**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.**

**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. 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 (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 purchaser, the 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 purchaser or any affiliate of the initial purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchaser or such affiliate on behalf of the Issuer in such jurisdiction.

The 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 ***Order***), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the 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 Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as ***relevant persons***). The 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.

**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 Issuer, the Guarantors, the initial purchaser, the Trustee and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Issuer, the Guarantors, the initial purchaser, 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 ME*MORANDUM*

# *€1,000,000,000*

*3.200% Senior Notes due 2025*

*Grifols, S.A., a company (sociedad anónima) organized under the laws of Spain, or the Issuer, is offering € 1,000,000,000 aggregate principal amount of its 3.200% senior notes due 2025, or the Notes.*

*The Notes will mature on May 1, 2025 and bear interest at the rate of 3.200% per year. We will pay interest on the Notes on May 1 and November 1, commencing November 1, 2017.*

*We will use the net proceeds of this offering to repay certain indebtedness and to pay related fees and expenses.*

*We may redeem the Notes, in whole or in part, at any time on or after May 1, 2020. In addition, prior to May 1, 2020, we may redeem up to 40% of the Notes with the net proceeds of one or more qualified equity offerings. Prior to May 1, 2020, at our option, we may also redeem any of the Notes at a price equal to 100% of the principal amount plus a make-whole premium and accrued interest. If we undergo a change of control, we will be required to offer to purchase the Notes from holders at a purchase price equal to 101% of the principal amount plus accrued interest.*

*The Notes will be the Issuer's senior unsecured obligations and will rank equally with all of the Issuer's other senior unsecured debt and effectively junior to all of the Issuer's secured debt, including its obligations under the New Credit Facilities (as defined herein), to the extent of the value of the collateral securing such debt. The subsidiaries of the Issuer that are guarantors and co-borrowers under the New Credit Facilities, or the Guarantors, will unconditionally guarantee the Notes on a senior unsecured basis and such guarantees will rank equally in right of payment to all senior unsecured debt of the Guarantors and effectively junior to all of the Guarantors' secured debt, including their obligations under the New Credit Facilities, to the extent of the value of the collateral securing such debt.*

*The guarantees will be subject to contractual, legal and regulatory limitations and may be released under certain circumstances.*

*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, or the Irish Stock Exchange, for the listing of the Notes. Application has been made to the Irish Stock Exchange for the approval of these "Listing Particulars". Application has also been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to be traded on the Global Exchange Market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. There is no assurance that the Notes will be listed on the Official List of the Irish Stock Exchange and admitted to be traded on the Global Exchange Market of the Irish Stock Exchange, and we cannot assure you that an active trading market for the Notes will develop. This offering memorandum does not constitute a prospectus for the purposes of Article 5 of Directive 2003/71/EC (as amended), or the Prospectus Directive. The Issuer is not offering the Notes in any jurisdiction in circumstances that would require a prospectus to be prepared pursuant to the Prospectus Directive.*

## *Investing in the Notes involves a high degree of risk. See "Risk Factors", beginning on page 21.*

*The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, or the securities laws of any other jurisdiction. The initial purchaser named below is offering the Notes only to qualified institutional buyers in the United States under Rule 144A under the Securities Act and to non-U.S. persons outside the United States under Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Notice to Investors" for additional information about eligible offerees and transfer restrictions.*

*Price: 99.649% plus accrued interest, if any, from the issue date.*

*We expect that the 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, on or about April 26, 2017. See "Book-Entry; Delivery and Form".*

*Global Coordinator*

***MORGAN STANLEY***

*The date of this offering memorandum is April 26, 2017.*

## 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 purchaser has authorized anyone to provide you with any different information. The Issuer accepts responsibility for the information contained in this offering memorandum.

Notwithstanding the foregoing, the Guarantors accept responsibility for the information relating to themselves and the information relating to the Guarantors. To the best of the knowledge of the Issuer and the Guarantors (who have taken all reasonable care to ensure that such is the case) the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Contact the initial purchaser 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 purchaser is 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 Notes 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 purchaser 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 purchaser 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 the Irish Stock Exchange for the approval of the "Listing Particulars". Application has also been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to be traded on the Global Exchange Market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. There is no assurance that the Notes will be listed on the official list of the Irish Stock Exchange and admitted to be traded on the Global Exchange Market of the Irish Stock Exchange, and we cannot assure you that an active trading market for the Notes will develop.

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 the Issuer 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.

**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 THE ISSUE OF THE NOTES, MORGAN STANLEY & CO. INTERNATIONAL PLC (THE *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 AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL 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 THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

**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 complying with Rule 903 or Rule 904 of 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 this offering will be made pursuant to an exemption under Directive 2003/71/EC, as amended by the Directive 2010/73 EC, or the Prospectus Directive, as implemented in member states of the European Economic Area, or EEA, from the requirement to produce and publish a prospectus which is compliant with the Prospectus Directive, as so implemented, for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA or any of its member states which have implemented the Prospectus Directive, each a Relevant Member State, for the Notes which are the subject of the placement referred to in this offering memorandum must only do so in circumstances in which no obligation arises for the Issuer to produce and publish a prospectus for such offer which is compliant with the Prospectus Directive, including Article 3 thereof, as so implemented, for such offer. Neither we nor the initial purchaser has authorized, nor do we or it authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the initial purchaser, which constitute the final placement of the Notes contemplated in this offering memorandum.

In relation to each Relevant Member State, the initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any Notes in any Relevant Member State 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, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

## NOTICE TO INVESTORS IN IRELAND

The initial purchaser represents, warrants and agrees that it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Notes, or do anything in Ireland in respect of the Notes, otherwise than in conformity with the provisions of:

(i) the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any Central Bank of Ireland, or the Central Bank, rules issued and / or in force pursuant to Section 1363 of the Companies Act 2014;

(ii) the Companies Act 2014;

(iii) the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) and it will conduct itself in accordance with any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank; and

(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 and any Central Bank rules issued and / or in force pursuant to Section 1370 of the Companies Act 2014, and will assist the Issuer in complying with its obligations thereunder.

## 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 in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 35 of the revised 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, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*).

## NOTICE REGARDING SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

MOST OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER AND THE GUARANTORS ARE NON-RESIDENTS OF THE UNITED STATES. A SUBSTANTIAL PORTION OF THE ASSETS OF SUCH NON-RESIDENT PERSONS AND OF THE ISSUER 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 ISSUER 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 FEDERAL SECURITIES LAWS OF THE UNITED STATES. THE ISSUER AND THE GUARANTORS HAVE BEEN ADVISED BY COUNSELS 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 SECURITIES LAWS OF THE UNITED STATES. SEE "SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES".

## NON-IFRS FINANCIAL MEASURES

*EBITDA and Adjusted EBITDA*

EBITDA and 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-IASB (as defined below). They are not measurements of our financial performance under IFRS-IASB and should not be considered as alternatives to net income or any other performance measures derived in accordance with IFRS-IASB or as alternatives to cash flow from operating activities as measures of our liquidity.

Our measurement of EBITDA and Adjusted EBITDA and the ratios related thereto may not be comparable to similarly titled measures of other companies and is not a measure of performance calculated in accordance with IFRS-IASB. We have included information concerning EBITDA and Adjusted EBITDA in this offering memorandum because we believe that such information is used by certain investors as one measure of 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 and Adjusted EBITDA when reporting their results. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

EBITDA and 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-IASB. 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 and 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 and 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-IASB results and using EBITDA and Adjusted EBITDA only for supplemental purposes. Please see our consolidated financial statements contained in this offering memorandum.

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

*As Adjusted Financial Information*

We also present in this offering memorandum certain financial information as adjusted to give effect to the Hologic Transaction and the Refinancing (as defined herein), and as further adjusted to give effect to the offering of the Notes and the use of the proceeds thereof. The adjustments made in order to present such financial information have been made based on available information and assumptions that our management believes are reasonable. The as adjusted financial information is for informational purposes only and does not necessarily present what our results would actually have been had the Hologic Transaction actually occurred on January 1, 2016 (with respect to financial information derived from our consolidated income statement) or December 31, 2016 (with respect to financial information derived from our consolidated balance sheet), as the case may be, nor should it be used as the basis of projections of our results of operations or financial condition for any future period. This as adjusted financial information is not in accordance with IFRS-IASB.

*Estimated Combined Financial Information*

We also present in this offering memorandum certain financial information for the year ended December 31, 2016 to illustrate the impact of the Hologic Transaction on our consolidated financial statements had it occurred on January 1, 2016. This information, which we refer to as being presented on an *Estimated Combined Basis*, has been prepared by adding the following:

- our Adjusted EBITDA for the year ended December 31, 2016; plus

- the estimated adjusted EBITDA for the acquired NAT Donor Screening business, or the Estimated Acquired Business Adjusted EBITDA, for the year ended September 24, 2016, derived from Hologic, Inc.'s unaudited internal management accounts (with U.S. dollar amounts converted to euro using a U.S. dollar to euro exchange rate of $1.00 to €0.8909, which was the exchange rate in effect on September 24, 2016).

Estimated Acquired Business Adjusted EBITDA was converted to euros from dollars (on an arithmetic basis, without any adjustment) and was derived from the unaudited internal management accounts of Hologic, Inc., or the Hologic Unaudited Management Accounts, which were prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. Therefore, the Hologic Unaudited Management Accounts were not prepared on the same basis as our audited financial statements. The methodology used to calculate Estimated Acquired Business Adjusted EBITDA is not the same as used to calculate our Adjusted EBITDA. In addition, we do not use monthly average exchange rates in our estimated combined Adjusted EBITDA calculation.

Information presented on an Estimated Combined Basis is for informational purposes only and does not necessarily present what our results would actually have been had the Hologic Transaction actually occurred on January 1, 2016 and should not be used as the basis of projections of our results of operations for any future period.

The Estimated Combined Basis information:

- is not calculated in accordance with IFRS-IASB, and excludes any accounting or pro forma adjustments that would be applied to present pro forma financial information;

- does not give effect to any differences that may arise from the conversion of the financial information of the NAT Donor Screening business prepared in accordance with generally accepted accounting principles in the United States to IFRS-IASB;

- has not been adjusted to bring the fiscal year end for the NAT Donor Screening business to within 93 days of the fiscal year end of our consolidated financial statements; and

- has not been prepared in accordance with the requirements of Regulation S-X of the Securities Exchange Commission, the Prospectus Directive or any generally accepted accounting standards, and has not been audited or reviewed in accordance with applicable auditing standards.

Any reliance you place on this information should fully take this into consideration.

