt for Euros 5,800 million. The new financing includes a Term Loan B for US Dollars 2,500 million and Euros 1,360 million, both aimed at institutional investors; the issue of two bonds for Euros 1,675 million (Senior Secured Notes); and the extension of a multi-currency revolving credit facility up to US Dollars 500 million.

Grifols calculated the impact of the IFRS 9 in the new financing process concluding that it does not result in a derecognition of the liability as it has not passed the 10% quantitative test. According to the IASB's interpretation, when a financial liability measured at amortized cost is modified or exchanged and does not result in the derecognition of the financial liability, a gain or loss should be recognized in profit or loss, calculated as the difference between the original contractual cash flows from the liability and the modified cash flows, discounted at the original effective interest rate of the liability. Following the standard, the Group has recognized income of Euros 97,850 thousand in the profit or loss account (see note 27).

In September 2018, Grifols obtained a new non-current loan from the European Investment Bank totaling Euros 85,000 thousand that will be used by Grifols to support its investments in R&D, mainly focused on the search for new therapeutic indications for plasma-derived protein therapies. The financial terms include a fixed interest rate, a maturity of 10 years with a grace period of 2 years. On 5 December 2017 and 28 October 2015, the Group arranged loans with the same entity and with the same conditions for amounts of Euros 85,000 thousand and Euros 100,000 thousand, respectively. At 31 December 2019, the carrying amount of the loans obtained from the European Investment Bank amounts to Euros 233,750 thousand (Euros 244,375 thousand at 31 December, 2018).

(a) Senior Notes

On 15 November 2019, as part of its refinancing process, Grifols, S.A. issued Euros 1,675 million of Senior Secured Notes segmented in two notes of Euros 770 million and Euros 905 million. These notes will mature in 2027 and 2025 and will bear annual interest at a rate of 2.25% and 1.625%, respectively. On 15 November 2019 the notes were admitted to listing on the Irish Stock Exchange.

On 18 April 2017, Grifols, S.A., issued Euros 1,000 million of Senior Unsecured Notes that will mature in 2025 and will bear annual interest at a rate of 3.20%. On 2 May 2017 the Notes were admitted to listing on the Irish Stock Exchange.

Details of movement in the Senior Notes at 31 December 2019 are as follows:

	Thousands of Euros		
	Opening outstanding balance 01/01/19	Refinancing	Closing outstanding balance 31/12/19
Senior Unsecured Notes (nominal amount)	1,000,000	--	1,000,000
Senior Secured Notes (nominal amount)	--	1,675,000	1,675,000
Total	1,000,000	1,675,000	2,675,000

There was no movement regarding the Senior Unsecured Notes in 2018.

At 31 December 2019 and 2018 the current obligations caption includes the issue of bearer promissory notes to Group employees, as follows:

	31/12/2018						
	Issue date	Maturity date	Nominal amount of promissory notes (Euros)	Interest rate	Promissory notes subscribed (Thousands of Euros)	Buy back (Thousands of Euros)	Interest pending accrual (Thousands of Euros)
Issue of bearer promissory notes	05/05/18	04/05/19	3,000	4.00%	99,990	(1,041)	(1,304)

	31/12/2019						
	Issue date	Maturity date	Nominal amount of promissory notes (Euros)	Interest rate	Promissory notes subscribed (Thousands of Euros)	Buy back (Thousands of Euros)	Interest pending accrual (Thousands of Euros)
Issue of bearer promissory notes	05/05/19	04/05/20	3,000	5.00%	103,122	(1,170)	(1,686)

(b) Loans and borrowings

Details of loans and borrowings at 31 December 2019 and 2018 are as follows:

					Thousands of Euros			
					31/12/2019		**31/12/2018**	
Credit	Currency	Interest rate	Date awarded	Maturity date	Amount extended	Carrying amount	Amount extended	Carrying amount
Senior debt - Tranche A	US Dollars	Libor + 1.75%	31/01/2017	31/01/2023	--	--	2,052,403	1,949,782
Senior debt - Tranche A	Euros	Euribor + 1.75%	31/01/2017	31/01/2023	--	--	607,000	576,650
Senior debt - Tranche B	US Dollars	Libor + 2.25%	31/01/2017	31/01/2025	--	--	2,620,087	2,548,035
Senior debt - Tranche B	Euros	Euribor + 2,25%	15/11/2019	15/11/2027	1,360,000	1,346,400	--	--
Senior debt - Tranche B	US Dollars	Libor + 2,00%	15/11/2019	15/11/2027	2,227,171	2,204,900	--	--
Total senior debt					3,587,171	3,551,300	5,279,490	5,074,467
EIB Loan	Euros	2.40%	20/11/2015	20/11/2025	100,000	53,125	100,000	63,750
EIB Loan	Euros	2.02%	22/12/2017	22/12/2027	85,000	74,375	85,000	85,000
EIB Loan	Euros	2.15%	25/09/2018	25/09/2028	85,000	85,000	85,000	85,000
Total EIB Loan					270,000	212,500	270,000	233,750
Revolving Credit	US Dollars	Libor + 1.75%	31/01/2017	31/01/2023	--	--	262,009	--
Revolving Credit	US Dollars	Libor + 1,5%	15/11/2019	15/11/2025	445,434	--	--	--
Total Revolving Credit					445,434	--	262,009	--
Other non-current loans	Euros	Euribor-Euribor+2.30%	25/03/2010	30/09/2024	10,000	4,186	26,680	5,936
Loan transaction costs					--	(266,214)	--	(303,182)
Non-current loans and borrowings					**4,312,605**	**3,501,772**	**5,838,179**	**5,010,971**

					Thousands of Euros			
					31/12/2019		**31/12/2018**	
Credit	Currency	Interest rate	Date awarded	Maturity date	Amount extended	Carrying amount	Amount extended	Carrying amount
Senior debt - Tranche A	US Dollars	Libor + 1.75%	31/01/2017	31/01/2023	(*)	--	(*)	102,621
Senior debt - Tranche A	Euros	Euribor + 1.75%	31/01/2017	31/01/2023	(*)	--	(*)	30,350
Senior debt - Tranche B	US Dollars	Libor + 2.25%	31/01/2017	31/01/2025	(*)	--	(*)	26,201
Senior debt - Tranche B	Euros	Euribor + 2,25%	15/11/2019	15/11/2027	(*)	13,600	(*)	--
Senior debt - Tranche B	US Dollars	Libor + 2,00%	15/11/2019	15/11/2027	(*)	22,271	(*)	--
Total senior debt					--	35,871	--	159,172
EIB Loan	Euros	2.40%	20/11/2015	20/11/2025	(*)	10,625	(*)	10,625
EIB Loan	Euros	2.02%	22/12/2017	22/12/2027	(*)	10,625	(*)	--
Total EIB Loan					--	21,250	--	10,625
Other current loans		0,10% - 3,59%			239,782	162,914	144,571	14,214
Loan transaction costs					--	(34,068)	--	(29,217)
Current loans and borrowings					**239,782**	**185,967**	**144,571**	**154,794**

(*) See amount granted under non-current debt

Current loans and borrowings include accrued interest amounting to Euros 6,266 thousand at 31 December 2019 (Euros 2,546 thousand at 31 December 2018).

On 15 November 2019 the Group refinanced its Senior Secured Debt with the existing lenders. The new senior debt consists of a Term Loan B ("TLB"), which amount US Dollars 2,500 million and Euros 1,360 million with a 2.00% margin pegged to Libor and a 2.25% margin pegged to Euribor respectively, maturity in 2027 and quasi-bullet repayment structure. The borrowers of the total senior debt are Grifols, S.A. and Grifols Worldwide Operations USA, Inc.

The present value discounted from cash flows under the new agreement, including any fees paid and discounted using the original effective interest rate differed by less than 10% of the present value discounted from cash flows remaining in the original debt, whereby it is considered that the debt instrument has not been substantially modified.

The costs of refinancing the senior debt amounted to Euros 84.4 million. Based on an analysis of the quantitative and qualitative factors, the Group concluded that the renegotiation of the terms of the senior debt did not imply a derecognition of the liability. According to the IASB's interpretation published in October 2017, when a financial liability measured at amortized cost is modified or exchanged and does not result in the derecognition of the financial liability, a gain or loss should be recognized in profit or loss, calculated as the difference between the original contractual cash flows from the liability and the modified cash flows, discounted at the original effective interest rate of the liability. Following the standard, the Group has recognized income of Euros 97,850 thousand in the profit or loss account (see note 27).

The terms and conditions of the senior secured debt are as follows:

- **Tranche B**: Senior Debt Loan repayable in eight years divided in two tranches:

  - **US Dollar Tranche B:**
    - Original principal amount of US Dollars 2,500 million.
    - Applicable margin of 200 basis points (bp) pegged to US Libor.
    - Quasi-bullet repayment structure.
    - Maturity in 2027.

  - **Tranche B in Euros:**
    - Original principal amount of Euros 1,360 million.
    - Applicable margin of 225 basis points (bp) pegged to Euribor.
    - Quasi-bullet repayment structure.
    - Maturity in 2027.

Details of Tranche B by maturity at 31 December 2019 are as follows:

	US Tranche B			Tranche B in Euros	
	Currency	Amortization in thousands of US Dollars	Amortization in thousands of Euros	Currency	Amortization in thousands of Euros
Maturity					
2020	US Dollars	25,000	22,271	Euros	13,600
2021	US Dollars	25,000	22,271	Euros	13,600
2022	US Dollars	25,000	22,271	Euros	13,600
2023	US Dollars	25,000	22,271	Euros	13,600
2024	US Dollars	25,000	22,271	Euros	13,600
2025	US Dollars	25,000	22,271	Euros	13,600
2026	US Dollars	25,000	22,271	Euros	13,600
2027	US Dollars	2,325,000	2,071,274	Euros	1,264,800
Total	US Dollars	2,500,000	2,227,171	Euros	1,360,000

- **US Dollars 500 million committed credit revolving facility:** Amount maturing on 2025 and applicable margin of 150 basis points (bp) pegged to US Libor. At 31 December 2019 no amount has been drawn down on this facility.

Both the Senior Term Loans and the Revolving Loans are guaranteed by Grifols, S.A. and certain significant subsidiaries of Grifols, S.A. that together with Grifols, S.A. represent, in the aggregate, at least 80% of the consolidated assets and consolidated EBITDA of Grifols, S.A. and its subsidiaries.

The Notes have been issued by Grifols S.A. and are guaranteed on a senior secured basis by subsidiaries of Grifols, S.A. that are guarantors and co-borrower under the New Credit Facilities. The guarantors are Grifols Worldwide Operations Limited, Biomat USA, Inc., Grifols Biologicals Inc., Grifols Shared Services North America, Inc., Talecris Plasma Resources, Inc.., Grifols Therapeutics, Inc., Instituto Grifols, S.A., Grifols Worldwide Operations USA, Inc., Grifols USA, Llc. and Grifols International, S.A.

(c) Credit rating

In December 2019 and December 2018 Moody's Investors Service has confirmed the 'Ba3' corporate family rating, 'Ba2' rating to the senior secured bank debt that was used to refinance the existing debt structure. The outlook is confirmed as stable. The credit rating of the senior unsecured notes is B2.

In December 2019 and December 2018 Standard & Poor's has confirmed its 'BB' rating on Grifols and has assigned 'BB+ ratings to Grifols' senior secured debt that was used to refinance the existing debt structure. The outlook for the rating is stable. The credit rating of the senior unsecured notes is B+.

(d) Other financial liabilities

At 31 December 2019 "other financial liabilities" include interest-free loans extended by governmental institutions amounting to Euros 14,787 thousand (Euros 16,559 thousand at 31 December 2018). The portion of the loans considered a grant and still to be taken to profit and loss amounts to Euros 592 thousand (Euros 696 thousand at 31 December 2018) (see note 19).

At 31 December 2019 "other current financial liabilities" include mainly the repurchase option of Goetech, LLC amounting to US Dollars 20 million (see note 3(d)) and an outstanding balance with a related party (see note 31).