*Constant Currency*

Net revenue variance and financial result in constant currency are determined by comparing adjusted current period figures, calculated using prior period monthly average exchange rates, to the prior period net revenue and financial result. The resulting percentage variance in constant currency is considered to be a non-IFRS-IASB financial measure. Net revenue and financial result variance in constant currency calculates net revenue variance and financial result 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 changes in exchange rates are eliminated. Net revenue variance and financial result in constant currency, as defined and presented by us, may not be comparable to similar measures reported by other companies. Net revenue variance and financial result in constant currency has limitations, particularly because the currency effects that are eliminated constitute a significant element of our net revenue and expenses 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-IASB 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-IASB. We present the fluctuation derived from IFRS-IASB net revenue next to the fluctuation derived from non IFRS-IASB net revenue.

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

| | 2016 | 2015 | % Var | | 2015 | 2014 | % Var |
|---|---|---|---|---|---|---|---|
| | (in millions of euros) | | | | (in millions of euros) | | |
| Reported Net Revenues | 4,049.8 | 3,934.6 | 2.9% | Reported Net Revenues | 3,934.6 | 3,355.4 | 17.3% |
| Variation due to exchange rate effects | 5.2 | | | Variation due to exchange rate effects | (493.8) | | |
| Constant Currency Net Revenues | 4,055.0 | 3,934.6 | 3.1% | Constant Currency Net Revenues | 3,440.8 | 3,355.4 | 2.5% |

See below for a reconciliation of reported financial result to financial result in constant currency:

| | 2016 | 2015 | % Var | | 2015 | 2014 | % Var |
|---|---|---|---|---|---|---|---|
| | (in millions of euros) | | | | (in millions of euros) | | |
| Reported Financial Result | 233.6 | 271.8 | (14.1)% | Reported Financial Result | 271.8 | 261.4 | 4.0% |
| Variation due to exchange rate effects | 18.9 | | | Variation due to exchange rate effects | (32.6) | | |
| Constant Currency Net Revenues | 252.5 | 271.8 | (7.1)% | Constant Currency Net Revenues | 239.2 | 261.4 | (9.0)% |

## 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 audited consolidated financial statements of Grifols, S.A. and its consolidated subsidiaries as of and for each of the years ended December 31, 2016 and 2015, including the accompanying notes thereto. The audited consolidated financial statements for the years ended December 31, 2016 and December 31, 2015, are referred to herein as the "consolidated financial statements". The consolidated financial statements of Grifols and its consolidated subsidiaries as of and for the years ended December 31, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS-IASB.

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, or IFRS-IASB, which, for our purposes, are identical to the International Financial Reporting Standards as adopted by the European Union, or 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.

**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 purchaser has independently verified such data, and neither we nor the initial purchaser makes 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.

## 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:

Risks Relating to the Notes:

- 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 New Credit Facilities and the indenture governing 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.

Risks Relating to Our Business:

- 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 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.

Risks Relating to the Healthcare Industry:

- recently enacted 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; 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. Except as required by law, we do not assume any obligation to update any forward-looking statements after the date of this offering memorandum as a result of new information or future events or developments.

## EXCHANGE RATES

The following tables show, for the periods indicated, the exchange rate between the U.S. dollar and the euro. This information is provided solely for your information and we do not represent that euro could be converted into U.S. dollars at these rates or at any other rate, during the periods indicated or at any other time. These rates are not the rates used by us in the preparation of our audited consolidated financial statements included elsewhere in this offering memorandum.

As used in this offering memorandum, the term "Noon Buying Rate" refers to the rate of exchange for euro, expressed in U.S. dollars per euro, in the City of New York for cable transfers payable in foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes. The Noon Buying Rate for the euro on March 24, 2017 was $1.0806 = € 1.00. The following tables describe, for the periods and dates indicated, information concerning the Noon Buying Rate for the euro. Amounts are expressed in U.S. dollars per €1.00.

| Annual Data (Year Ended December 31,) | Period End ($) | Average Rate ($)[1] | High ($) | Low ($) |
|---|---|---|---|---|
| 2012 | 1.3186 | 1.2902 | 1.3463 | 1.2062 |
| 2013 | 1.3766 | 1.3281 | 1.3816 | 1.2774 |
| 2014 | 1.2098 | 1.3285 | 1.3934 | 1.2098 |
| 2015 | 1.0859 | 1.1100 | 1.2101 | 1.0524 |
| 2016 | 1.0552 | 1.1072 | 1.1516 | 1.0375 |

* Source: Federal Reserve Bank of New York

(1) The average of the Noon Buying Rates for the euro on the last day reported of each month during the relevant period.

| Recent Monthly Data | High ($) | Low ($) |
|---|---|---|
| September 2016 | 1.1271 | 1.1158 |
| October 2016 | 1.1212 | 1.0866 |
| November 2016 | 1.1121 | 1.0560 |
| December 2016 | 1.0758 | 1.0375 |
| January 2017 | 1.0794 | 1.0416 |
| February 2017 | 1.0802 | 1.0551 |
| March 2017 (through March 24, 2017) | 1.0810 | 1.0514 |

**TABLE OF CONTENTS**

## 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.*

### Our Company

We are one of the leading global specialty pharmaceutical companies developing, manufacturing and distributing a broad range of biological medicines derived from blood plasma. 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, such as: 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 30 countries.

In 2015, we believe we ranked in the top three largest producers 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 Prolastin®, IVIG, Factor VIII, Albumin as well as in terms of plasma collection centers and fractionation capacity.

For the year ended December 31, 2016, our consolidated net revenue and EBITDA were €4,049.8 million and €1,141.3 million, respectively, representing an EBITDA margin of 28.2%. During 2016, we generated 65.8% of revenue in the United States and Canada and 15.8% in Europe (of which only 5.4% was generated in Spain).

On January 31, 2017, we completed the acquisition of the business of Hologic, Inc. related to the development, production and, pursuant to the collaboration described below, sale to us of products in connection with nucleic acid probe-based testing human blood, plasma, other blood products, human cells, organs or tissue intended for or associated with transfusion or transplantation. The transaction consisted of, among other things, the acquisition of the assets and liabilities related to this business and the termination of the then-existing collaboration agreement between Hologic and us for the joint development, manufacture, commercialization, marketing and sale of such products. The acquired business will be part of our Diagnostic division. See "Recent Developments—The Hologic Transaction".

### Operating Divisions

We organize our business into four divisions: Bioscience, Diagnostic, Hospital and Raw Materials and Others. These divisions also represent the operating segments of the Company:

- *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 IVIG, 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 €3.2 billion, or 79.7%, of our total net revenue in 2016.

- *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 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 Diagnostic division accounted for €664 million, or 16.4%, of our total net revenue in 2016. 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. We expect that the impact of the Hologic Transaction will enhance our vertical integration and further promote the development of new tests and screening routines for emerging viruses.

- *Hospital.* The Hospital division manufactures and installs products used by hospitals, such as parenteral solutions and enteral and parenteral nutritional fluids, which are sold almost exclusively in Spain and Portugal. 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 €98.6 million, or 2.4%, of our total net revenue in 2016.

- *Raw Materials and Others.* Net revenue from Raw Materials and Others primarily consists of revenue from third-party engineering projects performed by our subsidiary, Grifols Engineering, S.A., as well as all income derived from manufacturing agreements with Kedrion and royalty income from the Bioscience and Diagnostic divisions, including royalties acquired with the diagnostic business of Novartis, or the Novartis Diagnostic Business. The Raw Materials and Others division accounted for €59.0 million, or 1.5%, of our total net revenue in 2016.

## Competitive Strengths

We believe our Company has a number of competitive strengths, including:

***Global Company with an Established Presence in the Two Largest Plasma Derivatives Markets***

We are a global plasma derivative company with operations in over 100 countries through distributors and subsidiaries in 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. The United States, Canada and the European Union accounted for €3.3 billion, or 81.6%, of our total net revenue in 2016. We also have a presence in fast growing sales regions including Asia (Malaysia, China and Thailand), Japan, Australia, the Middle East and Latin America (Mexico, Colombia, Argentina, Chile and Brazil). In addition, we operate eleven manufacturing facilities located in the United States, Spain, Switzerland and Australia.

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 Shire and CSL Group. We are the world's largest producer of A1PI, which is used for the treatment of A1PI deficiency-related emphysema. Prolastin® is the leading A1PI product in the United States, and is also licensed in 28 countries globally, including 15 countries in Europe. We had an estimated 65% market share for this product globally at the end of 2016. In 2015,

based on our internal estimates, we had a top three market position in other segments of the plasma derivatives industry, including the largest market share in IVIG (23% of the market), the largest market share in Factor VIII (23% of the market) and the second largest market share in Albumin (16% of the market). According to the latest available data, we also have a leading position in terms of plasma collection centers and have a leading position in terms of fractionation capacity, with a global capacity of 12.5 million liters per year.

***Fully Vertically Integrated Business Model with a Secure Supply of FDA-approved Source Plasma***

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 opening of new plasma collection centers, we have expanded our plasma collection network to 171 centers in the United States as of December 31, 2016, all of which are licensed by the FDA or in the final approval process. Our acquisitions, including, among others, the 2011 acquisition of 67 plasma collection centers from Talecris Biotherapeutics Holdings, or Talecris, have given us reliable access to United States source plasma. In 2016, we purchased a 49.19% equity interest in Interstate Blood Bank, Inc., or IBBI, a 48.97% equity interest in Bio-Blood Components, Inc., or Bio-Blood, and a 48.90% equity interest in Plasma Biological Services, LLC, or PBS. IBBI, Bio-Blood and PBS are collectively referred to herein as the "IBBI Group". The IBBI Group is one of the main private and independent plasma suppliers in the United States. In February 2017, we purchased six collection centers from Kedplasma LLC, increasing our collection network to 177 centers. As of December 31, 2016, we held a leading position in terms of fractionation capacity with total global capacity of 12.5 million liters per year. We plan to increase our global fractionation capacity to 18.5 million liters per year by 2022 in response to growing demand, which has been fueled by increased use of plasma derivatives in a wider range of on-label and off-label indications.

We also 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. We expect that the impact of the Hologic Transaction will enhance our vertical integration and further promote 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 is expected to enable us to continue strengthening our leadership position in transfusion medicine.

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

We have state-of-the-art plasma derivatives manufacturing facilities which have a high degree of efficiency and safety and that have European Medicine Agency, or EMA, certifications and FDA licenses. Our plasma fractionation plant located in Parets del Vallès, near Barcelona, Spain is licensed by the FDA for the production of albumin and IVIG. The Parets facility features 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. 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 at our Parets facility and Clayton, North Carolina and Los Angeles, California plants, giving us increased production efficiency and flexibility. We also have a plasma fractionation plant in Los Angeles, California, which has total fractionation capacity of approximately 2.3 million liters of plasma per year. In addition, our Clayton site is one of the world's largest integrated protein manufacturing sites, including fractionation, purification and aseptic filling and finishing of plasma-derived proteins with a fractionation capacity of 6 million liters of plasma per year.

As of December 31, 2016, we had total fractionation capacity of 12.5 million liters per year through our Clayton, Los Angeles and Parets fractionation plants. We plan to increase our fractionation capacity with a new 6 million liter plant in Clayton, which we expect will take our total capacity to 18.5 million liters per year by 2022. We are also increasing our purification capacity for IVIG, albumin and alpha-1.