Details of the maturity of other financial liabilities are as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Maturity at:		
Up to one year	41,768	16,262
Two years	50,585	21,460
Three years	2,977	49,602
Four years	1,870	2,916
Five years	1,420	1,799
Over five years	3,129	3,178
	101,749	95,217

(e) Changes in liabilities derived from financing activities

	Thousand of Euros				
	Obligations	Senior Secured debt & Other loans	Finance lease liabilities	Other financial liabilities	Total
Book value at January 1, 2018	949,205	5,052,680	9,360	45,640	6,056,885
New financing	99,990	85,000	--	6,789	191,779
Refunds	(92,244)	(45,225)	(1,001)	(20,041)	(158,511)
Bear of interests	31,694	253,673	409	865	286,641
Other movements (note 2)	146,333	(141,998)	--	--	4,335
Collection / Payment of interests	(32,000)	(193,146)	--	--	(225,146)
Business combination	--	--	4,007	57,816	61,823
Foreign exchange differences	--	154,781	110	4,148	159,039
Balance at December 31, 2018	1,102,978	5,165,765	12,885	95,217	6,376,845
New financing	1,778,218	3,780,115	--	12,249	5,570,582
Refunds	(100,215)	(5,447,842)	(73,785)	(8,152)	(5,629,994)
Bear of interests	37,095	171,535	34,558	1,166	244,354
Other movements (note 2)	(108,874)	24,121	761,682	--	676,929
Collection / Payment of interests	(32,000)	(204,179)	--	--	(236,179)
Business combination (note 3)	--	10,233	--	--	10,233
Foreign exchange differences	--	187,991	5,350	1,269	194,610
Balance at December 31, 2019	2,677,202	3,687,739	740,690	101,749	7,207,380

(22) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Suppliers	**581,882**	**561,883**
VAT payable	9,999	8,954
Taxation authorities, withholdings payable	26,839	26,299
Social security payable	15,150	12,787
Other public entities	113,644	111,776
Other payables	**165,632**	**159,816**
Current income tax liabilities	**5,966**	**1,917**
	753,480	**723,616**

Suppliers

Details of balances with related parties are shown in note 31.

The Group's exposure to currency risk and liquidity risk associated with trade and other payables is described in note 30.

In accordance with the second final provision of Law 31/2014 that amends Law 15/2010 of 5 July, for fiscal years 2019 and 2018 information concerning the average payment period to suppliers is included.

	Days	
	31/12/2019	**31/12/2018**
Average payment period to suppliers	72.9	72.6
Paid invoices ratio	74.0	74.2
Outstanding invoices ratio	65.3	63.4

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Total invoices paid	577,017	454,995
Total outstanding invoices	85,550	82,740

(23) Other Current Liabilities

Details at 31 December are as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Salaries payable	175,079	153,160
Other payables	847	504
Deferred income	9,791	8,912
Advances received	11,682	6,613
Other current liabilities	197,399	169,189

(24) Net Revenues

Net revenues are mainly generated from the sale of goods.

The distribution of net consolidated revenues for 2019, 2018 and 2017 by segment is as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Bioscience	3,993,462	3,516,704	3,429,785
Diagnostic	733,604	702,265	732,369
Hospital	134,441	119,454	105,649
Bio supplies	266,540	167,004	66,791
Others	22,820	22,451	18,263
Intersegments	(52,176)	(41,154)	(34,784)
	5,098,691	4,486,724	4,318,073

The geographical distribution of net consolidated revenues is as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
USA and Canada	3,390,811	2,974,429	2,896,505
Spain	268,287	264,913	242,894
European Union	588,375	535,361	444,089
Rest of the world	851,218	712,021	734,585
Consolidated	5,098,691	4,486,724	4,318,073

Details of discounts and other reductions in gross income are as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Gross sales	6,429,762	5,588,257	5,322,618
Chargebacks	(1,119,540)	(923,023)	(826,775)
Cash discounts	(70,340)	(62,518)	(57,512)
Volume rebates	(56,426)	(46,922)	(43,274)
Medicare and Medicaid	(50,442)	(40,343)	(41,722)
Other discounts	(34,323)	(28,727)	(35,262)
Net sales	5,098,691	4,486,724	4,318,073

Movement in discounts and other reductions in gross income during 2017 were as follows:

	Thousands of Euros						
	Chargebacks	Cash discounts	Volume rebates	Medicare / Medicaid	Other discounts	Total	
Balance at 31 December 2016	87,249	6,632	26,507	21,757	4,442	146,587	
Current estimate related to sales made in current and prior year	826,775	57,512	43,274	41,722	35,262	1,004,545	(1)
(Actual returns or credits in current period related to sales made in current period)	(795,449)	(52,270)	(28,976)	(28,198)	(26,072)	(930,965)	(2)
(Actual returns or credits in current period related to sales made in prior periods)	31	(6,024)	(20,210)	(16,659)	(2,864)	(45,726)	(3)
Translation differences	(12,716)	(736)	(2,604)	(2,418)	(625)	(19,099)	
Balance at 31 December 2017	**105,890**	**5,114**	**17,991**	**16,204**	**10,143**	**155,342**	

Movement in discounts and other reductions to gross income during 2018 were as follows:

	Thousands of Euros						
	Chargebacks	Cash discounts	Volume rebates	Medicare / Medicaid	Other discounts	Total	
Balance at 31 December 2017	105,890	5,114	17,991	16,204	10,143	155,342	
Current estimate related to sales made in current and prior year	923,023	62,518	46,922	40,343	28,727	1,101,533	(1)
(Actual returns or credits in current period related to sales made in current period)	(957,695)	(56,568)	(24,648)	(21,324)	(26,493)	(1,086,728)	(2)
(Actual returns or credits in current period related to sales made in prior periods)	--	(4,909)	(16,384)	(13,232)	(3,781)	(38,306)	(3)
Translation differences	3,957	286	916	950	241	6,350	
Balance at 31 December 2018	**75,175**	**6,441**	**24,797**	**22,941**	**8,837**	**138,191**	

Movement in discounts and other reductions to gross income during 2019 were as follows:

	Thousands of Euros						
	Chargebacks	Cash discounts	Volume rebates	Medicare / Medicaid	Other discounts	Total	
Balance at 31 December 2018	75,175	6,441	24,797	22,941	8,837	138,191	
Current estimate related to sales made in current and prior year	1,119,540	70,340	56,426	50,442	34,323	1,331,071	(1)
(Actual returns or credits in current period related to sales made in current period)	(1,104,493)	(64,523)	(28,014)	(34,486)	(22,490)	(1,254,006)	(2)
(Actual returns or credits in current period related to sales made in prior periods)	275	(6,385)	(25,050)	(20,375)	(5,652)	(57,187)	(3)
Translation differences	(9)	24	546	389	52	1,003	
Balance at 31 December 2019	**90,488**	**5,897**	**28,705**	**18,911**	**15,070**	**159,072**	

(1) Net impact in income statement: estimate for the current year plus prior years' adjustments. Adjustments made during the year corresponding to prior years' estimates have not been significant.

(2) Amounts credited and posted against provisions for current period

(3) Amounts credited and posted against provisions for prior period

(25) Personnel Expenses

Details of personnel expenses by function are as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Cost of sales	988,689	810,512	731,192
Research and development	106,472	93,817	90,495
Selling, general & administration expenses	382,472	345,224	323,880
	1,477,633	1,249,553	1,145,567

Details by nature are as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Wages and salaries	1,178,527	1,000,682	917,810
Contributions to pension plans (see note 29)	29,941	21,363	20,347
Other social charges	28,785	29,055	27,679
Social Security	240,380	198,453	179,731
	1,477,633	1,249,553	1,145,567

The average headcount during 2019 and 2018, by department, was approximately as follows:

	Average headcount	
	31/12/2019	**31/12/2018**
Manufacturing	17,027	14,576
R&D - technical area	994	945
Administration and others	1,405	1,316
General management	252	212
Marketing	187	184
Sales and Distribution	1,282	1,223
	21,147	18,456

The headcount of the Group employees and the Company's directors at 31 December 2018, by gender, was as follows:

	31/12/2018		
	Male	Female	Total number of employees
Directors	9	4	13
Manufacturing	6,591	10,556	17,147
Research&development - technical area	368	616	984
Administration and others	842	554	1,396
General management	129	125	254
Marketing	76	108	184
Sales and Distribution	658	607	1,265
	8,673	12,570	21,243

The headcount of the Group employees and the Company's directors at 31 December 2019, by gender, is as follows:

	31/12/2019		
	Male	Female	Total number of employees
Directors	9	4	13
Manufacturing	7,303	12,380	19,683
Research&development - technical area	406	623	1,029
Administration and others	887	587	1,474
General management	157	157	314
Marketing	75	120	195
Sales and Distribution	682	626	1,308
	9,519	14,497	24,016

(26) Expenses by Nature

(a) Amortization and depreciation

Expenses for the amortization and depreciation of intangible assets, rights of use and property, plant and equipment, incurred during 2019, 2018 and 2017 classified by functions are as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Cost of sales	193,081	146,530	135,186
Research and development	22,471	19,836	14,721
Selling, general & administration expenses	86,903	62,243	65,583
	302,455	228,609	215,490

(b) Other operating income and expenses

Other operating income and expenses incurred during 2019, 2018 and 2017 by function are as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Cost of sales	467,705	432,803	416,020
Research and development	166,177	152,670	129,579
Selling, general & administration expenses	457,921	410,753	460,959
	1,091,803	996,226	1,006,558

Details by nature are as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Changes in trade provisions	(19,811)	(23,125)	3,648
Professional services	244,355	211,305	211,579
Commissions	32,178	21,941	18,473
Supplies and auxiliary materials	170,021	149,831	131,932
Operating leases (note 9)	33,235	84,299	80,136
Freight	130,663	112,340	105,292
Repair and maintenance expenses	136,377	107,806	103,518
Advertising	59,063	44,659	49,893
Insurance	25,647	22,632	21,529
Royalties	10,674	10,726	11,241
Travel expenses	61,346	51,428	58,171
External services	64,099	53,391	82,699
R&D Expenses	103,053	100,889	89,977
Other	40,903	48,104	38,470
Other operating income&expenses	1,091,803	996,226	1,006,558

(27) Finance Result

Details are as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Finance income	114,197	13,995	9,678
Finance cost from Senior Unsecured Notes	(41,920)	(35,471)	(65,189)
Finance cost from senior debt (note 21 (b))	(262,797)	(247,646)	(193,183)
Finance cost from sale of receivables (note 14)	(9,171)	(6,053)	(3,973)
Capitalized interest (note 10)	14,894	8,955	8,839
Finance lease expense (note 9)	(34,558)	--	--
Other finance costs	(9,413)	(13,058)	(9,838)
Finance costs	(342,965)	(293,273)	(263,344)
Impairment and gains / (losses) on disposal of financial instruments (note 11 and 12 (b))	(37,666)	30,280	(18,844)
Change in fair value of financial instruments	1,326	--	(3,752)
Exchange differences	(9,616)	(8,246)	(11,472)
Finance result	(274,724)	(257,244)	(287,734)

On 29 January 2018 (prior to the date on which the 2017 consolidated annual accounts were authorized for issue) Aradigm informed that it had not obtained approval for Linahiq™ from of the Antimicrobial Drugs Advisory

Committee of the US Food and Drug Administration. As a result, the financial assets related to Aradigm's convertible note were totally impaired for a total of Euros 14,477 thousand at 31 December 2017. This amount was recognized in "Impairment and gains/(losses) on disposal of financial instruments" in the consolidated statement of profit and loss in 2017.

Finance cost from senior debt includes an income of Euros 97,850 thousand related to the refinancing effect (see note 21).

During 2019 the Group has capitalized interest at a rate of between 5.34% and 5.46% based on the financing received (between 4.61% and 5.18% during 2018) (see note 4 (f)).

As of 31 December 2019, as part of the shares exchange agreement with Shanghai RAAS Blood Products Co. Ltd., Grifols delivered 90 shares of its subsidiary Grifols Diagnostic Solutions, Inc. in exchange of a contractual right resulting in an investment in an associate, which has generated a benefit related to the measurement of the contractual right amounting to EUR 1 million as of 31 December 2019 (see note 2).

(28) Taxation

Grifols, S.A. is authorized to file consolidated tax returns in Spain with Grifols Movaco, S.A., Laboratorios Grifols, S.A., Instituto Grifols, S.A., Biomat, S.A., Grifols Viajes, S.A., Grifols International, S.A., Grifols Engineering, S.A., Gripdan Invest, S.L., Aigües Minerals de Vilajuiga, S.A. and VCN Biosciences, S.L. Grifols, S.A., in its capacity as Parent, is responsible for the filing and settlement of the consolidated tax return. Under prevailing tax law, Spanish companies pay 25% tax, which may be reduced by certain deductions.

The North American company Grifols Shared Services North America, Inc. is also authorized to file consolidated tax returns in the USA with Grifols Biologicals Inc., Grifols USA, LLC., Biomat USA, Inc., Grifols Therapeutics Inc., Talecris Plasma Resources, Inc and Goetech, LLC.. The profits of the companies domiciled in the USA, determined in accordance with prevailing tax legislation, are subject to tax of approximately 22.6% of taxable income, which may be reduced by certain deductions.

Grifols assesses the effect of uncertain tax treatments and recognizes the effect of the uncertainty on taxable earnings. At 31 of December 2019, the potential obligations deriving from tax claims are properly covered. There are no lawsuits or uncertain tax treatments that are individually material.

(a) Reconciliation of accounting and taxable income

Details of the income tax expense and income tax related to profit for the year are as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Profit before income tax from continuing operations	817,103	725,842	695,722
Tax at 25%	204,276	181,461	173,931
Permanent differences	6,104	(2,000)	17,163
Effect of different tax rates	(22,564)	(29,543)	40,981
Tax credits (deductions)	(12,702)	(18,226)	(16,092)
Impact related to the US tax legistation modifications	--	--	(171,169)
Prior year income tax expense	(3,722)	381	(8,614)
Other income tax expenses/(income)	(2,933)	(637)	(1,792)
Total income tax expense	168,459	131,436	34,408
Deferred tax	58,275	(21,189)	(149,444)
Current tax	110,184	152,625	183,852
Total income tax expense	168,459	131,436	34,408

The effect of the different tax rates is basically due to a change of country mix in profits

On 22 December 2017, a tax reform was approved in the United States that took effect on 1 January 2018. The Group carried out an exercise to identify changes in the tax reform affecting its subsidiaries in the USA and an assessment of the impact that these changes had on the manner in which the deferred taxes will revert as of 31 December 2017. In the analysis performed, the main impact came from the change in tax rates to be applied to deferred taxes as of 31 December 2017, which fell from a rate of 35% to 21% for fiscal years beginning on or after 1 January 2018. The impact recorded in the "income tax expense" caption amounted to Euros 171 million in 2017.

(b) Deferred tax assets and liabilities

Details of deferred tax assets and liabilities are as follows:

	Thousands of Euros		
	Tax effect		
	31/12/2019	**31/12/2018**	**31/12/2017**
Assets			
Provisions	6,228	7,936	4,564
Inventories	51,838	41,029	35,619
Tax credits (deductions)	61,476	57,357	49,467
Tax loss carryforwards	36,066	32,769	6,179
Other	6,531	8,611	7,513
Subtotal, assets	162,139	147,702	103,342
Goodwill	(27,721)	(24,691)	(22,346)
Fixed assets, amortisation and depreciation	(2,821)	(3,922)	(7,780)
Intangible assets	(8,573)	(6,550)	(7,059)
Subtotal, net liabilities	(39,115)	(35,163)	(37,185)
Deferred assets, net	123,024	112,539	66,157
Liabilities			
Goodwill	(194,964)	(150,644)	(105,963)
Intangible assets	(214,993)	(220,752)	(201,921)
Fixed assets	(88,498)	(99,819)	(95,029)
Debt cancellation costs	(65,967)	(42,319)	(70,503)
Inventories		--	--
Subtotal, liabilities	(564,422)	(513,534)	(473,416)
Tax loss carryforwards	24,734	20,833	15,384
Inventories	2,408	5,644	5,063
Provisions	39,366	53,290	47,404
Other	34,087	29,369	16,653
Subtotal, net assets	100,595	109,135	84,504
Net deferred Liabilities	(463,827)	(404,398)	(388,912)

Movement in deferred tax assets and liabilities is as follows:

	Thousands of Euros		
Deferred tax assets and liabilities	**31/12/2019**	**31/12/2018**	**31/12/2017**
Balance at 1 January	(291,859)	(322,755)	(533,427)
Movements during the year	(58,275)	21,189	149,444
Movements in equity during the year	--	--	--
Business combination (note 3)	--	21,328	16,736
Translation differences	9,331	(11,621)	44,492
Balance at 31 December	(340,803)	(291,859)	(322,755)

The detail of deferred tax assets and liabilities by jurisdiction at 31 December 2019 is as follow:

	USA 31/12/2019	Spain 31/12/2019	Other 31/12/2019	Total 31/12/2019
Net deferred tax	(392,040)	(35,117)	(35,921)	(463,078)
Tax credit rigths	54,340	5,162	1,297	60,799
Tax loss carry forwards	--	61,476	--	61,476
	(337,700)	31,521	(34,624)	(340,803)

The detail of deferred tax assets and liabilities by jurisdiction at 31 December 2018 is as follow:

	USA 31/12/2018	Spain 31/12/2018	Other 31/12/2018	Total 31/12/2018
Net deferred tax	(353,116)	(34,441)	(15,260)	(402,817)
Tax credit rigths	46,722	5,669	1,210	53,601
Tax loss carry forwards	--	57,357	--	57,357
	(306,394)	28,585	(14,050)	(291,859)

The detail of deferred tax assets and liabilities by jurisdiction at 31 December 2017 is as follow:

	USA 31/12/2017	Spain 31/12/2017	Other 31/12/2017	Total 31/12/2017
Net deferred tax	(325,550)	(32,396)	(35,840)	(393,786)
Tax credit rigths	15,385	5,759	420	21,564
Tax loss carry forwards	--	49,467	--	49,467
	(310,165)	22,830	(35,420)	(322,755)

The Spanish companies have opted to apply accelerated depreciation to certain additions to property, plant and equipment, which has resulted in the corresponding deferred tax liability.

The remaining assets and liabilities recognized in 2019, 2018 and 2017 were recognized in the statement of profit and loss.

Estimated net deferred tax assets to be reversed in a period of less than 12 months amount to Euros 26,840 thousand at 31 December 2019 (Euros 27,097 thousand at 31 December 2018).

The majority of the tax deductions pending application from Spanish companies related mainly to research and development, mature in 18 years.

Tax credits derived from the US companies are available for 20 years from their date of origin whilst tax credits from Spanish companies registered in the Basque Country are available for 15 and other remaining Spanish companies have no maturity date.

The Group has not recognized as deferred tax assets the tax effect of the unused tax loss carryforwards of Group companies, which amount to Euros 66,364 thousand (Euros 55,282 thousand at 31 December 2018).

The commitments from Spanish companies from the reversal of deferred tax related to provisions of investments in subsidiaries are not significant.

(c) Years open to inspection

Under prevailing legislation, taxes cannot be considered to be definitively settled until the returns filed have been inspected by the taxation authorities, or the prescription period has elapsed.

The main tax audits currently open in the Group are as follows:

- Grifols Shared Services North America, Inc. and subsidiaries: notification of an inspection of State Income Tax in North Carolina and New York states (fiscal years 2012 to 2015). During 2017, this inspection was closed without any significant adjustment.

- Grifols Shared Services North America, Inc. and subsidiaries: In 2018 notification of an inspection was received relating to the State Income Tax for the fiscal year 2016.

- Grifols, S.A., Grifols Movaco, S.A., Diagnostic Grifols, S.A. and Instituto Grifols, S.A: In 2019 notification of an inspection has been received from 2014 to 2016 for corporate income tax and from 2015 to 2016 for VAT and withholding tax.

Group management does not expect any significant liability to derive from these inspections.

(29) Other Commitments with Third Parties and Other Contingent Liabilities

(a) Guarantees

The Group has no significant guarantees extended to third parties.

(b) Guarantees committed with third parties

The Group has no significant guarantees extended to third parties, except for those described in note 21.

(c) Obligations with personnel

The Group's annual contribution to defined contribution pension plans of Spanish Group companies for 2019 has amounted to Euros 833 thousand (Euros 777 thousand for 2018).

In successive years this contribution will be defined through labor negotiations.

In the event that control is taken of the Company, the Group has agreements with 63 employees/directors whereby they can unilaterally rescind their employment contracts with the Company and are entitled to termination benefits ranging from 2 to 5 years' salary.

The Group has contracts with five executives entitling them to termination benefits ranging from one to four years of their salary in different circumstances.

Restricted Share Unit Retention Plan

For the annual bonus, the Group established a Restricted Share Unit Retention Plan (RSU Plan), for eligible employees. Under this plan, employees can choose to receive up to 50% of their yearly bonus in non-voting Class B ordinary shares (Grifols Class B Shares) or Grifols American Depositary Shares (Grifols ADS), and the Group will match this with an additional 50% of the employee's choice of RSUs.

Grifols Class B Shares and Grifols ADS are valued at grant date.

These RSU's will have a vesting period of 2 years and 1 day and, subsequently, the RSU's will be exchanged for Grifols Class B Shares or Grifols ADS (American Depositary Share representing 1 Class B Share).

If an eligible employee leaves the Company or is terminated before the vesting period, he/she will not be entitled to the additional RSU's.

At 31 December 2019, the Group has settled the RSU plan of 2016 for an amount of Euros 8,546 thousand (Euros 7,914 thousand at 31 December 2018 corresponding to the RSU plan of 2015).

This commitment is treated as equity instrument and the amount totals Euros 12,498 thousand at 31 December 2019 (Euros 12,652 thousand at 31 December 2018).

Savings plan and profit-sharing plan

The Group has a defined contribution plan (savings plan), which qualifies as a deferred salary arrangement under Section 401 (k) of the Internal Revenue Code (IRC). Once eligible, employees may elect to contribute a portion of their salaries to the savings plan, subject to certain limitations. The Group matches 100% of the first 4% of employee contributions and 50% of the next 2%. Group and employee contributions are fully vested when contributed. The total cost of matching contributions to the savings plan was US Dollars 29.4 million in 2019 (US Dollars 20.7 million in 2018).

Other plans

The Group has a defined benefit pension plan for certain former Talecris Biotherapeutics, GmbH employees in Germany as required by statutory law. The pension cost relating to this plan is not material for the periods presented.

(d) Purchase commitments

Details of the Group's commitments of raw materials at 31 December 2019 are as follows:

	Thousands of Euros
2020	202,996
2021	107,249
2022	1,713
2023	1,312
2024	1,126
More than 5 years	1,783

(e) Judicial procedures and arbitration

Details of legal proceedings in which the Company or Group companies are involved are as follows:

- **ORTHO-CLINICAL DIAGNOSTICS, INC., GRIFOLS DIAGNOSTIC SOLUTIONS, INC. adv. SIEMENS HEALTHCARE DIAGNOSTICS, INC.**

  Served: 20 November 2018

  Contract Dispute

  Ortho-Clinical Diagnostics, Inc. ("Ortho") and Grifols Diagnostic Solutions, Inc. ("GDS") dispute with Siemens Healthcare Diagnostics, Inc. ("Siemens") regarding sales and commissions under the Supply and Agency Agreement.

  NEXT ACTION: Dispute Resolution initiated per the Supply and Agency Agreement. Common Interest and Joint Defense Agreement entered between Ortho and GDS. Several meeting with executives and counsel took

place in June, September and October 2019. Notice of arbitration filed on 4 December 2019. Siemens filed counterclaims on 10 December 2019. Parties identified prospective arbitrators for panel.

- **BIOMERIEUX, S.A., et al. v. HOLOGIC, INC., GRIFOLS, S.A., GRIFOLS DIAGNOSTIC SOLUTIONS INC.**

  Served: 9 February 2017

  US District Court for the Middle District of North Carolina
  Patent Infringement, Case No. 1:17-CV-102

  bioMérieux alleges infringement of U.S. Patent Nos. 8,697,352 and 9,074,262 by Hologic Inc. ("Hologic"), GDS and Grifols SA ("GSA") with respect to identified HIV Assays.

  NEXT ACTION: Markham (Claim Construction) hearing conducted on 29 January 2019. The Patent and Trademark Appeals Board ("PTAB") denied Hologic's requests for Institution of Inter Parties Review and denied subsequent requests for rehearing of the PTAB decisions.