***Strong Reputation for Safety and Reliable Service***

We have never experienced a recall of any batch of our finished biological products due to a safety risk, although certain of our other products have been subject to immaterial recalls. 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 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. During 2014, we completed a new plasma fractionation plant at both our Parets facility and our Clayton facility. The Clayton facility, with 6 million liters of fractionation capacity, is one of the largest fractionation plants in the industry. 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. Additionally, we have developed a nanofiltration method of viral elimination for our IVIG and antithrombin III products which has further improved our health and safety standards.

We maintain the same standards as other industry participants with regard to infectious disease screening and quarantine of units. For example, source plasma inventory is held for not less than 60 days. Additionally, we implement look-back procedures for seroconversion and ongoing testing of donations, for a twelve-month period after a negative donation, as additional safety policies. 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.

As part of our commitment to quality, we provide ongoing training for our plasma professionals through the Grifols Academy of Plasmapheresis, or 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.

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 (as defined herein). 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.

***Highly Diversified, High-Quality, Industry-Leading Products***

We have a diversified portfolio of high quality products in both the bioscience and the diagnostic divisions. Alphanate® and Fahndi™, our Factor VIII/von Willebrand factor products, are used for both the treatment of hemophilia and von Willebrand disease. In addition, we offer albumin products with reduced aluminum content that meet European regulatory requirements, which makes them more attractive to biotechnology companies and genetic laboratories, as well as to hospitals and physicians. Our portfolio also includes products for the treatment of tetanus, hepatitis B, and Rh factor complications during birth, 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 for liver transplants.

Our portfolio of IVIG and A1PI 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 16 European countries. Gamunex® IVIG can be administered subcutaneously or intravenously.

In addition, our diagnostic portfolio encompasses innovative, market leading transfusion medicine technology, instrumentation and equipment for Nucleic Acid Testing (NAT) and Serology blood screening. We believe we are the global leader in the NAT blood screening segment with an estimated 54% share of global blood donations, as of 2016, and a market-leading position in the United States NAT segment (estimated 81% of the market in 2016). We have a strong immunohematology product portfolio that includes DG Gel cards, multicards and new genotyping technology with an estimated global market share of 9%.

Prior to the Hologic Transaction, we and Hologic jointly operated this business, with Hologic responsible for research, development and manufacturing of the Procleix® blood screening products and Grifols responsible for their commercialization worldwide. The Hologic Transaction is part of the consolidation and growth strategy envisaged for the Diagnostic division and is expected to enable us to continue strengthening our leadership position in transfusion medicine. See "Recent Developments—The Hologic Transaction".

***Over 70-Year History of Successful Innovation***

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 extraction of products per liter of plasma. We have also developed the first centrifugation unit for the automated cleaning of blood cells, known as the Coombs test. As one of the first fractionators to conduct double viral inactivation processes for Factor VIII, we designed and implemented a new process for the sterile filling of vials that reduces exposure to potential contaminants as compared to other existing processes. We believe that our adoption of novel policies and methodologies has raised industry standards and made us a leader in safety and product quality.

The Transfusion Medicine Business, formerly owned by Novartis and acquired by us in January 2014, enjoyed a successful history of product innovation and commercialization, and its 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 its employees expertise enabled it to develop 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 transcription- mediated-amplification, or TMA, technology, which is typically more sensitive and therefore less cumbersome than Polymerase Chain Reaction, or 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. We expect that the Hologic Transaction will further promote the development of new tests and screening routines for emerging viruses, strengthening our leadership position in the transfusion medicine field.

***Strong Acquisition Track Record***

We have a strong track record of integrating acquired companies, as demonstrated by the acquisition of Talecris in 2011, the Novartis Diagnostic Business in January 2014 and the acquisition of Hologic's NAT Donor Screening business in January 2017, which provided us with strong growth opportunities in diagnostics. We have also demonstrated our capabilities to integrate products and technologies within our portfolio, including the acquisition in September 2014 of 50% of the voting and economic rights in Kiro Grifols, a Spanish technological company that develops, manufactures and sells machinery and equipment designed to automate or control critical hospital processes; the acquisition in March 2015 of 47.58% of the equity of Alkahest, Inc., a California biopharmaceutical company that develops plasma-based products, or Alkahest; the acquisition in April 2016 of a 49.19% equity interest in IBBI, a 48.97% equity interest in Bio-Blood and a 48.90% equity interest in PBS, collectively, a group based in Memphis, Tennessee, that collects plasma for the plasma fractionation industry; the May 2016 acquisition of 20% of the common stock interest of Singulex, Inc., a California company that develops technology for clinical diagnostic and scientific discovery, offers clinical laboratory testing services, and in connection with our investment, granted us an exclusive worldwide license for the use and sale of Singulex, Inc.'s technology for blood donor and plasma screening; and the acquisition in January 2017 of a 49% stake in Access Biologicals, LLC, a company based in Vista, California, that collects and manufactures an extensive biological and product portfolio. We also expect that the Hologic Transaction will enable us to continue strengthening our leading position in transfusion medicine.

***Large and Growing Market with Strong Fundamentals***

According to the Marketing Research Bureau Inc., or MRB, the global market for biological medicines derived from human blood plasma was worth an estimated $20 billion in 2016 with a future growth rate estimated at 6% to 7%. In 2015, IVIG was the leading product in the market, accounting for 57% of sales in the plasma derivatives market in the United States and Canada. 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 growth despite the poor global macro-economic environment in recent 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.

***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 fiscal year ended December 31, 2016, we generated net revenues of €4.0 billion from a global and balanced geographical footprint with €2.7 billion, or 65.8%, coming from the United States and Canada, €640.2 million, or 15.8%, from the European Union and €687.4 million, or 17.0%, from the rest of the world. We have also increased our levels of profitability, raising our net profit by 2.5% in 2016. Our ability to generate strong and consistent cash flow has also enabled us to invest in our operations and pursue attractive growth opportunities. We believe that the Hologic Transaction will increase our EBITDA margin and further enhance our future cash flow profile.

***Experienced and Committed Management Team***

We have an experienced and committed management team with over 30 years of experience on average. In accordance with our succession plan, Víctor Grifols Roura, a grandson of Grifols' 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 Chief Industrial Officer, Carlos Roura Fernández, has been associated with Grifols and our predecessor for more than 40 years. The President of the Global Commercial Division, Ramón Riera, has been associated with Grifols and our predecessor for more than 38 years. The Vice-President of Finance and CFO, Alfredo Arroyo, has been associated with Grifols for ten years. The President of United States Operations, Gregory Gene Rich, has been in the industry for nearly 37 years.

## 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*

In the plasma sector, access to raw materials is critical. 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 171 FDA licensed plasma collection centers in the United States as of December 31, 2016. 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 in 2011. Since the acquisition of Talecris, our strategy has been to expand and relocate our existing centers in order to collect more plasma more efficiently. In February 2017, we purchased six collection centers from Kedplasma LLC, increasing our collection network to 177 centers. We intend to continue to focus on expanding our collection platform and relocating our existing centers. We are undertaking a €1.2 billion investment plan that includes, among other things, cumulative capital expenditures, of approximately $360 million from 2016 through 2021 to expand the manufacturing capacities for our plasma derived therapies. Under our capacity expansion program, we are currently undergoing an increase of our fractionation capacity from 12.5 million liters per year to 18.5 million liters per year by 2022. The plan also includes the expansion of our FDA collection network platform to reach 225 plasma collection centers in the United States by 2021.

### *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 30 countries. The United States is the largest sales region in the world for plasma derivative products. For the year ended December 31, 2016, the United States and Canada accounted for 65.8% of our total net revenue.

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.

Our continued focus on international expansion and acquisitions that generate operational synergies was demonstrated by our acquisition of Talecris in June 2011, a United States based producer of plasma

derived protein therapies with an established presence in the United States and Canada. We also expanded internationally with the acquisition in March 2013 of a 60% stake in Progenika (on March 3, 2016, we increased our stake to 89.25%), a Spanish biotechnology firm with operations in the United States, Europe and the Middle East. Our acquisition of the Novartis Diagnostic Business in January 2014, or the Novartis Acquisition, 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. Pursuant to the Hologic Transaction in January 2017, we 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. 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: (i) discovering and developing new products, (ii) researching new applications for existing products and (iii) 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, Aradigm Corporation and Singulex, Inc., or Singulex, among others. Our research and development teams are working to develop the possible use of albumin in treating Alzheimer's disease. The Alzheimer Managed by Albumin Replacement study, or AMBAR, is in Phase III and finalized patient enrollment in December 2016. Other recent product developments include three clinical trials of fibrin glue in vascular and non-vascular surgery, which we completed in 2016. We have presented the results to both the FDA and EMA and have applied for approval in the United States and Europe, with an expected launch of the product in early 2018. 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. We expect to launch Prolastin-C® in liquid formulation for the U.S. market by early 2018. 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 are also working on a high concentration (20%) sub-cutaneous immunoglobulin (Phase III) to complement our current offering of immunoglobulin products.

In June 2016, the FDA authorized blood screening for the Zika virus using NAT technology developed by us and Hologic, for use in the United States through the agency's study protocol for investigational new drugs, or IND. Subsequently, in December 2016, we obtained European Conformity (CE Marking) for our Zika virus screening test

We spent €197.6 million in 2016 on research and development. As of December 31, 2016, we had 812 scientists and support staff dedicated to research and development.

***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 is expected to enable us to continue strengthening our leadership position in transfusion medicine. We expect that the Hologic Transaction will further promote 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 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 and that, once isolated and purified, have therapeutic value. 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 1998 to 2014, with estimated worldwide sales of $20 billion in 2016. Sales in the United States have grown at a compound annual rate of approximately 13.4% from 2005 through 2015, with sales of $8.6 billion in 2015, representing a 10.3% increase over 2014, 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 2014 were the United States and Canada and Europe, which together represented 69.5% 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 United States paid donations to fill the supply gap. In 2015, the United States supplied approximately 65% 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 Hologic Transaction

As part of our 2014 acquisition of the diagnostic business of Novartis Corporation, or Novartis, we acquired Novartis' share of its collaboration with Hologic, Inc., or Hologic. Pursuant to this joint collaboration, or the NAT Donor Screening Unit, Hologic was responsible for research, development and manufacturing of the Procleix® blood screening products and Grifols was responsible for their commercialization worldwide. 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 the blood and plasma donations, contributing to greater transfusion safety.

On December 14, 2016, we entered into an asset purchase agreement, or the Hologic Agreement, to consummate the Hologic Transaction. The Hologic Transaction closed on January 31, 2017, at which time we paid a purchase price of $1.865 billion to Hologic. The NAT Donor Screening Unit will be integrated into our current Diagnostic division through our subsidiary, Grifols Diagnostic Solutions, Inc. We expect that the Hologic Transaction will enhance our vertical integration and further promote 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 is expected to enable us to continue strengthening our leadership position in transfusion medicine. We believe the Hologic Transaction will increase our EBITDA margin and further enhance our future cash flow profile.

As part of the Hologic Transaction, the manufacturing site in San Diego, California has been transferred to Grifols. Additional assets acquired included development rights, intellectual property licenses and access to product manufacturers.

The purchase price of the Hologic Transaction is subject to certain post-closing adjustments and the Hologic Agreement also includes customary representations and warranties about the business of Hologic that we acquired and the purchased assets. We also entered into a transition services agreement, as well as a collaboration agreement and an intellectual property license with Hologic.

To finance the Hologic Transaction and to consummate the Refinancing, we entered into a credit and guaranty agreement on January 31, 2017 with a syndicate led by Nomura Securities International, Inc., Bank of America Merrill Lynch International Limited, Bank of America, N.A., Goldman Sachs Bank USA and HSBC Bank plc, or the New Credit Facilities. A portion of the proceeds from the loans under the New Credit Facilities were used to fund the purchase price for the Hologic Transaction.

Historically, we accounted for 100% of the net revenue of the NAT Donor Screening joint collaboration as revenue. Pursuant to the collaboration agreement with Hologic, we paid a 50% revenue share and also reimbursed Hologic for 50% of its manufacturing cost. Following consummation of the Hologic Transaction, we expect no change in our accounting for revenue from NAT, since we have historically recorded 100% of the revenues from the NAT Donor Screening Unit in our income statement. However, we expect a net decrease in our cost of sales, primarily due to the termination of payments to Hologic in respect of its 50% revenue share, partially offset by an increase due to our assumption of the remaining 50% of the manufacturing costs.

### Refinancing of the Existing Credit Facilities

Certain existing credit facilities that we entered into on February 27, 2014, consisting of $4.5 billion of senior secured term loans and of $300 million of senior secured revolving facilities, or the Existing Credit

Facilities, were repaid on January 31, 2017 with a portion of the proceeds of the New Credit Facilities that we entered into on January 31, 2017 and cash on hand. The New Credit Facilities consist of $6.0 billion of senior secured term loans, or the Senior Term Loans, and $300 million of senior secured revolving facilities, or the Revolving Loans. For a description of the principal terms of the New Credit Facilities, please see "Description of Indebtedness". The refinancing of the Existing Credit Facilities is herein referred to as the "Refinancing".

**Tender Offer**

On April 6, 2017, Morgan Stanley & Co. International plc, or Morgan Stanley, as offeror, commenced a cash tender offer, or the Tender Offer, for any and all of the 5.25% Senior Notes due 2022 of Grifols Worldwide Operations Limited, or the Existing Notes, of which $1.0 billion in aggregate principal amount was outstanding as of March 31, 2017.

The Tender Offer will expire at 11:59 P.M., New York City time, on May 4, 2017, unless extended or earlier terminated, or the Expiration Date. Holders of the Existing Notes who validly tender (and do not validly withdraw) their Existing Notes at or prior to 5:00 P.M., New York City time, on April 20, 2017, unless extended or earlier terminated, or the Early Tender Date, will be eligible to receive the total consideration, which includes a base consideration plus an early tender premium for the Existing Notes as set forth in the Tender Offer. Holders of the Existing Notes who validly tender the Existing Notes after the Early Tender Date, but at or prior to the Expiration Date, will not be eligible to receive the early tender payment. Morgan Stanley will pay the applicable consideration for the Existing Notes tendered and validly delivered on or prior to the Early Tender Date, and after the Early Tender Date and prior to or at the Expiration Date.

The early settlement of the Tender Offer is expected to occur two business days prior to the anticipated closing of this offering. It is intended that the Existing Notes validly tendered at or prior to the Early Tender Date and purchased by Morgan Stanley in the Tender Offer, or the Early Tendered Existing Notes, will be exchanged by Morgan Stanley for a portion of the Notes offered hereby and a related decrease in the cash proceeds from the Notes, in an amount equal to the applicable total consideration for the Early Tendered Existing Notes, to be paid to the Issuer by the initial purchaser in this offering of the Notes, or the Exchange. The Issuer will pay Morgan Stanley an amount equal to accrued and unpaid interest on the Early Tendered Existing Notes in cash. The Existing Notes that are validly tendered after the Early Tender Date and prior to or at the Expiration Date that are purchased by Morgan Stanley in the Tender Offer will subsequently be purchased by the Issuer for cash.

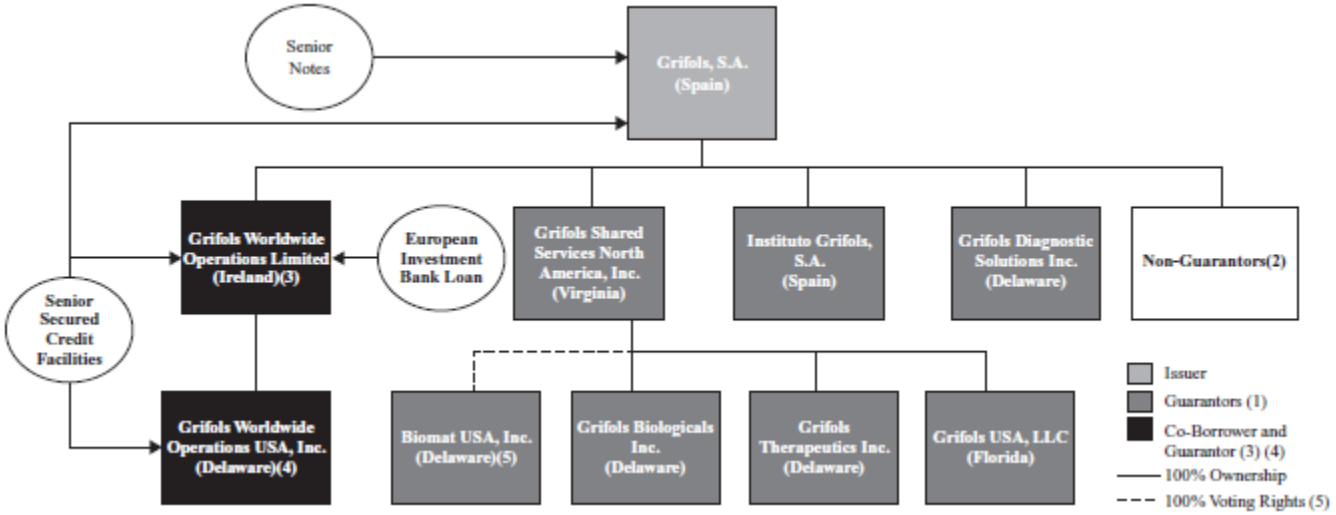
The Tender Offer is conditioned on the satisfaction, or waiver by Morgan Stanley of certain conditions, including, but not limited to, the pricing of this offering on terms and conditions satisfactory to us. Completion of this offering is expected to satisfy this condition.

This offering memorandum is not an offer to purchase, or the solicitation of an offer to sell, the Existing Notes. The Tender Offer is made only by and pursuant to the terms of the Offer to Purchase, dated April 6, 2017, as the same may be amended or supplemented.

We intend to redeem any Existing Notes that are not tendered pursuant to the Tender Offer on April 28, 2017.

**Corporate Structure**

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




(1) The subsidiaries of Grifols, S.A. that are guarantors and/or co-borrowers under the New Credit Facilities will unconditionally guarantee the Notes on a senior unsecured basis. For a description of the requirement of such subsidiaries of Grifols, S.A. to guarantee the New Credit Facilities, see "Description of Indebtedness".

(2) Our non-Guarantor subsidiaries accounted for €98.1 million, or 8.6%, of our EBITDA for the year ended December 31, 2016. In addition, as of December 31, 2016, our non-Guarantor subsidiaries accounted for €1,280.1 million, or 12.6%, of our total assets (excluding intercompany receivables).

(3) Grifols Worldwide Operations Limited is a co-borrower under the New Credit Facilities, the borrower under the U.S. dollar denominated tranche A term loans and the revolving credit facility and the borrower under the European Investment Bank Term Loan.

(4) Grifols Worldwide Operations USA, Inc. is a co-borrower under the New Credit Facilities and the borrower under the U.S. dollar denominated tranche B term loans.

(5) Non-voting shares of Biomat USA, Inc. are owned by Instituto Grifols, S.A.

**Our Corporate Information**

The Issuer was incorporated in Spain in 1987 under the name Grupo Grifols, S.A. and changed its name to Grifols, S.A. in 2005. Our principal executive offices are located at Avinguda de la Generalitat, 152-158, Parc de Negocis Can Sant Joan, Sant Cugat del Vallès, 08174, Barcelona, Spain. Our ordinary shares are listed on the Spanish Stock Exchanges, and quoted on the Automated Quotation System "*mercado continuo*" under the symbol "GRF", and they are component of the IBEX-35 index since 2008. Our Class B shares are listed on the Spanish Stock Exchanges and are quoted on the Spanish Automated Quotation System under the ticker symbol "GRF.P". Our Class B American Depositary Shares, or ADSs, are listed on The NASDAQ Global Select Market, or NASDAQ under the symbol "GRFS" and are a component of the NASDAQ biotechnology index.