  On 31 March 2019, the Court issued its order on plaintiffs to sever and stay their contractual defense under the Non-Assertion Agreement pending resolution of the liability issues. The Court severed but did not stay the defense and imposed a deadline on any motion to compel arbitration. The parties opted not to file an arbitration demand. Fact discovery has been completed. Daubert and Summary Judgement Motions ("SJM") filed and heard on 16 December 2019.

  The Court issued its ruling on the SJM, prompting bioMérieux to dismiss claims related to the 9,074,262 patent. Trial is still scheduled for end of February 2020, surrounding only claims related to the 8,697,352 patent.

- **NOVARTIS VACCINES AND DIAGNOSTICS, INC., NOVARTIS PHARMA AG, and GRIFOLS WORLDWIDE OPERATIONS LIMITED v. REGENERON PHARMACEUTICALS, INC.**

  Served: 24 May 2018 on Regeneron

  US District Court for the Southern District of New York White Plains Division
  Patent Infringement, Civil Action No. 7:18-cv-2434

  Novartis Vaccines and Diagnostics, Inc., Novartis Pharma AG, and Grifols Worldwide Operations Limited ("GWWO") allege patent infringement of U.S. Patent No. 5,688,688 ("the '688 patent").

  NEXT ACTION: Joint Defense Agreement with Novartis. Defendants filed a motion to dismiss willful infringement claims on 2 August 2018, which was denied on 24 October 2018. Deposition of Seamus McCooey as 30(b)(6) witness for GWWO taken on 21 March 2019. Court-ordered mediation was held 30 May 2019 with no resolution. Regeneron filed an IPR on 14 May 2019 with the PTAB with respect to the 688 patent. Following the Court's decision on the claim construction, the Court issued its Judgement of Noninfringement and Order of Dismissal on 5 September 2019, parties to bear their own fees and costs. The IPR was dismissed by the PTAB following the parties' Joint Motion to Dismiss of October 2019. The time to appeal has passed and these matters are now closed.

- **ABBOTT LABORATORIES v. GRIFOLS DIAGNOSTIC SOLUTIONS INC., GRIFOLS WORLDWIDE OPERATIONS LIMITED AND NOVARTIS VACCINES AND DIAGNOSTICS, INC.**

  Served: 8 October 2019

  US District Court, Northern District of Illinois
  Patent Infringement, Civil Action No. 1:19-cv-6587

  Abbott Laboratories ("Abbott"), GDS, GWWO and Novartis Vaccines and Diagnostics, Inc. are in dispute over unpaid royalties payable by Abbott to GDS and Ortho-Clinical Diagnostics ("Ortho") under an HIV License and

Option agreement dated 16 August 2019 (the "HIV License"). On 12 September 2019, GDS and Ortho filed Notice of Arbitration. On 3 October 2019, Abbott terminated the HIV License and filed for Declaratory Relief seeking to invalidate the licensed patent. GDS filed Motions to Dismiss and to Compel Arbitration, but the Court continued all pending Motions and referred the parties to a magistrate for a mandatory settlement conference. On the 5th February the parties attended a Mandatory Settlement Conference ordered by the District Judge, with the Magistrate Judge presiding. No satisfactory settlement was reached. Grifols and Ortho are now preparing to pursue arbitration for the pre-termination amount owed by Abbot and court litigation as counter-claim for the declaratory relief action filed by Abbot.

(30) Financial Instruments

Classification

Disclosure of financial instruments by nature, category and fair value is as follows:

Thousand of Euros

	31/12/2018									
	Carrying amount						Fair Value			
	Financial assets at amortised costs	Financial assets at FV to profit or loss	Financial assets at FV to OCI	Financial liabilities at amortised costs	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Non-current financial assets	--	7	--	--	--	7	7	--	--	7
Current Financial derivatives	--	19,934	--	--	--	19,934	--	--	19,934	19,934
Trade receivables	--	--	198,010	--	--	198,010	--	198,010	--	198,010
Financial assets measured at fair value	**--**	**19,941**	**198,010**	**--**	**--**	**217,951**				
Non-current financial assets	107,594	--	--	--	--	107,594				
Other current financial assets	34,031	--	--	--	--	34,031				
Trade and other receivables	163,575	--	--	--	--	163,575				
Cash and cash equivalents	1,033,792	--	--	--	--	1,033,792				
Financial assets not measured at fair value	**1,338,992**	**--**	**--**	**--**	**--**	**1,338,992**				
Senior Unsecured Notes	--	--	--	(1,005,333)	--	(1,005,333)	(985,480)	--	--	(985,480)
Promissory Notes	--	--	--	(97,645)	--	(97,645)				
Senior secured debt	--	--	--	(4,901,240)	--	(4,901,240)	--	(5,055,323)	--	(5,055,323)
Other bank loans	--	--	--	(264,525)	--	(264,525)				
Finance lease payables	--	--	--	(12,885)	--	(12,885)				
Other financial liabilities	--	--	--	(95,217)	--	(95,217)				
Debts with associates	--	--	--	(7,079)	--	(7,079)				
Other non-current debts	--	--	--	--	(1,301)	(1,301)				
Trade and other payables	--	--	--	(721,699)	--	(721,699)				
Other current liabilities	--	--	--	--	(169,189)	(169,189)				
Financial liabilities not measured at fair value	**--**	**--**	**--**	**(7,105,623)**	**(170,490)**	**(7,276,113)**				
	1,338,992	**19,941**	**198,010**	**(7,105,623)**	**(170,490)**	**(5,719,170)**				

The Group does not provide details of the fair value of certain financial instruments as their carrying amount is very similar to their fair value because of its short term.

Thousand of Euros

	31/12/2019									
	Carrying amount						Fair Value			
	Financial assets at amortised costs	Financial assets at FV to profit or loss	Financial assets at FV to OCI	Financial liabilities at amortised costs	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Non-current financial assets	--	7	--	--	--	7	7	--	--	7
Other current financial assets	--	1.716.738	--	--	--	1.716.738	--	--	1.716.738	1.716.738
Trade receivables	--	--	298.346	--	--	298.346	--	298.346	--	298.346
Financial assets measured at fair value	**--**	**1.716.745**	**298.346**	**--**	**--**	**2.015.091**				
Non-current financial assets	138.923	--	--	--	--	138.923				
Other current financial assets	12.188	--	--	--	--	12.188				
Trade and other receivables	153.960	--	--	--	--	153.960				
Cash and cash equivalents	741.982	--	--	--	--	741.982				
Financial assets not measured at fair value	**1.047.053**	**--**	**--**	**--**	**--**	**1.047.053**				
Senior Unsecured & Secured Notes	--	--	--	(2.576.935)	--	(2.576.935)	(2.749.557)	--	--	(2.749.557)
Promissory Notes	--	--	--	(100.267)	--	(100.267)				
Senior secured debt	--	--	--	(3.286.889)	--	(3.286.889)	--	(3.623.233)	--	(3.623.233)
Other bank loans	--	--	--	(400.850)	--	(400.850)				
Lease liabilities	--	--	--	(740.690)	--	(740.690)				
Other financial liabilities	--	--	--	(101.749)	--	(101.749)				
Debts with associates	--	--	--	(1.258)	--	(1.258)				
Other non-current debts	--	--	--	--	(983)	(983)				
Trade and other payables	--	--	--	(747.514)	--	(747.514)				
Other current liabilities	--	--	--	--	(197.399)	(197.399)				
Financial liabilities not measured at fair value	**--**	**--**	**--**	**(7.956.152)**	**(198.382)**	**(8.154.534)**				
	1.047.053	**1.716.745**	**298.346**	**(7.956.152)**	**(198.382)**	**(5.092.390)**				

The Group does not provide details of the fair value of certain financial instruments as their carrying amount is very similar to their fair value because of its short term.

Financial derivatives

At 31 December 2019 and 2018 the Group has recognized the following derivatives:

Financial derivatives	Currency	Notional amount at 31/12/2019	Notional amount at 31/12/2018	Thousands of Euros		Maturity
				Value at 31/12/19	**Value at 31/12/18**	
Call Option (Interstate Blood Bank, Inc., Bio-Blood Components, Inc and Plasma Biological Services, LLC)	US Dollar	N/A	N/A	--	8,733	30/04/2019
Call Option (ADMA Centers)	US Dollar	N/A	N/A	--	11,201	01/01/2019
Total Assets				--	19,934	

On 11 May 2016 the Group paid an aggregate amount equal to US Dollars 10,000 thousand (Euros 8,960 thousand at the exchange rate at the date of acquisition) in respect of the call option for the Interstate Blood Bank, Inc. shares, Bio-Blood Components, Inc. shares and Plasma Biological Services, LLC. shares that are not owned by the Group. The call option was exercised by the Group by delivering written notice of its intention on 30 April 2019 (see notes 2 and 3).

On 6 June 2017, Biotest Pharmaceuticals Corporation agreed to purchase from ADMA Biologics all of its rights, titles and interests in two donation centers located in Georgia, USA. On 1 August 2018, Grifols acquired Biotest and its net assets (including the purchase option). The execution of the purchase option was carried out on 1 January 2019 (see note 12).

Financial derivatives are valued based on generally accepted valuation techniques (level 3 in the fair value hierarchy), using to the greatest extent data from the market and to a lesser extent specific data of the Group.

Derivative financial instruments that do not meet the hedge accounting requirements are classified and measured as financial assets or financial liabilities at fair value through profit and loss.

Credit risk

(a) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk. At 31 December 2019 and 2018 the maximum level of exposure to credit risk is as follows:

Carrying amount	Note	Thousands of Euros	
		31/12/2019	**31/12/2018**
Non-current financial assets	12	138,930	107,601
Other current financial assets	12	1,728,926	53,965
Trade receivables	14	369,797	269,167
Other receivables	14	29,267	45,327
Cash and cash equivalents	15	741,982	1,033,792
		3,008,902	1,509,852

The maximum level of exposure to risk associated with receivables at 31 December 2019 and 2018, by geographical area, is as follows.

	Thousands of Euros	
Carrying amount	**31/12/2019**	**31/12/2018**
Spain	58,363	46,025
EU countries	44,887	48,354
United States of America	171,345	79,829
Other European countries	13,485	14,289
Other regions	110,984	125,997
	399,064	314,494

(b) Impairment losses

A breakdown of the trade and other receivables net of the bad debt provision by ageing as of 31 December 2018 is as follows:

	Thousands of Euros			
	ECL Rate	**Total gross carrying amount**	**Provision**	**Total net trade receivable third party**
Not matured	0.19%	180,448	(335)	180,113
Past due 0-30 days	0.19%	52,310	(92)	52,218
Past due 31-60 days	0.62%	11,125	(67)	11,058
Past due 61-90 days	2.03%	10,729	(208)	10,521
Past due 91-180 days	3.01%	12,158	(353)	11,805
Past due 181-365 days	8.52%	4,158	(1,222)	2,936
More than one year	100.00%	7,549	(7,033)	516
Customers with objective evidence of impairment		11,221	(11,221)	--
		289,698	(20,531)	269,167

A breakdown of the trade and other receivables net of the bad debt provision by seniority as of December 31, 2019 is as follows:

	Thousands of Euros			
	ECL Rate	**Total gross carrying amount**	**Provision**	**Total net trade receivable third party**
Not matured	0.19%	285,942	(585)	285,357
Past due 0-30 days	0.19%	48,212	(57)	48,155
Past due 31-60 days	0.62%	15,831	(101)	15,730
Past due 61-90 days	2.03%	10,364	(156)	10,208
Past due 91-180 days	3.01%	8,606	(243)	8,363
Past due 181-365 days	8.52%	2,216	(232)	1,984
More than one year	100.00%	3,056	(3,056)	--
Customers with objective evidence of impairment		17,861	(17,861)	--
		392,088	(22,291)	369,797

Unimpaired receivables that are past due mainly relate to public entities.

Movement in the bad debt provision was as follows:

	Thousands of Euros		
	31/12/2019	**31/12/2018**	**31/12/2017**
Opening balance	20,531	19,706	17,987
Net charges for the year	4,971	6,443	8,003
Net cancellations for the year	(3,142)	(5,650)	(4,732)
Transfers	(19)	--	--
Translation differences	(50)	32	(1,552)
Closing balance	22,291	20,531	19,706

An analysis of the concentration of credit risk is provided in note 5 (a).

Liquidity risk

The management of the liquidity risk is explained in note 5.