## THE OFFERING

The summary below describes the principal terms of the Notes. 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.

| | |
|---|---|
| **Issuer** | Grifols, S.A. |
| **Securities Offered** | €1,000,000,000 aggregate principal amount of 3.200% senior notes due 2025, or the Notes. |
| **Maturity Date** | May 1, 2025. |
| **Interest Rate** | 3.200% per year. |
| **Interest Payment Dates** | May 1 and November 1, beginning on November 1, 2017. Interest will accrue from the issue date of the Notes. |
| **Guarantees** | The subsidiaries of Grifols, S.A. that are guarantors and co-borrowers under the New Credit Facilities will fully and unconditionally guarantee the Notes on a joint and several senior unsecured basis. For a description of the requirement of such subsidiaries of Grifols, S.A. to guarantee the New Credit Facilities, see "Description of Indebtedness". |
| **Ranking** | The Notes will be senior unsecured obligations of the Issuer and will:<br>• rank equally in right of payment to all of the existing and future senior indebtedness of the Issuer;<br>• be effectively subordinated in right of payment to the Issuer's secured indebtedness (including its obligations under the New Credit Facilities), to the extent of the value of the collateral securing such indebtedness; and<br>• be structurally subordinated to all existing and future liabilities of each non-Guarantor subsidiary of Grifols, S.A.<br>The guarantees will be the senior unsecured obligations of the Guarantors and will:<br>• rank equally in right of payment to all existing and future senior indebtedness of the Guarantors;<br>• be effectively subordinated in right of payment to the Guarantor's secured indebtedness (including their obligations under the New Credit Facilities), to the extent of the value of the collateral securing such indebtedness; and<br>• be structurally subordinated to all existing and future liabilities of each non-Guarantor subsidiary of Grifols, S.A. |

| | |
|---|---|
| | As of December 31, 2016, on an as adjusted basis after giving effect to the offering of the Notes, the completion of the Tender Offer (assuming that 100% of the holders tender their Existing Notes in the Tender Offer), the Refinancing and the Hologic Transaction, we would have had approximately $7.1 billion of indebtedness outstanding, of which approximately $6.0 billion would have been secured indebtedness (excluding approximately $300 million of undrawn revolving commitments under the New Credit Facilities). |
| **Security** | The Notes and the guarantees will be unsecured obligations of the Issuer and the Guarantors, respectively. |
| **Optional Redemption** | We may redeem some or all of the Notes at any time prior to May 1, 2020 at a price equal to 100% of the principal amount of the Notes plus a "make-whole" premium as set forth under "Description of Notes—Optional Redemption". Additionally, we may redeem the Notes, in whole or in part, at any time on and after May 1, 2020 at the redemption prices set forth under "Description of Notes—Optional Redemption". |
| **Optional Redemption After Equity Offerings** | We may redeem up to 40% of the outstanding Notes with money that we raise in one or more equity offerings at any time (which may be more than once) prior to May 1, 2020, as long as at least 60% of the aggregate principal amount of Notes issued remains outstanding immediately following any such offerings. See "Description of Notes—Optional Redemption". |
| **Change of Control Offer** | If we experience a change of control, we must give holders of the 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 Indenture Provisions** | The indenture governing the Notes will contain covenants limiting our (and most or all of our subsidiaries') ability to:<br>• pay dividends or make certain other restricted payments or investments;<br>• incur additional indebtedness or provide guarantees of indebtedness and issue disqualified stock;<br>• create liens on assets;<br>• merge, consolidate, or sell all or substantially all of our and our restricted subsidiaries' assets;<br>• enter into certain transactions with affiliates;<br>• create restrictions on dividends or other payments by our restricted subsidiaries; and<br>• create guarantees of indebtedness by restricted subsidiaries. |

| | |
|---|---|
| | These covenants are subject to a number of important limitations and exceptions. See "Description of Notes—Certain Covenants". |
| **Transfer Restrictions** | The Notes will not be registered under the Securities Act. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Notice to Investors". |
| | We have not registered the Notes under the Securities Act or the Securities laws of any other jurisdiction. We will not be required to, nor will be, register the Notes for resale under the Securities Act or the securities laws of any other jurisdiction. |
| **No Prior Market** | The Notes will be new securities for which there is no market. Although the initial purchaser has informed us that it intends to make a market in the Notes, it is not obligated to do so and may discontinue market-making at any time without notice. Accordingly, a liquid market for the Notes may not develop or be maintained. |
| **Use of Proceeds** | We will use the net proceeds from the offering of the Notes to refinance certain of our existing indebtedness. See "Use of Proceeds". |
| **Trading and Listing** | Application has been made to the Irish Stock Exchange for the approval of the "Listing Particulars". Application has also been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to be traded on the Global Exchange Market of the Irish Stock Exchange. |
| **Risk Factors** | Investing in the Notes involves substantial risks. See "Risk Factors" for a description of the risks you should consider before investing in the Notes. |

## SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth our summary historical consolidated financial data as of and for the years ended December 31, 2016, 2015 and 2014, which has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2016 and 2015, included elsewhere in this offering memorandum.

You should read the following information together with "Selected Historical Consolidated Financial Data", "Operational and Financial Review" and our audited consolidated financial statements, including the accompanying Notes, which are included elsewhere in this offering memorandum.

**Summary Historical Consolidated Financial Data**

| | As of and for the Year Ended December 31, | | |
|---|---|---|---|
| **Consolidated Statement of Operations Data** | **2016** | **2015** | **2014** |
| | **(in thousands of euros, except for percentages)** | | |
| **Continuing Operations** | | | |
| Net revenue | 4,049,830 | 3,934,563 | 3,355,384 |
| Cost of sales | (2,137,539) | (2,003,565) | (1,656,170) |
| **Gross Profit** | **1,912,291** | **1,930,998** | **1,699,214** |
| Research and development | (197,617) | (224,193) | (180,753) |
| Selling, general and administration expenses | (775,266) | (736,435) | (660,772) |
| **Operating Expenses** | **(972,883)** | **(960,628)** | **(841,525)** |
| **Operating Result** | **939,408** | **970,370** | **857,689** |
| Finance income | 9,934 | 5,841 | 3,069 |
| Finance costs | (244,829) | (240,335) | (225,035) |
| Change in fair value of financial instruments | (7,610) | (25,206) | (20,984) |
| Impairment and gains/(losses) on disposal of financial instruments | — | — | (5) |
| Exchange differences | 8,916 | (12,140) | (18,472) |
| **Finance result** | **(233,589)** | **(271,840)** | **(261,427)** |
| Share of profit/(losses) of equity-accounted investees | 6,933 | (8,280) | (6,582) |
| **Profit before income tax from continuing operations** | **712,752** | **690,250** | **589,680** |
| Income tax expense | (168,209) | (158,809) | (122,597) |
| **Profit after income tax from continuing operations** | **544,543** | **531,441** | **467,083** |
| **Consolidated profit for the year** | **544,543** | **531,441** | **467,083** |
| **Consolidated Cash Flow Statement Data:** | | | |
| **Net cash provided by (used in)** | | | |
| Operating activities | 553,278 | 742,778 | 978,928 |
| Investing activities | (506,652) | (633,110) | (1,521,104) |
| Financing activities | (329,558) | (158,038) | 841,118 |
| **Consolidated Balance Sheet Data:** | | | |
| Cash and cash equivalents | 895,009 | 1,142,500 | 1,079,146 |
| Working Capital[(1)] | 1,385,807 | 1,156,462 | 948,991 |
| Total assets | 10,129,772 | 9,601,715 | 8,449,749 |
| Total liabilities | 6,401,794 | 6,300,325 | 5,786,861 |
| Total equity | 3,727,978 | 3,301,390 | 2,662,888 |

| Consolidated Statement of Operations Data | As of and for the Year Ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| | (in thousands of euros, except for percentages) | | |
| **Other Data:** | | | |
| Capital expenditures[2] | (282,507) | (552,667) | (256,982) |
| Dividends paid | (216,151) | (221,772) | (156,007) |
| **Net debt[3]** | 4,047,127 | 3,710,277 | 3,235,724 |
| **EBITDA[4]** | 1,141,277 | 1,160,125 | 1,047,161 |
| **EBITDA Margin[5]** | 28.2% | 29.5% | 31.2% |
| **Adjusted EBITDA[4]** | 1,141,379 | 1,162,625 | 1,074,159 |

(1) Represents consolidated current assets less consolidated current liabilities, excluding cash and cash equivalents and current financial liabilities.

(2) Represents additions to computer software assets and property, plant and equipment.

(3) Represents non-current plus current financial liabilities less non-current and current financial derivatives less cash and cash equivalents.

(4) The following table sets forth the calculation of EBITDA and Adjusted EBITDA. Our EBITDA is 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. Our Adjusted EBITDA represents EBITDA plus impairments of intangibles (including goodwill), and transaction costs. We believe EBITDA and Adjusted EBITDA enhance our and our investors' understanding of our operating performance and is a useful measure of our ability to service and/or incur debt. Our calculation of EBITDA and Adjusted EBITDA may not be comparable to the calculation of similarly titled measures reported by other companies. See "Non-IFRS Financial Measures".

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| | (in thousands of euros) | | |
| **Grifols profit after income tax from continuing operations** | **544,543** | **531,441** | **467,083** |
| Financial result | (233,589) | (271,840) | (261,427) |
| Share of profit (loss) of equity-accounted investees | 6,933 | (8,280) | (6,582) |
| Income tax, expense | (168,209) | (158,809) | (122,597) |
| Amortization and depreciation | (201,869) | (189,755) | (189,472) |
| **Grifols EBITDA** | 1,141,277 | 1,160,125 | 1,047,161 |
| Impairment of intangibles (including goodwill) | (7,260) | 2,500 | — |
| Transaction costs[a] | 7,362 | — | 26,998 |
| **Grifols Adjusted EBITDA** | **1,141,379** | **1,162,625** | **1,074,159** |

(a) Fees and expenses incurred in connection with the Hologic Transaction, other acquisitions, expenses related to the Refinancing and the offering of the Notes. Transaction costs in 2014 include fees and expenses in connection with the Novartis Acquisition.

(5) EBITDA Margin is calculated by taking our EBITDA and dividing it by net revenue.

*Estimated Combined Financial Information*

We present below certain financial information on an as adjusted basis to illustrate the estimated impact of the Hologic Transaction, the Refinancing and the offering of the Notes and the use of proceeds therefrom to complete the Tender Offer, on our consolidated financial statements had all of these events

occurred on January 1, 2016 (with respect to our consolidated statement of comprehensive income data), or December 31, 2016 (with respect to our consolidated balance sheet data).

Estimated Adjusted EBITDA is presented on an Estimated Combined Basis, which is the arithmetic addition of our Adjusted EBITDA for the year ended December 31, 2016 together with the estimated adjusted EBITDA for the acquired NAT Donor Screening business, or the Acquired Business, for the year ended September 24, 2016, derived from the Hologic Unaudited Management Accounts. See "Non-IFRS Financial Measures—Estimated Combined Financial Information".

Estimated adjusted EBITDA for the Acquired Business is presented herein for informational purposes only. Calculations of estimated adjusted EBITDA for the Acquired Business are based on the Hologic Unaudited Management Accounts, which were not prepared on the same basis as our audited financial statements. The methodology used to calculate estimated adjusted EBITDA for the Acquired Business is not the same as used to calculate our Adjusted EBITDA.

| | **As of and for the year ended December 31, 2016[2]** |
|---|---|
| | **(euros in thousands, except ratios)** |
| Adjusted EBITDA (Consolidated Grifols) | 1,141,379 |
| Estimated Adjusted EBITDA of the Acquired Business for the year ended September 24, 2016 (U.S. GAAP)[1] | 143,807 |
| **Estimated Combined Adjusted EBITDA[2]** | **1,285,186** |
| As Adjusted total debt[3] | 6,571,116 |
| As Adjusted cash and cash equivalents[4] | 567,806 |
| **As Adjusted net debt[5]** | **6,003,310** |
| As Adjusted secured net debt[6] | 5,118,604 |
| As Adjusted cash interest expense[7] | 200,415 |

(1) The following presents a reconciliation of revenue to estimated adjusted EBITDA of the NAT Donor Screening business that we acquired from Hologic:

| **(U.S. GAAP)** | **For the year ended September 24, 2016[a][b]** |
|---|---|
| | **(U.S. Dollars in thousands)[c]** |
| Revenue | 235,400 |
| Transferred Cost of Goods Sold | 51,976 |
| Stranded Cost of Goods Sold | 5,754 |
| **Total Cost of Goods Sold** | **57,730** |
| **Gross Margin** | **177,710** |
| Research & Development | 15,361 |
| Sales | — |
| Marketing | 252 |
| General & Administrative Expense—Spending | 1,379 |
| General & Administrative Expense—Depreciation | 613 |
| Medical Device Tax | — |
| **Total Operating Expenses** | 17,605 |

| (U.S. GAAP) | For the year ended September 24, 2016[a][b] (U.S. Dollars in thousands)[c] |
|---|---|
| **Operating Income** | **160,105** |
| Depreciation & Amortization | 1,313 |
| **Estimated Adjusted EBITDA** | **161,418** |

(a) The estimated adjusted EBITDA for the Acquired Business is for the year ended September 24, 2016.

(b) This reconciliation uses U.S. GAAP figures from the Hologic Unaudited Management Accounts for the year ended September 24, 2016, which were not prepared on the same basis as our audited financial statements and are presented herein for informational purposes only. The methodology used to calculate estimated adjusted EBITDA for the Acquired Business is not the same methodology that we use to calculate our Adjusted EBITDA.

(c) The financial information of the Acquired Business was converted to euros at a rate of $1.1224 to €1.00, using the Noon Buying Rate on September 24, 2016. You should not view the translation as a representation that the euro amounts actually represent the converted dollar amounts, or could be or could have been converted into U.S. dollars at the rate indicated or at any other rate. We do not use monthly average exchange rates in our estimated combined adjusted EBITDA calculations. See "Exchange Rates".

(2) Represents the addition of our Adjusted EBITDA for the year ended December 31, 2016 and the estimated adjusted EBITDA of the Acquired Business for the year ended September 24, 2016. Estimated adjusted EBITDA for the Acquired Business is presented herein for informational purposes only. Calculations of estimated adjusted EBITDA of the Acquired Business are based on the Hologic Unaudited Management Accounts, which were not prepared on the same basis as our audited financial statements. The methodology used to calculate estimated adjusted EBITDA for the Acquired Business is not the same as the methodology that we used to calculate our Adjusted EBITDA.

(3) Comprises our total debt as adjusted for the Refinancing, the offering of the Notes and the use of the proceeds therefrom. See also "Capitalization" and "Use of Proceeds". The following table sets forth the components of our total debt as adjusted for the Refinancing, the offering of the Notes and the use of proceeds therefrom.

| | As of December 31, 2016 (euros in thousands) |
|---|---|
| Total debt[a] | 4,942,136 |
| Refinancing | 1,577,657 |
| Notes offered hereby | 1,000,000 |
| Less: completion of the Tender Offer[b] | (948,677) |
| **As Adjusted total debt** | **6,571,116** |

(a) Converted to euros at a rate of $1.0552 to €1.00 using the Noon Buying Rate on December 31, 2016. You should not view the translation as a representation that the euro amounts actually represent the converted dollar amounts, or could be or could have been converted into U.S. dollars at the rate indicated or at any other rate. See "Exchange Rates".

(b) Assumes that 100% of the holders tender their Existing Notes in the Tender Offer and that the completion of the Tender Offer will be on April 1, 2017 for the purposes of calculating the amounts due.

(4) Represents our cash and cash equivalents as adjusted for the Refinancing, the use of cash to pay the purchase price for the Hologic Transaction, the offering of the Notes and the use of the proceeds therefrom, as if they had occurred on December 31, 2016. The following table sets forth the components of as adjusted cash and cash equivalents.

| | As of December 31, 2016 |
|---|---|
| | (euros in thousands) |
| Cash and cash equivalents | 895,009 |
| Proceeds from Notes offered hereby[(a)] | 1,000,000 |
| Less: the Refinancing | 1,470,232 |
| Less: cash used to pay the purchase price of the Hologic Transaction | (1,767,437) |
| Less: costs of completion of the Tender Offer[(b)(c)] | (40,561) |
| Less: completion of the Tender Offer[(c)] | (952,300) |
| Less: payment of accrued interest on the Existing Notes since October 1, 2016 to the completion of the Tender Offer[(c)] | (24,924) |
| Less: payment of accrued and unpaid interest on the Existing Notes since the completion of the Tender Offer[(c)] | (840) |
| Less: estimated fees and expenses related to the offering of the Notes[(d)] | (11,372) |
| **As Adjusted cash and cash equivalents[(e)]** | **567,806** |

(a) Pre-netting of transaction fees.

(b) Represents the total consideration for the Tender Offer.

(c) Assumes that 100% of the holders tender their Existing Notes in the Tender Offer and that the completion of the Tender Offer will be on April 1, 2017 for the purposes of calculating the amounts due. U.S. dollar amounts have been converted to euro using a U.S. dollar to euro exchange rate of $1.00 to €0.9524, which is the illustrative exchange rate used herein, €1.00 to $1.05.

(d) Represents the estimated fees and expenses in relation to the offering of the Notes, including fees and commissions payable to the initial purchaser, advisory fees and other transaction costs and professional fees. See "Use of Proceeds".

(e) As of March 31, 2017, our cash and cash equivalents were €745 million.

(5) Comprises our as adjusted total debt, less our as adjusted cash and cash equivalents. See notes 3 and 4 above.

(6) Comprises our total as adjusted secured debt, less our as adjusted cash and cash equivalents.

(7) Represents our finance costs as adjusted for the Refinancing, the offering of the Notes and the use of proceeds therefrom to refinance the Existing Notes, as if these events had occurred on January 1, 2016. See note 3 above.

## 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.*

### Risks Relating to the Notes

***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 December 31, 2016, on an as adjusted basis after giving effect to the offering of the Notes, the completion of the Tender Offer (assuming that 100% of the holders tender their Existing Notes in the Tender Offer), the Refinancing and the Hologic Transaction, we would have $7.1 billion of indebtedness outstanding. See "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, or the Indenture, the New Credit Facilities and the European Investment Bank Term Loan (as defined herein) 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. Adding additional debt, including under the New Credit Facilities, 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.

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 New 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 New Credit Facilities, the Notes and the European Investment Bank Term Loan, on commercially reasonable terms or at all.

***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 New Credit Facilities and our European Investment Bank Term Loan, that is not waived by the required lenders, and the remedies sought by the lenders 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 the New Credit Facilities, the European Investment Bank Term Loan and the Indenture), 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 lenders under the New Credit Facilities and the European Investment Bank Term Loan to avoid being in default. If we breach our covenants under the New Credit Facilities or the European Investment Bank Term Loan and seek a waiver, we may not be able to obtain a waiver from the required lenders. If we fail to obtain waivers when required, we would be in default under our New Credit Facilities and the European Investment Bank Term Loan. In the event of any such defaults, the lenders 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 New Credit Facilities and the European Investment Bank Term Loan could elect to terminate their commitments thereunder, cease making further loans and 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.

***The Notes and the guarantees will be unsecured and effectively subordinated to our and the Guarantors' existing and future secured indebtedness.***

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 New Credit Facilities and the European Investment Bank Term Loan. 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 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 December 31, 2016, as adjusted after giving effect to the Refinancing, the Notes and the guarantees would have been effectively subordinated to $6.0 billion of senior secured indebtedness under our New Credit Facilities (excluding $300 million, equivalent in multicurrencies of undrawn revolving commitments under our New Credit Facilities).

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

The Indenture, the New Credit Facilities and the European Investment Bank Term Loan 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 to the shareholders of Grifols, S.A. or distributions 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 New Credit Facilities, the European Investment Bank Term Loan and/or the Notes. Upon the occurrence of an event of default under the New Credit Facilities and the European Investment Bank Term Loan, the lenders could elect to

declare all amounts outstanding under the New Credit Facilities and the European Investment Bank Term Loan to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders 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 New Credit Facilities. If the lenders under the New Credit Facilities or the European Investment Bank Term Loan accelerate the repayment of borrowings, we may not have sufficient assets to repay the New Credit Facilities, the European Investment Bank Term Loan and our other indebtedness, including the Notes. See "Description of Indebtedness". Our borrowings under the New 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 may not be able to satisfy our obligations to holders of the Notes upon a change of control or sale of assets.***

Upon the occurrence of a change of control, as defined in the Indenture, we will be required to offer to purchase the 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 will be required to offer to purchase the 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—Events of Default and Remedies".

In addition, the events that constitute a change of control or asset sale under the Indenture may also be events of default under our New Credit Facilities and the European Investment Bank Term Loan. These events may permit the lenders under our New Credit Facilities and the European Investment Bank Term Loan 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.

***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.

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

We expect that our 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. 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 New Credit Facilities, the European Investment Bank Term Loan and the Indenture, 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 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 purchaser that they intend to make a market in the Notes after the offering is completed. However, the initial purchaser 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. 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.

***As the Global Notes are held by or on behalf of Euroclear and Clearstream, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.***

The Notes may be represented by one or more global notes, or the Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper, as applicable, for Euroclear and Clearstream. Except in the circumstances described in the relevant global note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream will maintain records of the beneficial

interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream.

While the Notes are represented by one or more Global Notes we will discharge our payment obligations under the Notes by making payments to the common depositary or paying agent (in the case of a Global Note in NGN form) for Euroclear and Clearstream for distribution to our account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream to receive payments under the relevant Notes. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against us in the event of a default under the relevant Notes but will have to rely upon their rights under the Indenture.

***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).

***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. The covenants in the Indenture permit us to incur additional indebtedness at subsidiaries that do not guarantee the Notes and in the future the revenue and EBITDA of such entities could increase, possibly substantially. Our non-Guarantor subsidiaries accounted for €98.1 million, or 8.6% of our EBITDA for the year ended December 31, 2016. In addition, as of December 31, 2016, our non-Guarantor subsidiaries accounted for € 1,280.1 million, or 12.6% of our assets (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.***

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 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 and the Guarantor:

- 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; or

- 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 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 Issuer and any remaining Guarantors.

***Enforcement of the Guarantees across multiple jurisdictions may be difficult.***

The Notes will be issued by the Issuer, a company organized under the laws of Spain, and 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.

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

The Issuer 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".

***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 Issuer is 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 Issuer or the Guarantors or the Issuer'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 Issuer, the Guarantors and shareholders of them. Prospective investors in the Notes should consult their own legal advisors with respect to such considerations.

In particular, under Spanish law, a debtor shall 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 shortly 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" (*concurso voluntario*) and, if filed by a third party, the insolvency is deemed "mandatory" (*concurso necesario*). The directors of the debtor company shall 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 under 5 Bis of the Spanish Insolvency Act 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*), to obtain an additional period of three months to negotiate with its creditors).