Details of the contractual maturity dates of financial liabilities including committed interest calculated using interest rate forward curves are as follows:

		Thousands of Euros						
Carrying amount	Note	**Carrying amount at 31/12/18**	**Contractual flows**	**6 months or less**	**6 - 12 months**	**1-2 years**	**2- 5 years**	**More than 5 years**
Financial liabilities								
Bank loans	21	5,165,765	6,522,083	195,568	202,437	522,040	3,086,734	2,515,304
Other financial liabilities	21	95,217	95,218	14,167	2,095	21,324	55,863	1,769
Bonds and other marketable securities	21	1,102,978	1,305,645	113,645	16,000	32,000	128,000	1,016,000
Finance lease payables	21	12,885	13,423	1,946	1,630	3,367	5,655	825
Debts with associates	31	7,079	7,079	--	7,079	--	--	--
Payable to suppliers	22	561,883	561,884	561,559	325	--	--	--
Other current liabilities	23	16,029	16,028	15,861	167	--	--	--
Total		6,961,836	8,521,360	902,746	229,733	578,731	3,276,252	3,533,898

		Thousands of Euros						
Carrying amount	Note	**Carrying amount at 31/12/19**	**Contractual flows**	**6 months or less**	**6 - 12 months**	**1-2 years**	**2- 5 years**	**More than 5 years**
Financial liabilities								
Bank loans	21	3,687,739	4,826,286	204,851	100,083	183,525	715,443	3,622,384
Other financial liabilities	21	101,749	101,749	21,000	20,708	50,646	7,416	1,979
Bonds and other marketable securities	21	2,677,202	3,167,075	128,606	32,016	64,031	2,137,772	804,650
Lease liabilities	21	740,690	740,690	22,335	22,131	41,444	155,300	499,480
Debts with associates	31	1,258	1,258	--	1,258	--	--	--
Payable to suppliers	22	581,882	581,882	581,867	15	--	--	--
Other current liabilities	23	22,320	22,320	21,612	708	--	--	--
Total		7,812,840	9,441,260	980,271	176,919	339,646	3,015,931	4,928,493

Currency risk

The Group's exposure to currency risk is as follows:

	Thousands of Euros	
	31/12/2018	
	Euros (*)	Dollars (**)
Trade receivables	2,691	45,801
Receivables from Group companies	54,903	6,291
Loans to Group companies	40,387	4,343
Cash and cash equivalents	120,281	1,296
Trade payables	(13,354)	(6,113)
Payables to Group companies	(60,363)	(63,932)
Loans from Group companies	(94,771)	(4,336)
Bank loans	(74,375)	--
Balance sheet exposure	(24,601)	(16,650)

(*) Balances in Euros in subsidiaries with US Dollars functional currency
(**) Balances in US Dollars in subsidiaries with Euros functional currency

	Thousands of Euros	
	31/12/2019	
	Euros (*)	Dollars (**)
Trade receivables	4,978	29,022
Receivables from Group companies	101,685	3,829
Loans to Group companies	16,053	595
Cash and cash equivalents	(8,603)	1,698
Trade payables	(18,908)	(13,826)
Payables to Group companies	(75,435)	(93,713)
Loans from Group companies	(42,388)	(4,151)
Bank loans	(63,750)	--
Balance sheet exposure	(86,368)	(76,546)

(*) Balances in Euros in subsidiaries with US Dollars functional currency
(**) Balances in US Dollars in subsidiaries with Euros functional currency

The most significant exchange rates applied at 2019 and 2018 year ends are as follows:

	Closing exchange rate	
Euros	**31/12/2019**	**31/12/2018**
US Dollars	1.1225	1.1450

A sensitivity analysis for foreign exchange fluctuations is as follows:

Had the US Dollar strengthened by 10% against the Euro at 31 December 2019, equity would have increased by Euros 799,565 thousand (Euros 506,131 thousand at 31 December 2018) and profit due to foreign exchange differences would have decreased by Euros 16,291 thousand (Euros 4,125 thousand at 31 December 2018). This analysis assumes that all other variables are held constant, especially that interest rates remain constant.

A 10% weakening of the US Dollar against the Euro at 31 December 2019 and 2018 would have had the opposite effect for the amounts shown above, all other variables being held constant.

Interest rate risk

(a) Interest-rate profile

To date, the profile of interest on interest-bearing financial instruments is as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Fixed-interest financial instruments		
Financial liabilities	(2,908,750)	(1,244,375)
	(2,908,750)	(1,244,375)
Variable-interest financial instruments		
Financial liabilities	(3,587,171)	(5,233,638)
	(3,587,171)	(5,233,638)
	(6,495,921)	(6,478,013)

(b) Sensitivity analysis

If the interest rate had been 100 basis points higher at 31 December 2019, the interest expense would have increased by Euros 51,412 thousand. As the Group does not have any hedging derivatives in place, the net effect on cash interest payments would have increased by the same amount.

If the interest rate had been 100 basis points higher at 31 December 2018, the interest expense would have increased by Euros 53,082 thousand. As the Group does not have any hedging derivatives in place, the net effect on cash interest payments would have increased by the same amount.

(31) Balances and Transactions with Related Parties

Details of balances with related parties are as follows:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Receivables from associates (note 14)	1,883	382
Trade payables associates	(114)	(15,796)
Loans to associates (note 12)	18,342	50,304
Loans to other related parties (note 12)	86,363	82,969
Other financial assets with other related parties	34,367	--
Debts with associates	(1,258)	(7,079)
Debts with key management personnel	(4,005)	(4,425)
Payables to members of the board of directors	--	--
Payables to other related parties	(4,878)	(7,706)
Other financial liabilities with other related parties	(13,000)	--
	117,700	98,649

Payables are included in trade and other payables (see note 22).

(a) Group transactions with related parties

Group transactions with related parties during 2017 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net sales	3,009	--	--	--
Purchases	(68,335)	--	--	--
Other service expenses	(11,798)	--	(7,100)	(939)
Operating lease expense	--	--	(5,426)	--
Remuneration	--	(13,672)	--	(5,755)
R&D agreements	(164)	--	--	--
Finance income	(440)	--	--	--
Finance cost	592	--	--	--
	(77,136)	(13,672)	(12,526)	(6,694)

Group transactions with related parties during 2018 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net sales	5,846	--	--	--
Purchases	(97,941)	--	--	--
Other service expenses	(21,065)	--	(4,282)	(844)
Operating lease expense	--	--	(5,469)	--
Remuneration	--	(16,070)	--	(5,848)
R&D agreements	(50)	--	--	--
Sale of investments (note 3)	--	--	469,881	--
Finance income	3,951	--	--	--
Finance cost	(579)	--	--	--
	(109,838)	(16,070)	460,130	(6,692)

Group transactions with related parties during 2019 are as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net sales	10,196	--	--	--
Purchases	(48,300)	--	--	--
Other service expenses	(25,638)	--	(5,586)	(220)
Operating lease expense	--	--	--	
Remuneration	--	(16,795)	--	(5,517)
Payments for rights of use	--	--	(7,104)	--
Finance income	2,265	--	--	--
Finance cost	(158)	--	--	--
	(61,635)	(16,795)	(12,690)	(5,737)

Every year the Group contributes 0.7% of its profits before tax to a non-profit organization.

"Other service expenses" include contributions to non-profit organizations totaling Euros 5,586 thousand in 2019 (Euros 4,282 thousand in 2018 and Euros 7,100 thousand in 2017).

During 2011 one of the Company's directors signed a three-year consulting services contract. The director received annual fees of US Dollars 1 million for these services and an additional bonus of US Dollars 2 million for complying with certain conditions. In the years 2014, 2015, 2017 and 2018 the contract was renewed and the amount of the fees corresponded to US Dollars 1 million per year. The contract has expired on 31 March 2019 and during 2019 the fees amounted to US Dollars 250 thousand.

On 28 December 2018, the Group sold Biotest and Haema to Scranton Enterprises B.V (shareholder of Grifols) for US Dollars 538,014 thousand (see note 3). For the payment of the mentioned amount of the sale, Scranton signed a loan contract dated 28 December 2018 for an amount of US Dollars 95,000 thousand (Euros 82,969 thousand) with Grifols Worldwide Operations Limited. The compensation is 2%+EURIBOR and due on 28 December 2025.

Directors representing shareholders´ interests have received remuneration of Euros 1,501 thousand in 2019 (Euros 1,610 thousand in 2018).

The Group has not extended any advances or loans to the members of the board of directors or key management personnel nor has it assumed any guarantee commitments on their behalf. It has also not assumed any pension or life insurance obligations on behalf of former or current members of the board of directors or key management personnel. In addition, certain Company directors and key management personnel have termination benefit commitments (see note 29 (c)).

(b) Conflicts of interest concerning the directors

The Company's directors and their related parties have not entered into any conflict of interest that should have been reported in accordance with article 229 of the revised Spanish Companies Act.

(32) Environmental Issues

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2018 were as follows:

	Thousands of Euros		
Project	Cost	Accumulated depreciation	Net value
Waste water treatment	13,467	(2,599)	10,868
Waste management	6,399	(1,920)	4,479
Reduction of electricity consumption	13,210	(4,002)	9,208
Reduction of water consumption	18,815	(3,404)	15,411
Energy	13,819	(564)	13,255
Other	2,320	(262)	2,058
	68,030	(12,751)	55,279

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2019 are as follows:

Project	Thousands of Euros		
	Cost	Accumulated depreciation	Net value
Waste water treatment	10,588	(3,038)	7,550
Waste management	4,189	(1,860)	2,329
Reduction of electricity consumption	14,172	(5,135)	9,037
Reduction of water consumption	13,887	(4,329)	9,558
Energy	300	(6)	294
Other	6,763	(1,155)	5,608
	49,899	(15,523)	34,376

Expenses incurred by the Group for protection and improvement of the environment during 2019 totaled approximately Euros 19,521 thousand (Euros 15,474 thousand during 2018 and Euros 13,554 thousand during 2017).

The Group considers that the environmental risks are adequately controlled by the procedures currently in place.

The Group has not received environmental grants during 2019, 2018 and 2017.

(33) Other Information

Audit fees:

KPMG Auditores, S.L. has invoiced the following fees for professional services during 2019 and 2018:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Audit services	1,615	1,534
Audit-related services	880	601
	2,495	2,135

Amounts included in table above, includes the total amount of fees related to services incurred during 2019 and 2018 without considering the invoice date.

Audit-related services in 2019 and 2018 include limited reviews of the interim financial statements, the audit of the consolidated financial statements under PCAOB, the audit of the consolidated financial statements of Grifols Diagnostics solutions and agreed-upon procedures.