The debtor may file for insolvency (or 5 Bis 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 necessary 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 requirements 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 receivers any debts owed to them, 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 Spanish Insolvency Act as follows: (i) debts against the insolvency estate, (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 the underlying assets). 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:

(i) 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*);

(ii) 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, one factor considered in determining if a party is "specially related" is (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 common 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

(iii) 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 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; (ii) they have been entered into by creditors (whether or not subject to financial supervision (that is to say the Spanish Insolvency Act excludes public creditors, labor creditors and creditors for commercial transactions (*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; (iii) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached; and (iv) the agreement is formalized in a public instrument. Court-sanctioned refinancing agreements may not be subject to a clawback action. 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 (for the purposes of petitioning protection against clawback) if it is favorably voted upon by at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement.

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 latest reform of the Spanish Insolvency Act:

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

(b) Further, these effects may be extended to the amount of secured claims 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;

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

(i) 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);

(ii) haircuts (note that a cap has not been established);

(iii) capitalization of debt (debt-to-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;

(iv) 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

(v) 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 be extended to the amount of secured claims 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. In addition, the insolvency laws of Spain may impose certain limitations on the validity and enforceability of the Guarantees.

In addition, if Grifols Worldwide Operations Limited 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. In addition, any investment in the Notes does not have the status of a bank deposit in Ireland and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland. Grifols Worldwide Operations Limited is not regulated by the Central Bank of Ireland by virtue of it acting as a guarantor in relation to the Notes.

Examinership is a court procedure available under the Companies Act 2014 (as amended), or the Companies Act, to facilitate the survival of Irish companies in financial difficulties. Grifols Worldwide Operations Limited, the directors of Grifols Worldwide Operations Limited, a contingent, prospective or actual creditor of Grifols Worldwide Operations Limited, or shareholders of Grifols Worldwide Operations Limited holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of Grifols Worldwide Operations Limited are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after this appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to this appointment. During the period of protection, the examiner will formulate proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors whose interests or claims would be impaired by implementation of the proposals has voted in favor of the proposals and the Irish High Court is satisfied that such proposals are 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 the proposals are not unduly prejudicial to the interests of any interested party.

The primary risks to the holders of Notes if an examiner were appointed to Grifols Worldwide Operations Limited are the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of the debt due by Grifols Worldwide Operations Limited to

the holders of the Notes; the potential for the examiner to seek to set aside any negative pledge in the Notes prohibiting the creation of security or the incurring of borrowings by Grifols Worldwide Operations Limited to enable the examiner to borrow to fund the company during the protection period; and in the event that a scheme of arrangement is not approved and Grifols Worldwide Operations Limited subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of Grifols Worldwide Operations Limited and approved by the Irish High Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by Grifols Worldwide Operations Limited to holders of Notes.

***Income payable under the Notes to Spanish resident taxpayers may be subject to withholding.***

We consider that, pursuant to the provisions of the Royal Decree 1065/2007, as amended, 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 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. 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—Additional Amounts".

Should the Spanish Tax Authorities maintain a different opinion as to the application by us of withholding to payments made to Spanish tax residents (individuals subject to Personal Income Tax—*Impuesto sobre la Renta de las Personas Físicas*—and entities subject to Spanish Corporate Income Tax—*Impuesto sobre Sociedades*), 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. Should the procedures for the collection of the information relating to holders of Notes apply, holders of Notes will be informed of such new procedures and their implications.

Notwithstanding the above, 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 27 July 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 per cent). 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 purchaser.

***The Proposed Financial Transactions Tax***

On February 14, 2013, the European Commission published a proposal, or the Commission's Proposal, for a Directive for a common Proposed Financial Transactions Tax, or FTT, in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, or 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. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

***Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely, could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations.***

Developments in the Eurozone have exacerbated the ongoing global economic crisis. Financial markets and the supply of credit may continue to be negatively impacted by ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Ireland, Italy, Portugal and Spain), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. Governments and regulators have implemented austerity programs and other remedial measures to respond to the Eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures are difficult to predict. If the Eurozone debt crisis is not resolved, it is possible that one or more countries may default on their debt obligations and/or cease using the euro and re-establish their own national currency or that the Eurozone may collapse. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation, which may have a material adverse effect on our business, results of operations and financial condition. In addition, the departure of one or more countries from the Eurozone may lead to the imposition of, inter alia, exchange rate control laws. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro, such as supply contracts, would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect our trading environment and the value of the Notes, and could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations, which could adversely affect our financial condition.

***The United Kingdom's vote in favor of withdrawing from the European Union could lead to increased market volatility which could adversely impact the market price of our Notes.***

On June 23, 2016, the electorate in the United Kingdom voted in favor of leaving the European Union (commonly referred to as "Brexit"). The withdrawal of the United Kingdom from the European Union will

take effect either on the effective date of the withdrawal agreement or, in the absence of agreement, two years after the United Kingdom provides a notice of withdrawal pursuant to the EU Treaty. There are many ways in which our business could be affected by this event, only some of which we can identify at this time. It appears likely that this withdrawal will involve a process of lengthy negotiations between the United Kingdom and European Union member states to determine the future terms of the United Kingdom's relationship with the European Union. This could lead to a period of considerable uncertainty particularly in relation to United Kingdom financial and banking markets as well as on the regulatory process in Europe. As a result of this uncertainty, financial markets could experience significant volatility which could adversely affect the market price of our Notes.

**Risks Relating to Our Business**

***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 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 capacity 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.

***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, or, 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 IVIG 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; stomach ache; and a jittery feeling.

- The use of Prolastin® or its successor in the United States and Canada, 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, we rely on physicians to prescribe and administer it 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. 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.

For example, we finished the construction of a new fractionation plant at our facility, located at Parets del Vallès, near Barcelona, Spain, or the Parets facility, in 2014. The new Parets fractionation plant was approved by the FDA in 2014. In 2014, we also completed construction and received FDA approval of a new fractionation plant at our Clayton, North Carolina plasma fractionation and manufacturing facility, which we refer to as our Clayton facility. Our immunoglobulin purification facility located in Los Angeles, California, which we refer to as our Los Angeles facility, was completed and approved by the FDA in the fourth quarter of 2014 and started operations in 2015. We are also in the process of constructing a new, upgraded facility to assume production of the intermediate immunoassay antigen and antibody products now manufactured at our facility in Emeryville, California, or our 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 European Medicines Agency, or 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 revenues 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, improvements in socioeconomic conditions in the areas in which our and our suppliers' plasma collection centers are located could reduce the attractiveness of financial incentives for potential donors, resulting in increased fees paid to donors or a reduction in the number of donors.

- *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 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 and on an ongoing basis after its approval, it must be inspected by the FDA and the EMA for compliance with cGMP and other regulatory requirements and these regulatory requirements are subject to change. For example, on May 22, 2015 the FDA issued a final rule addressing 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. The final rule became effective on May 23, 2016.

While we believe that our centers will timely adopt the new regulations, which generally reflect our current approaches, the compliance efforts 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 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: (i) changes in the economic environment and population in selected regions where we operate plasma collection centers; (ii) the entry of competitive centers into regions where we operate; (iii) our misjudging the demographic potential of individual regions where we expect to increase production and attract new donors; (iv) unexpected facility related challenges; or (v) unexpected management challenges at select plasma collection centers.

***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 would have a material adverse effect on us.***

We have historically derived a significant portion of our net revenues from our immunoglobulin products, including our IVIG products. In 2016, our IVIG products accounted for approximately 39% of our net revenues. If any of these IVIG 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. Shire, Biotest, CSL Behring, Kedrion, Octapharma and BPL now have a 10% liquid IVIG product in the United States. Both Octapharma and Bio Products Laboratory have launched 5% liquid IVIG products. As competition has increased, some of our competitors have discounted the price of IVIG products as many customers have become increasingly price sensitive with respect to IVIG 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. This product is a more concentrated intravenous formulation than the one we offer in Europe. Another competitor offers an inhaled formula and submitted a Marketing Authorization Application with the EMA at the beginning of 2016 and is in Phase II/III clinical trials in the United States. 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 forecast, we would have fewer patients and lower sales volume.

Other new treatments, such as small molecules, monoclonal or recombinant products, 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, could compete with our products and reduce the demand for our products. At the end of 2016, Kamada announced the BLA submission of its rabies product to compete with our rabies hyperimmune product in the United States. In February 2009, GTC Biotherapeutics obtained FDA approval of a competitive antithrombin III, or ATIII, a product derived from the milk of transgenic goats for the treatment of hereditary antithrombin deficiency. This product now directly competes with our product, Thrombate® III, which had previously been the only FDA-approved ATIII product. In addition, alternatives exist for albumin in its application as a plasma volume expander. If an increased use of alternative products for Factor VIII, Factor IX or albumin 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 do not currently sell any recombinant products. We have recombinant versions of A1PI and plasmin in our pipeline, but we cannot be certain that any of these products will ever be approved or commercialized. As a result, our product offerings may remain plasma-derived, even if our competitors offer competing recombinant products.

The introduction of products approved for alternative routes of administration, including the subcutaneous route of administration, may also adversely affect sales of our products. For example, CSL and Shire introduced a preparation of human immunoglobulin at a 20% concentration for the treatment of people who need replacement of antibodies and Shire has an immune globulin with a recombinant human hyaluronidase indicated for the treatment of Primary Immunodeficiency (PI) in adults. According to the MRB, the global market for subcutaneous products is relatively small. Our 10% Gamunex® has the FDA approval to be administered intravenously or subcutaneously and we are working on a 20% concentration product to be administered in both ways.

***We face competition from companies with greater financial resources.***

We operate in highly competitive markets. Our principal competitors include Shire, 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 revenues 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 investment 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.

***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:

- 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 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. See also "—Our ability to continue to produce safe and effective products depends on a plasma supply free of transmittable diseases". 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.

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

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, 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 the services of any of Raimon Grifols Roura, Víctor Grifols Deu, Ramón Riera Roca, Alfredo Arroyo Guerra, Carlos Roura Fernández, Vicente Blanquer Torre, Mateo Florencio Borrás Humbert, Montserrat Lloveras Calvo, David Ian Bell, Gregory Gene Rich, Shinji Wada, Francisco Javier Jorba Ribes, Nuria Pascual Lapeña, Lafmin Morgan and Carsten Schroeder would significantly and negatively impact our business. 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 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 of approximately $360 million from 2016 through 2021. 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 barriers, exchange controls, regulatory changes, changes to tax regimes, foreign investment limitations, civil disturbances and war. 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 revenues 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.

***We are susceptible to interest rate variations.***

We use issuances of debt and bank borrowings as a source of funding. At December 31, 2016, $3.8 billion and €389 million of our senior debt, which represented 80.7% of our senior debt and senior unsecured notes, bore interest at variable rates, at a spread over the London Interbank Offered Rate, or LIBOR, for our U.S. dollar denominated debt and at a spread over the Euro Interbank Offered Rate, or 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 "Operational and Financial Review—Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk". After adjusting for the entry into the New Credit Facilities, $5 billion and €0.6 million of our senior interest bearing debt, which represented 85% of our senior interest bearing debt, bore interest at variable rates, at a spread over LIBOR for our U.S. dollar denominated debt and at a spread over EURIBOR for our euro denominated debt.