Other entities affiliated to KPMG International have invoiced the Group for the following fees for professional services during 2019 and 2018:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Audit services	3,036	2,559
Audit-related	285	679
Tax advisory fees	55	232
Other services	--	228
	3,376	3,698

Other audit firms have invoiced the Group for the following fees for professional services during 2019 and 2018:

	Thousands of Euros	
	31/12/2019	**31/12/2018**
Audit services	62	83
	62	83

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Name	Registered Office	Acquisition / Incorporation date	Activity	Statutory Activity	31/12/2019 % shares		31/12/2018 % shares		31/12/2017 % shares	
					Direct	Indirect	Direct	Indirect	Direct	Indirect
Fully Consolidated Companies										
Diagnostic Grifols, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1987	Industrial	Development and manufacture of diagnostic equipment, instruments and reagents.	---	100.000%	---	100.000%	---	100.000%
Instituto Grifols, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1987	Industrial	Plasma fractioning and the manufacture of haemoderivative pharmaceutical products.	99.998%	0.002%	99.998%	0.002%	99.998%	0.002%
Grifols Worldwide Operations Spain, S.A (formerly Logister, S.A.) Merged with Grifols International in 2018	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1987	Services	Manufacture, sale and purchase, commercialisation and distribution of all types of computer products and materials.	---	---	---	---	---	100.000%
Laboratorios Grifols, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1989	Industrial	Production of glass- and plastic-packaged parenteral solutions, parenteral and enteral nutrition products and blood extraction equipment and bags.	98.600%	1.400%	98.600%	1.400%	98.600%	1.400%
Biomat, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1991	Industrial	Analysis and certification of the quality of plasma used by Instituto Grifols, S.A. It also provides transfusion centres with plasma virus inactivation services (I.P.T.H).	99.900%	0.100%	99.900%	0.100%	99.900%	0.100%
Grifols Engineering, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	2000	Industrial	Design and development of the Group's manufacturing installations and part of the equipment and machinery used at these premises. The company also renders engineering services to external companies.	99.950%	0.050%	99.950%	0.050%	99.950%	0.050%
Biomat USA, Inc.	2410 Lillyvale Avenue Los Angeles (California) United States	2002	Industrial	Procuring human plasma.	---	100.000%	---	100.000%	---	100.000%
Grifols Biologicals LLC.	5555 Valley Boulevard Los Angeles (California) United States	2003	Industrial	Plasma fractioning and the production of haemoderivatives.	---	100.000%	---	100.000%	---	100.000%
Grifols Australia Pty Ltd.	Unit 5/80 Fairbank Clayton South Victoria 3149 Australia	2009	Industrial	Distribution of pharmaceutical products and the development and manufacture of reagents for diagnostics.	100.000%	---	100.000%	---	100.000%	---
Medion Grifols Diagnostic AG	Bonnstrasse,9 3186 Düdingen Switzerland	2009	Industrial	Development and manufacturing activities in the area of biotechnology and diagnostics.	---	100.000%	---	100.000%	---	100.000%
Grifols Therapeutics LLC.	4101 Research Commons (Principal Address), 79 T.W. Alexander Drive, Research Triangle Park, North Carolina 277709, United States	2011	Industrial	Plasma fractioning and the production of haemoderivatives.	---	100.000%	---	100.000%	---	100.000%
Talecris Plasma Resources, Inc.	4101 Research Commons (Principal Address), 79 T.W. Alexander Drive, Research Triangle Park, North Carolina 277709, United States	2011	Industrial	Procurement of human plasma.	---	100.000%	---	100.000%	---	100.000%
Grifols Worldwide Operations Limited	Grange Castle Business Park, Grange Castle , Clondalkin, Dublin 22, Ireland	2012	Industrial	Packaging, labelling, storage, distribution, manufacture and development of pharmaceutical products and rendering of financial services to Group companies.	100.000%	---	100.000%	---	100.000%	---
Progenika Biopharma, S.A.	Parque Tecnológico de Vizcaya, Edificio 504 48160 Derio (Vizcaya) Spain	2013	Industrial	Development, production and commercialisation of biotechnological solutions.	91.880%	8.120%	99.998%	---	---	90.230%
Asociación I+D Progenika	Parque Tecnológico de Vizcaya, Edificio 504 48160 Derio (Vizcaya) Spain	2013	Industrial	Coordination, representation, management and promotion of the common interests of associated companies, in addition to contributing to the development, growth and internationalisation of its associates and of the biosciences sector in the Basque Country.	---	---	---	99.998%	---	90.230%

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Name	Registered Office	Acquisition / Incorporation date	Activity	Statutory Activity	31/12/2019 % shares		31/12/2018 % shares		31/12/2017 % shares	
					Direct	Indirect	Direct	Indirect	Direct	Indirect
Fully Consolidated Companies										
Grifols Diagnostics Solutions Inc (formerly G-C Diagnostics Corp.)	4560 Horton Street 94608 Emeryville, California United States	2013	Industrial	Manufacture and sale of blood testing products	100.000%	---	100.000%	---	100.000%	---
Grifols Worldwide Operations USA Inc.	13111 Temple Avenue, City of Industry, California 91746-1510 Estados Unidos	2014	Industrial	The manufacture, warehousing, and logistical support for biological products.	---	100.000%	---	100.000%	---	100.000%
Grifols Asia Pacific Pte, Ltd	501 Orchard Road nº20-01 238880 Wheelock Place, Singapore	2003	Commercial	Distribution and sale of medical and pharmaceutical products.	100.000%	---	100.000%	---	100.000%	---
Grifols Movaco, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1987	Commercial	Distribution and sale of reagents, chemical products and other pharmaceutical specialities, and of medical and surgical materials, equipment and instruments for use by laboratories and health centres.	99.999%	0.001%	99.999%	0.001%	99.999%	0.001%
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	Rua de Sao Sebastiao,2 Zona Industrial Cabra Figa 2635-448 Rio de Mouro Portugal	1988	Commercial	Import, export and commercialisation of pharmaceutical and hospital equipment and products, particularly Grifols products.	0.010%	99.990%	0.010%	99.990%	0.010%	99.990%
Grifols Chile, S.A.	Avda. Americo Vespucio, 2242 Comuna de Conchali Santiago de Chile Chile	1990	Commercial	Development of pharmaceutical businesses, which can involve the import, production, commercialisation and export of related products.	99.000%	---	99.000%	---	99.000%	---
Grifols USA, LLC.	2410 Lillyvale Avenue Los Angeles (California) United States	1990	Commercial	Distribution and marketing of company products.	---	100.000%	---	100.000%	---	100.000%
Grifols Argentina, S.A.	Bartolomé Mitre 3690/3790, CPB1605BUT Munro Partido de Vicente Lopez Argentina	1991	Commercial	Clinical and biological research. Preparation of reagents and therapeutic and diet products. Manufacture and commercialisation of other pharmaceutical specialities.	95.010%	4.990%	95.010%	4.990%	95.010%	4.990%
Grifols s.r.o.	Calle Zitna,2 Prague Czech Republic	1992	Commercial	Purchase, sale and distribution of chemical-pharmaceutical products, including human plasma.	100.000%	---	100.000%	---	100.000%	---
Grifols (Thailand) Ltd	191 Silom Complex Building, 21st Follor, Silom Road, Silom, Bangrak 10500 Bangkok Thailand	2003	Commercial	Import, export and distribution of pharmaceutical products.	---	48.000%	---	48.000%	---	48.000%
Grifols Malaysia Sdn Bhd	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Malaysia	2003	Commercial	Distribution and sale of pharmaceutical products.	---	30.000%	---	30.000%	---	30.000%
Grifols International, S.A.	Polígono Levante Calle Can Guasch, s/n 08150 Parets del Vallès (Barcelona) Spain	1997	Commercial	Coordination of the marketing, sales and logistics for all the Group's subsidiaries operating in other countries.	99.998%	0.002%	99.998%	0.002%	99.998%	0.002%
Grifols Italia S.p.A	Via Carducci, 62d 56010 Ghezzano Pisa, Italy	1997	Commercial	Purchase, sale and distribution of chemical-pharmaceutical products.	100.000%	---	100.000%	---	100.000%	---
Grifols UK Ltd.	Gregory Rowcliffe & Milners, 1 Bedford Row, London WC1R 4BZ United Kingdom	1997	Commercial	Distribution and sale of therapeutic and other pharmaceutical products, especially haemoderivatives.	100.000%	---	100.000%	---	100.000%	---
Grifols Brasil, Lda.	Rua Umuarama, 263 Condominio Portal da Serra Vila Perneta CEP 83.325-000 Pinhais Paraná, Brazil	1998	Commercial	Import and export, preparation, distribution and sale of pharmaceutical and chemical products for laboratory and hospital use, and medical-surgical equipment and instruments.	100.000%	0.000%	100.000%	---	100.000%	---
Grifols France, S.A.R.L.	Artepare, Rue de la Belle du Canet, Bât. D, Route de la Côte d'Azur, 13590 Meyreuil France	1999	Commercial	Commercialisation of chemical and healthcare products.	99.990%	0.010%	99.990%	0.010%	99.990%	0.010%
Grifols Polska Sp.z.o.o.	Grzybowska 87 street00-844 Warsaw, Poland	2003	Commercial	Distribution and sale of pharmaceutical, cosmetic and other products.	100.000%	---	100.000%	---	100.000%	---

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					Direct	Indirect	Direct	Indirect	Direct	Indirect
Fully Consolidated Companies										
Logística Grifols, S.A. de C.V.	Calle Eugenio Cuzin, nº 909-913 Parque Industrial Belenes Norte 45150 Zapopán Jalisco, Mexico	2008	Commercial	Manufacture and commercialisation of pharmaceutical products for human and veterinary use.	99.990%	0.010%	99.990%	0.010%	99.990%	0.010%
Grifols México, S.A. de C.V.	Calle Eugenio Cuzin, nº 909-913 Parque Industrial Belenes Norte 45150 Zapopán Jalisco, Mexico	1993	Commercial	Production, manufacture, adaptation, conditioning, sale and purchase, commissioning, representation and consignment of all kinds of pharmaceutical products and the acquisition of machinery, equipment, raw materials, tools, movable goods and property for the aforementioned purposes.	99.980%	0.020%	99.980%	0.020%	99.980%	0.020%
Medion Diagnostics GmbH	Lochamer Schlag, 12D 82166 Gräfelfing Germany	2009	Commercial	Distribution and sale of biotechnological and diagnostic products.	---	---	---	100.000%	---	100.000%
Grifols Nordic, AB	Sveavägen 166 11346 Stockholm Sweden	2010	Commercial	Research and development, production and marketing of pharmaceutical products, medical devices and any other asset deriving from the aforementioned activities.	100.000%	---	100.000%	---	100.000%	---
Grifols Colombia, Ltda	Carrera 7 No. 71 52 Torre B piso 9 Bogotá. D.C. Colombia	2010	Commercial	Sale, commercialisation and distribution of medicines, pharmaceutical (including but not limited to haemoderivatives) and hospital products, medical devices, biomedical equipment, laboratory instruments and reagents for diagnosis and/or healthcare software.	99.990%	0.010%	99.990%	0.010%	99.990%	0.010%
Grifols Deutschland GmbH	Lyoner Strasse 15, D-60528 Frankfurt am Main Germany	2011	Commercial	Procurement of the official permits and necessary approval for the production, commercialisation and distribution of products deriving from blood plasma, as well as the import, export, distribution and sale of reagents and chemical and pharmaceutical products, especially for laboratories and health centres and surgical and medical equipment and instruments.	100.000%	---	100.000%	---	100.000%	---
Grifols Canada, Ltd.	5060 Spectrum Way, Suite 405 (Principal Address) Mississauga, Ontario L4W 5N5 Canada	2011	Commercial	Distribution and sale of biotechnological products.	---	100.000%	---	100.000%	---	100.000%
Grifols Pharmaceutical Technology (Shanghai) Co., Ltd. (formerly Grifols Pharmaceutical Consulting (Shanghai) Co., Ltd.)	Unit 901-902, Tower 2, No. 1539, West Nanjing Rd., Jing'an District, Shanghai 200040 China	2013	Commercial	Pharmaceutical consultancy services (except for diagnosis), technical and logistical consultancy services, business management and marketing consultancy services.	100.000%	---	100.000%	---	100.000%	---
Grifols Switzerland AG	Steinengraben, 5 40003 Basel Switzerland	2013	Commercial	Research, development, import and export and commercialisation of pharmaceutical products, devices and diagnostic instruments.	100.000%	---	100.000%	---	100.000%	---
Grifols (H.K.), Limited	Units 1505-7 BerKshire House, 25 Westlands Road Hong Kong	2014	Commercial	Distribution and sale of diagnostic products.	---	100.000%	---	100.000%	---	100.000%
Grifols Japan K.K.	Hilton Plaza West Office Tower, 19th floor. 2-2, Umeda 2-chome, Kita-ku Osaka-shi Japan	2014	Commercial	Research, development, import and export and commercialisation of pharmaceutical products, devices and diagnostic instruments.	100.000%	---	100.000%	---	100.000%	---
Grifols India Healthcare Private Ltd	Regus Business Centre Pvt.Ltd.,Level15,Dev Corpora, Plot No.463,Nr. Khajana East.Exp.Highway,Thane (W), Mumbai - 400604, Maharashtra India	2014	Commercial	Distribution and sale of pharmaceutical products.	99.984%	0.016%	99.984%	0.016%	99.984%	0.016%
Grifols Diagnostics Equipment Taiwan Limited	8F., No.367, Fuxing N. RD., Songshang Dist., Taipei City 10543, Taiwan	2016	Commercial	Distribution and sale of diagnostic products.	100.000%	---	100.000%	---	100.000%	---
Grifols Viajes, S.A.	Can Guasch, 2 08150 Parets del Vallès Barcelona, Spain	1995	Services	Travel agency exclusively serving Group companies.	99.900%	0.100%	99.900%	0.100%	99.900%	0.100%
Squadron Reinsurance Designated Activity Company (formerly Squadron Reinsurance Ltd.)	The Metropolitan Building, 3rd Fl. James Joyce Street, Dublin Ireland	2003	Services	Reinsurance of Group companies' insurance policies.	---	100.000%	---	100.000%	---	100.000%

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					Direct	Indirect	Direct	Indirect	Direct	Indirect
Fully Consolidated Companies										
Grifols Shared Services North America, Inc. (formerly Grifols Inc.)	2410 Lillivale Avenue 90032 Los Angeles, California United States	2011	Services	Support services for the collection, manufacture, sale and distribution of plasma derivatives and related products.	100.000%	---	100.000%	---	100.000%	---
Gripdan Invest, S.L	Avenida Diagonal 477 Barcelona, Spain	2015	Services	Rental of industrial buildings	100.000%	---	100.000%	---	100.000%	---
Gri-Cel, S.A. (merged with Instituto Grifols, S.A. in 2019)	Avenida de la Generalitat 152 Sant Cugat del Valles (Barcelona) Spain	2009	Research	Research and development in the field of regenerative medicine, awarding of research grants, subscription to collaboration agreements with entities and participation in projects in the area of regenerative medicine.	---	---	0.001%	99.999%	0.001%	99.999%
Araclon Biotech, S.L.	Paseo de Sagasta, 17 2º izqda. Zaragoza, Spain	2012	Research	Creation and commercialisation of a blood diagnosis kit for the detection of Alzheimer's and development of effective immunotherapy (vaccine) against this disease.	---	75.100%	---	73.220%	---	73.220%
VCN Bioscience, S.L.	Avenida de la Generalitat 152 Sant Cugat del Valles (Barcelona) Spain	2012	Research	Research and development of therapeutic approaches for tumours for which there is currently no effective treatment.	---	81.340%	---	81.340%	---	81.340%
Grifols Innovation and New Technologies Limited	Grange Castle Business Park, Grange Castle , Clondalkin, Dublin 22, Ireland	2016	Research	Biotechnology research and development	---	100.000%	---	100.000%	---	100.000%
PBS Acquisition Corp. (merged with IBBI in 2019)	2711 Centerville Road Suite 400, Wilmington, Delaware, New Castle County United States	2016	Services	Engage in any lawful act or activity for which corporations may be organized under the DGCL (Delaware Code)	---	---	---	100.000%	---	100.000%
Kiro Grifols S.L (formerly Kiro Robotics S.L)	Polígono Bainuetxe, 5, 2º planta, Aretxabaleta, Guipúzcoa Spain	2014	Research	Development of machines and equipment to automate and control key points of hospital processes, and hospital pharmacy processes.	90.000%	---	90.000%	---	90.000%	---
Chiquito Acquisition Corp.	2711 Centerville Road Suite 400, Wilmington, Delaware, New Castle County, United States	2017	Corporate	Engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware, as amended from time to time (the "DGCL").	---	100.000%	---	100.000%	---	100.000%
Aigües Minerals de Vilajuiga, S.A.	Carrer Sant Sebastià, 2, 17493 Vilajuïga, Girona	2017	Industrial	Collection and use of mineral-medicinal waters and obtainment of all necessary administrative concessions for the optimum and widest use of these.	99.990%	0.010%	100.000%	---	---	---
Goetech LLC (D/B/A Medkeeper)	7600 Grandview Avenue, Suite 2 10, Arvada, CO 80002, United States	2018	Industrial	Development and distribution of web and mobile-based platforms for hospital pharmacies	---	54.760%	---	54.760%	---	---
Interstate Blood Bank, Inc.	5700 Pleasantville Road Memphis, Tennessee United States	2016	Industrial	Procuring human plasma.	---	100.000%	---	---	---	---
Haema, AG	LandsteinerstraBe 1, 04103 Leipzig - Germany	2018	Industrial	Procurement of human plasma.	---	---	---	---	---	---
Biotest Pharmaceutical Corporation	901 Yamato Rd., Suite 101, Boca Raton FL 33431 - USA	2018	Industrial	Procurement of human plasma.	---	---	---	---	---	---
Biotest US Corporation	901 Yamato Rd., Suite 101, Boca Raton FL 33431 - USA	2018	Corporate servic	Corporate services for Biotest Pharmaceutical Corporation	---	---	---	---	---	---

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					31/12/2019		31/12/2018		31/12/2017	
					% shares		% shares		% shares	
Name	**Registered Office**	**Acquisition / Incorporation date**	**Activity**	**Statutory Activity**	**Direct**	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**
Equity-accounted investees and others										
Aradigm Corporation	3929 Point Eden Way Hayward, California United States	2013	Research	Development and commercialisation of drugs delivered by inhalation for the prevention and treatment of severe respiratory diseases.	---	35.130%	---	35.130%	---	35.130%
TiGenix N.V.	Romeinse straat 12 bus 2, 3001 Leuven, Belgium	2013	Research	Research and development of therapies based on stem cells taken from adipose tissue.	---	---	---	---	---	14.180%
Mecwins, S.L.	Avenida Fernandos Casas Novoa, 37 Santiago de Compostela Spain	2013	Research	Research and production of nanotechnological, biotechnological and chemical solutions.	---	24.990%	---	24.990%	---	8.420%
Alkahest, Inc.	3500 South DuPont Hwy, Dover, County of Kent United States	2015	Research	Development novel plasma-based products for the treatment of cognitive decline in aging and disorders of the central nervous system (CNS).	---	47.580%	---	47.580%	---	47.580%
Albajuna Therapeutics, S.L	Hospital Germans Trias i Pujol, carretera de Canyet, s/n, Badalona Spain	2016	Research	Development and manufacture of therapeutic antibodies against HIV.	---	49.000%	---	30.000%	---	30.000%
Interstate Blood Bank, Inc.	5700 Pleasantville Road Memphis, Tennessee United States	2016	Industrial	Procurement of human plasma.	---	---	---	49.190%	---	49.190%
Bio Blood Components Inc.	5700 Pleasantville Road Memphis, Tennessee United States	2016	Industrial	Procurement of human plasma.	---	---	---	48.972%	---	48.972%
Plasma Biological Services, LLC	5700 Pleasantville Road Memphis, Tennessee United States	2016	Industrial	Procurement of human plasma.	---	---	---	48.900%	---	48.900%
Singulex, Inc.	4041 Forest Park Avenue St. Louis, Missouri United States	2016	Research	Development of the Single Molecule Counting (SMC™) technology for clinical diagnostic and scientific discovery.	---	19.330%	---	19.330%	---	19.330%

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					31/12/2019		31/12/2018		31/12/2017	
					% shares		% shares		% shares	
Name	**Registered Office**	**Acquisition / Incorporation date**	**Activity**	**Statutory Activity**	**Direct**	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**
Equity-accounted investees and others										
Aigües Minerals de Vilajuiga, S.A.	Carrer Sant Sebastià, 2, 17493 Vilajuïga, Girona, Spain	2017	Industrial	Collection and use of mineral-medicinal waters and obtainment of all necessary administrative concessions for the optimum and widest use of these.	---	---	---	---	50.000%	---
Access Biologicals, LLC.	995 Park Center Dr, Vista, CA 92081, USA	2017	Industrial	Manufacture of biological products, including specific sera and plasma-derived reagents, which are used by biotechnology and biopharmaceutical companies for in-vitro diagnostics, cell culture, and research and development in the diagnostic field.	---	49.000%	---	49.000%	---	49.000%
Access Biologicals IC-DISC, Inc.	995 Park Center Dr, Vista, CA 92081, USA	2017	Industrial	Manufacture of biological products, including specific sera and plasma-derived reagents, which are used by biotechnology and biopharmaceutical companies for in-vitro diagnostics, cell culture, and research and development in the diagnostic field.	---	49.000%	---	49.000%	---	49.000%
Access Cell Culture, LLC.	995 Park Center Dr, Vista, CA 92081, USA	2017	Industrial	Manufacture of biological products, including specific sera and plasma-derived reagents, which are used by biotechnology and biopharmaceutical companies for in-vitro diagnostics, cell culture, and research and development in the diagnostic field.	---	49.000%	---	49.000%	---	49.000%
Access Manufacturing, LLC.	995 Park Center Dr, Vista, CA 92081, USA	2017	Industrial	Manufacture of biological products, including specific sera and plasma-derived reagents, which are used by biotechnology and biopharmaceutical companies for in-vitro diagnostics, cell culture, and research and development in the diagnostic field.	---	---	---	49.000%	---	49.000%
Access Plasma, LLC.	995 Park Center Dr, Vista, CA 92081, USA	2017	Industrial	Manufacture of biological products, including specific sera and plasma-derived reagents, which are used by biotechnology and biopharmaceutical companies for in-vitro diagnostics, cell culture, and research and development in the diagnostic field.	---	49.000%	---	49.000%	---	49.000%
GigaGen Inc.	407 Cabot Road South San Francisco, CA 94080, USA	2017	Industrial	Engage in any lawful act or activity for which corporations may be organized under General Corporation Law.	---	43.960%	---	43.960%	---	43.960%
Plasmavita Healthcare GmbH	Colmarer Strasse 22, 60528 Frankfurt am Main - Germany	2018	Industrial	Procurement of human plasma.	---	50.000%	---	50.000%	---	---

This appendix forms an integral part of note 2 to the consolidated annual accounts.

APPENDIX II
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Operating Segments for the years ended 31 December 2019, 2018 and 2017

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Bioscience			Hospital			Diagnostic			Bio Supplies			Others			Intersegments			Consolidated		
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
Revenues from external customers	3,993,462	3,516,704	3,429,785	134,441	119,454	105,649	733,604	702,265	732,369	266,540	167,004	66,791	22,820	22,451	18,263	(52,176)	(41,154)	(34,784)	5,098,691	4,486,724	4,318,073
Total operating income	**3,993,462**	**3,516,704**	**3,429,785**	**134,441**	**119,454**	**105,649**	**733,604**	**702,265**	**732,369**	**266,540**	**167,004**	**66,791**	**22,820**	**22,451**	**18,263**	**(52,176)**	**(41,154)**	**(34,784)**	**5,098,691**	**4,486,724**	**4,318,073**
Profit/(Loss) for the segment	**1,079,216**	**902,402**	**985,495**	**(8,674)**	**(12,587)**	**(9,766)**	**215,828**	**215,990**	**248,080**	**16,246**	**36,824**	**35,598**	**1,279**	**19,788**	**(9,632)**	**(3,094)**	**(5,764)**	**(12,305)**	**1,300,801**	**1,156,653**	**1,237,470**
Unallocated expenses																			(169,436)	(162,529)	(234,127)
Operating profit/(loss)																			**1,131,365**	**994,124**	**1,003,343**
Finance result																			**(276,050)**	**(257,244)**	**(287,734)**
Share of profit/(loss) of equity-accounted investee	--	2,839	(10,434)	--	--	2,112	(19,794)	(10,975)	(9,335)	--	3,039	1,830	(19,744)	(5,941)	(4,060)	--	--	--	**(39,538)**	**(11,038)**	**(19,887)**
Income tax expense																			(167,133)	(131,436)	(34,408)
Profit for the year after tax																			**648,644**	**594,406**	**661,314**
Segment assets	**8,416,922**	**6,928,220**	**6,007,153**	**274,250**	**250,543**	**145,477**	**3,676,011**	**3,526,136**	**3,356,185**	**226,814**	**117,673**	**7,409**	**77,501**	**54,363**	**60,449**	**(32,892)**	**(29,281)**	**(22,196)**	**12,638,606**	**10,847,654**	**9,554,477**
Equity-accounted investments	10,368	99,547	83,905	--	--	--	--	19,256	29,322	49,922	47,742	44,220	54,183	60,360	61,562	--	--	--	114,473	226,905	219,009
Unallocated assets	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1,072,794	1,402,487	1,146,778
Total assets																			**13,825,873**	**12,477,046**	**10,920,264**
Segment liabilities	**1,371,352**	**764,377**	**423,415**	**53,441**	**32,767**	**13,560**	**351,799**	**230,517**	**192,720**	**126,289**	**6,427**	**--**	**35,581**	**34,698**	**26,903**	--	--	--	**1,938,462**	**1,068,786**	**656,598**
Unallocated liabilities	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	6,757,055	6,711,656	6,629,701
Total liabilities																			**8,695,517**	**7,780,442**	**7,286,299**
Other information:																					
Allocated amortisation and depreciation	196,335	156,893	157,478	11,686	10,819	6,436	52,224	44,030	40,815	20,415	5,656	--	2,147	1,941	2,237	--	--	--	**282,807**	**219,339**	**206,966**
Unallocated amortisation and depreciation	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	**19,648**	**9,270**	**8,524**
Allocated expenses that do not require cash payments	43,524	172,648	7,049	(289)	297	(514)	(22,873)	(27,651)	(4,423)	393	28	--	--	--	--		--	--	**20,755**	**145,322**	**2,112**
Unallocated expenses that do not require cash payments	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	**2,416**	**1,339**	**(58,752)**
Allocated additions for the year of property, plant & equipment, intangible assets and rights of use	868,103	220,531	227,635	62,298	15,354	10,429	103,911	58,064	70,032	65,448	2,050	198	1,768	883	20,911	--	--	--	**1,101,528**	**296,882**	**329,205**
Unallocated additions for the year of property, plant & equipment, intangible assets and rights of use	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	**73,544**	**19,795**	**11,268**

This appendix forms an integral part of note 6 to the consolidated annual accounts.

APPENDIX II
GRIFOLS, S.A. AND SUBSIDIARIES

Reporting by geographical area
for the years ended 31 December 2019, 2018 and 2017

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Spain			Rest of European Union			USA + Canada			Rest of World			Consolidated		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Net Revenue	**268,287**	**264,913**	**242,894**	**588,375**	**535,361**	**444,089**	**3,390,811**	**2,974,429**	**2,896,505**	**851,218**	**712,021**	**734,585**	**5,098,691**	**4,486,724**	**4,318,073**
Assets by geographical area	**1,047,316**	**898,599**	**899,223**	**3,425,874**	**3,177,781**	**2,397,200**	**9,059,674**	**8,133,108**	**7,341,174**	**293,009**	**267,558**	**282,667**	**13,825,873**	**12,477,046**	**10,920,264**
Other information:															
Additions for the year of property, plant & equipment, intangible assets and rights of use	183,891	70,639	62,271	181,736	69,534	80,910	787,586	166,353	188,557	21,859	10,151	8,735	**1,175,072**	**316,677**	**340,473**

This appendix forms an integral part of note 6 to the consolidated annual accounts.

APPENDIX III
GRIFOLS, S.A. AND SUBSIDIARIES

Changes in Other Intangible Assets
for the year ended
31 December 2019
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Balance at 31/12/2018	Additions	Business combinations	Transfers	Disposals	Translation differences	**Balance at 31/12/2019**
Development costs	377,312	53,847	--	--	(591)	4,771	435,339
Concessions, patents, licenses brands & similar	196,410	26,222	2,587	293	--	4,485	229,997
Computer software	234,423	21,846	17	(518)	(105)	2,934	258,597
Currently marketed products	1,071,827	--	--	--	--	21,007	1,092,834
Other intangible assets	174,768	8	(365)	516	(5)	3,437	178,359
Total cost of intangible assets	2,054,740	101,923	2,239	291	(701)	36,634	2,195,126
Accum. amort. of development costs	(90,107)	(13,357)	--	--	--	(67)	(103,531)
Accum. amort of concessions, patents, licenses, brands & similar	(36,760)	(6,386)	--	--	--	(510)	(43,656)
Accum. amort. of computer software	(126,653)	(15,963)	--	(278)	60	(972)	(143,806)
Accum. amort. of currently marketed products	(278,795)	(38,040)	--	--	--	(5,284)	(322,119)
Accum. amort. of other intangible assets	(70,553)	(8,144)	--	(763)	--	(1,376)	(80,836)
Total accum. amort intangible assets	(602,868)	(81,890)	--	(1,041)	60	(8,209)	(693,948)
Impairment of other intangible assets	(66,335)	--	--	--	--	(1,309)	(67,644)
Carrying amount of intangible assets	**1,385,537**	**20,033**	**2,239**	**(750)**	**(641)**	**27,116**	**1,433,534**

(See note 3)

This appendix forms an integral part of note 8 to the consolidated annual accounts.

APPENDIX III
GRIFOLS, S.A. AND SUBSIDIARIES

Changes in Other Intangible Assets
for the year ended
31 December 2018
(Expressed in thousands of Euros)

'(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Balance at 31/12/2017	Additions	Business combinations	Transfers	Disposals	Translation differences	**Balance at 31/12/2018**
Development costs	311,694	55,439	--	--	(36)	10,215	377,312
Concessions, patents, licenses brands & similar	182,885	--	6,225	--	(757)	8,057	196,410
Computer software	174,945	20,252	34,319	(762)	(1,116)	6,785	234,423
Currently marketed products	1,024,376	--	--	--	--	47,451	1,071,827
Other intangible assets	147,307	48	19,749	--	--	7,664	174,768
Total cost of intangible assets	1,841,207	75,739	60,293	(762)	(1,909)	80,172	2,054,740
Accum. amort. of development costs	(79,349)	(10,660)	--	--	--	(98)	(90,107)
Accum. amort of concessions, patents, licenses, brands & similar	(29,783)	(6,132)	--	--	--	(845)	(36,760)
Accum. amort. of computer software	(106,319)	(12,918)	(5,872)	--	1,116	(2,660)	(126,653)
Accum. amort. of currently marketed products	(231,068)	(36,154)	--	--	--	(11,573)	(278,795)
Accum. amort. of other intangible assets	(61,966)	(5,536)	--	246	--	(3,297)	(70,553)
Total accum. amort intangible assets	(508,485)	(71,400)	(5,872)	246	1,116	(18,473)	(602,868)
Impairment of other intangible assets	(63,380)	--	--	--	--	(2,955)	(66,335)
Carrying amount of intangible assets	**1,269,342**	**4,339**	**54,421**	**(516)**	**(793)**	**58,744**	**1,385,537**

(See note 3)

This appendix forms an integral part of note 8 to the consolidated annual accounts.

APPENDIX IV
GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Rights of Use
for the year ended
31 December 2019
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version prevails)

	Balance at 31/12/2018	Additions	Business combinations	Transfers	Disposals	Translation differences	**Balance at 31/12/2019**
Land and buildings	--	728,246	--	381	(531)	6,750	734,846
Machinery	--	1,957	--	4,209	--	1	6,167
Computer equipment	--	3,324	--	3,156	(4)	28	6,504
Vehicles	--	14,346	--	20	(371)	35	14,030
Total cost of rights of use	--	747,873	--	7,766	(906)	6,814	761,547
Accum. amort. of land and buildings	--	(49,786)	--	--	287	58	(49,441)
Accum. amort of machinery	--	(1,768)	--	69	--	1	(1,698)
Accum. amort. of computer equipment	--	(2,204)	--	21	3	--	(2,180)
Accum. amort. of vehicles	--	(4,613)	--	--	231	12	(4,370)
Total accum. amort of rights of use	--	(58,371)	--	90	521	71	(57,689)
Carrying amount of rights of use	**--**	**689,502**	**--**	**7,856**	**(385)**	**6,885**	**703,858**

This appendix forms an integral part of note 9 to the consolidated annual accounts.

APPENDIX V

GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Property, Plant and Equipment
for the year ended
31 December 2019
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version prevails)

	Balance at 31/12/2018	Additions	Business combination	Transfers	Disposals	Translation differences	**Balance at 31/12/2019**
Cost:							
Land and buildings	726,412	30,209	30,346	10,866	(2,078)	11,440	807,195
Plant and machinery	1,984,853	55,957	19,079	68,107	(13,892)	27,507	2,141,611
Fixed assets under construction	345,391	239,111	926	(91,788)	(55)	3,579	497,164
	3,056,656	325,277	50,351	(12,815)	(16,025)	42,526	3,445,970
Accumulated depreciation:							
Buildings	(89,378)	(18,108)	(23,288)	23,111	657	(1,632)	(108,638)
Plant and machinery	(1,012,735)	(144,086)	--	(17,402)	11,901	(12,753)	(1,175,075)
	(1,102,113)	(162,194)	(23,288)	5,709	12,558	(14,385)	(1,283,713)
Impairment of other property, plant and equipment	(2,560)	(113)	--	--	--	(39)	(2,712)
Carrying amount	**1,951,983**	**162,970**	**27,063**	**(7,106)**	**(3,467)**	**28,102**	**2,159,545**

(See note 3)

This appendix forms an integral part of note 10 to the consolidated annual accounts.

APPENDIX V

GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Property, Plant and Equipment
for the year ended
31 December 2018
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version prevails)

	Balances at 31/12/2017	Additions	Business combination	Transfers	Disposals	Translation differences	**Balances at 31/12/2018**
Cost:							
Land and buildings	673,534	1,223	19,344	6,051	(280)	26,540	726,412
Plant and machinery	1,704,679	57,699	79,003	100,961	(15,855)	58,366	1,984,853
Fixed Assets under construction	262,119	182,016	1,746	(106,473)	--	5,983	345,391
	2,640,332	240,938	100,093	539	(16,135)	90,889	3,056,656
Accumulated depreciation:							
Buildings	(66,765)	(15,224)	(4,682)	--	222	(2,929)	(89,378)
Plant and machinery	(810,782)	(141,985)	(46,995)	(23)	13,025	(25,975)	(1,012,735)
	(877,547)	(157,209)	(51,677)	(23)	13,247	(28,904)	(1,102,113)
Impairment of other property, plant and equipment	(2,732)	81	--	--	--	91	(2,560)
Carrying amount	**1,760,053**	**83,810**	**48,416**	**516**	**(2,888)**	**62,076**	**1,951,983**

(See note 3)

This appendix forms an integral part of note 10 to the consolidated annual accounts.

APPENDIX VI

GRIFOLS, S.A. AND SUBSIDIARIES

Statement of Liquidity for Distribution of Interim Dividend 2019

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version prevails)

	Thousands of Euros
Forecast distributable profit for 2019:	
Projected profit after tax until 31/12/2019	827,684
Less, provision required to legal reserve	--
Estimated distributable profit for 2019	827,684
Interim dividends distributed	136,828
Forecast cash for the period 25 October 2019 to 25 October 2020:	
Cash balances at 25 October 2019	--
Projected collections	1,157,200
Projected payments, including interim dividend	557,000
Projected cash balances at 25 October 2020	600,200

This appendix forms an integral part of note 16 to the consolidated annual accounts.

APPENDIX VI

GRIFOLS, S.A. AND SUBSIDIARIES

Statement of Liquidity for Distribution of Interim Dividend 2018

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version prevails)

	Thousands of Euros
Forecast profits distributable for 2018:	
Projected profits net of taxes until 31/12/2018	258,091
Less, charge required to legal reserve	--
Estimated profits distributable for 2018	258,091
Interim dividend distributed	136,747
Forecast cash for the period 26 October 2018 to 26 October 2019:	
Cash balances at 26 October 2018	--
Projected amounts collected	572,263
Projected payments, including interim dividend	544,112
Projected cash balances at 26 October 2019	28,151

This appendix forms an integral part of note 16 to the consolidated annual accounts.

GRIFOLS, S.A. AND SUBSIDIARIES

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

At their meeting held on 21 February 2020, pursuant to legal requirements, the Directors of Grifols, S.A. authorized for issue the consolidated annual accounts and consolidated directors' report for the period from 1 January 2019 to 31 December 2019. The consolidated annual accounts comprise the documents that precede this certification.

Victor Grifols Roura (signed) Chairman	Raimon Grifols Roura (signed) Chief Executive Officer	Víctor Grifols Deu (signed) Chief Executive Officer
Carina Szpilka Lázaro (signed) Board member	Tomás Dagà Gelabert (signed) Board member	Thomas Glanzmann (signed) Vice-Chairman
Iñigo Sánchez-Asiaín Mardones (signed) Board member	Enriqueta Felip Font (signed) Board member	Luis Isasi Fernández de Bobadilla (signed) Board member
Steven F. Mayer (signed) Board member	Belen Villalonga Morenés (signed) Board member	Marla E. Salmon (signed) Board member
Ramón Riera Roca (signed) Board Member	Nuria Martín Barnés (signed) Secretary to the Board	

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Grifols Escrow Issuer, S.A.U.

€1,400,000,000 3.875% Senior Notes due 2028

$705,000,000 4.750% Senior Notes due 2028

OFFERING MEMORANDUM

BofA Securities

October 11, 2021