***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 2016, €3.1 billion, or 75.5%, of our net revenue of €4.0 billion 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. At December 31, 2016, our U.S. dollar denominated senior debt and notes totaled $4.8 billion, and after adjusting for the offering of the Notes, completion of the Tender Offer (assuming that 100% of the holders tender their Existing Notes in the Tender Offer), the Refinancing and the Hologic Transaction, we would have approximately $7.1 billion of U.S. dollar denominated debt. See "Operational and Financial Review—Quantitative and Qualitative Disclosures About Market Risk—Currency Risk".

***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 and Benson, North Carolina, 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 any such event 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 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, 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 IVIG 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 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:

- 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; and
- 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.

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 also

could 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 prevalence and severity of any side effects;
- 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.

***A breakdown in our information technology systems could result in 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, wrongful intrusions, data breaches 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 or adversely impact the conduct of scientific research and clinical trials, including the submission of research results to support marketing authorizations. Various evolving federal, state and foreign laws protecting the privacy and security of personal information may also be implicated by improper uses or disclosures of data, resulting in liabilities and requiring specified data breach notifications. Our information technology systems also 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. In addition, procedures and safeguards must continually evolve to meet new data security challenges, and enhancing protections, and conducting investigations and remediation, may impose additional costs on us. If we were to suffer a breakdown in our systems, storage, distribution or tracing, we could experience significant disruptions affecting our manufacturing, accounting and billing processes or reputational harm or claims against us by private parties and/or governmental agencies.

***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 situation 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, that 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 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.

**Risks Relating to the Healthcare Industry**

***The implementation of the Healthcare Reform Law in the United States may adversely affect our business.***

The United States Healthcare Reform Law, adopted through the March 2010 enactment of the Patient Protection and Affordable Care Act and the companion Healthcare and Education Reconciliation Act, 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. The Healthcare Reform Law has materially expanded the number of individuals in the United States with health insurance. The Healthcare Reform Law 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. As a result, while upholding the law generally, the United States Supreme Court has effectively made the Healthcare Reform Law's Medicaid expansion voluntary for each state. In addition, President Trump and the majorities in both houses of Congress have stated their intention to repeal and replace the Healthcare Reform Law. On January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the Healthcare Reform Law to waive, defer, grant exemptions from, or delay the implementation of any provision of the Healthcare Reform Law that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. The uncertain status of the Healthcare Reform Law affects our ability to plan.

Implementation of the Healthcare Reform Law has included significant 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/Public Health Service, or PHS, program, and these efforts could have a material adverse impact on our financial performance.

For example, with respect to Medicaid, in order for a drug manufacturer's products to be reimbursed by federal funding under Medicaid, the manufacturer must enter into a Medicaid drug rebate agreement with the Secretary of the U.S. Department of Health and Human Services, or HHS, and pay certain rebates to the states based on utilization data provided by each state to the manufacturer and to the Centers for Medicare & Medicaid Services, or CMS, and pricing data provided by the manufacturer to the federal government. The states share these savings with the federal government and sometimes implement their own additional supplemental rebate programs. Under the Medicaid drug rebate program, the rebate amount for most brand name drugs is the greater of 23.1% of the Average Manufacturer Price, or AMP, per unit or the difference between the AMP and the Best Price per unit and adjusted by the Consumer Price Index—Urban, or CPI-U, based on launch date and current quarter AMP, subject to certain exceptions (for example, for certain clotting factors, such as our Factor VIII and Factor IX products, the amount of the rebate 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 based on launch date and current quarter AMP). For non-innovator multiple source (generic) drugs, the rebate percentage is equal to a minimum of 13.0% of AMP. In 2010, the Healthcare Reform Law also extended this rebate obligation to prescription drugs covered by Medicaid managed care organizations.

In addition, the statutory definition of AMP changed in 2010 as a result of the Healthcare Reform Law. On January 21, 2016, CMS issued a final rule effective on April 1, 2016, providing a regulatory definition of "AMP" along with other changes to the price reporting process. We believe our reporting meets the obligations contained in the final rule.

The Healthcare Reform Law also created new obligations for our products under Medicare Part D, a partial, voluntary prescription drug benefit created by the federal government primarily for persons 65 years old and over. The Part D drug program is administered through private insurers that contract with CMS. Beginning in 2011, the Healthcare Reform Law generally required that we provide a 50% discount to patients who fall within the Medicare Part D coverage gap, also referred to as the "donut hole", which is

a gap in Medicare Part D coverage for beneficiaries who have expended more than a certain amount, and less than a certain greater amount, for drugs.

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/PHS program, and changes to this program under the Healthcare Reform Law could adversely affect our financial performance. The 340B/PHS program extends discounts to a variety of community health clinics and other entities that receive health services grants from the PHS, as well as to hospitals that serve a disproportionate share of certain low income individuals, and the Healthcare Reform Law 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 PHS 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, or PPA, with the government in which we have agreed to participate in the 340B/PHS 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 Health Resources and Services Administration, or HRSA, of HHS, the federal agency responsible for oversight of the 340B/PHS program, which creates uncertainty. For example, on January 5, 2017, a final rule was published in the Federal Register. The regulation's effective date is March 21, 2017, and HRSA has stated that it plans to begin enforcing the requirements of this final rule effective April 1, 2017. The rule includes provisions on how to calculate the ceiling price for covered outpatient drugs under the 340B program and addresses the imposition of civil monetary penalties, or CMPs, on manufacturers that knowingly and intentionally overcharge covered entities. We believe that we meet the requirements of the 340B/PHS program, but we are continuing to review and monitor these and other HRSA proposals.

The Healthcare Reform Law also 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 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 by the FDA for 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 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. 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 Healthcare Reform Law 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 Healthcare Reform Law. 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.

A Healthcare Reform Law provision, generally referred to as the Physician Payment Sunshine Act, or the PPS Act, or Open Payments Program, 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 health care provider identities. Under the PPS Act we are required to collect and report detailed information regarding certain financial relationships we have with covered health care providers, and we believe that we are substantially compliant with applicable PPS Act requirements. The PPS Act pre-empts 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, our compliance with these rules imposes additional costs on 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.***

Prices in many countries, including many European countries, are subject to local regulation and 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, beginning in 2005, the Medicare drug reimbursement methodology for physician and hospital outpatient payment schedules changed to Average Sales Price, or 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 ASP + 6% for 2013, and maintained the same rate for 2014 through 2017. 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 President Trump has suggested that he would support pharmaceutical pricing negotiations on behalf of Medicare, and certain Senators have stated their intent to introduce a bill authorizing the importation of pharmaceuticals where pharmaceutical prices in the United States for a given product are deemed excessive. It is not clear that any such pricing negotiation or importation measures will be enacted.

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. 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. 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 IVIG, 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. For example, CMS could initiate an administrative procedure known as a National Coverage Determination by which the agency determines which uses of a therapeutic product would be reimbursable under Medicare and which uses would not. This determination process can be lengthy, thereby creating a long period during which the future reimbursement for a particular product may be uncertain. High levels of spending on IVIG products, along with increases in IVIG prices, increased IVIG utilization and the high proportion of off-label uses, may increase the risk of regulation of IVIG reimbursement by CMS. On the state level, similar limits could be proposed for therapeutic products covered under Medicaid.

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.

***Certain of our business practices are subject to scrutiny by regulatory authorities, as well as to lawsuits brought by private citizens under federal and state laws. Failure to comply with applicable laws or an adverse decision in lawsuits may result in adverse consequences to us.***

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, or the FDCA, the Federal False Claims Act, or the FCA, the 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 example, 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 enacted 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, under the Anti-Kickback Law, and similar state laws and regulations, even common business arrangements, such as discounted terms and volume incentives for customers in a position to recommend or choose drugs and devices for patients, such as physicians and hospitals, must be structured to comply with applicable requirements. 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. Violations of the Anti-Kickback Law can result in substantial legal penalties, including, among others, civil and criminal penalties or exclusion from federal health care programs, including Medicare and Medicaid.

The federal 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 Healthcare Reform Law 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. 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..."

Significant enforcement activity has been the result of actions brought by relators, who file complaints in the name of the United States (and if applicable, particular states) under the FCA or the equivalent state statutes. "False claims" can result not only from noncompliance with the express requirements of applicable governmental reimbursement programs, such as Medicaid or Medicare, but also from noncompliance with other laws, such as the Anti-Kickback Law (which was explicitly confirmed in the Healthcare Reform Law), or laws that require quality care in service delivery. The qui tam and whistleblower provisions of the FCA allow private individuals to bring actions on behalf of the government alleging that the government was defrauded, with tremendous potential financial gain (up to 30% of the government's recovery plus legal fees) to private citizens who prevail. When a private party brings a whistleblower action under the FCA, the defendant is not made aware of the lawsuit until the government starts its own investigation or makes a decision on whether it will intervene. Many states have enacted similar laws, and these states have their own penalties which may be in addition to federal FCA penalties. The bringing of any federal FCA action could require us to devote resources to investigate and defend the action. Violations of the FCA can result in treble damages, and each false claim submitted can be subject to a penalty ranging from $10,781 to $21,563 per claim. 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 ability 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. 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. 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/PHS 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. For example, the Healthcare Reform Law requires the Secretary of HHS to develop and issue regulations for the 340B/PHS program establishing standards for the imposition of sanctions in the form of civil monetary penalties, or CMP, for manufacturers that knowingly and intentionally overcharge a covered entity for a 340B drug, and on January 5, 2017, HHS published a final rule in the Federal Register addressing the application of CMPs. The CMP may be up to $5,000 for each instance of overcharging a covered entity.

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 (e.g., the FDA in the United States), nor can companies promote unapproved products. In the United States, pharmaceutical companies have, to a limited extent, been recognized by the FDA as permitted to disseminate to physicians certain truthful and accurate information regarding unapproved uses of approved products, or results of studies involving investigational products. In addition, in December 2012, a federal appeals court in New York found that the criminal prosecution of a pharmaceutical manufacturer for truthful, non-misleading speech promoting the lawful, off-label use of an FDA-approved drug would violate the manufacturer's constitutional rights of free speech, and the FDA chose not to appeal that decision. 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. Similar actions for off-label promotion have been initiated by several states for Medicaid fraud. The Healthcare Reform Law 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.

We also are subject to certain laws and regulations concerning the conduct of our foreign operations, 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 are subject to extensive government regulatory compliance and ethics oversight.***

Our business is subject to extensive government regulation and oversight. 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 health care laws and mitigate potential liability in the event of noncompliance, regulatory authorities, such as HHS's Office of the Inspector General, or OIG, have recommended the adoption and implementation of a comprehensive health care 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 HHS 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.

***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. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us for claims arising in the United States. 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.

## USE OF PROCEEDS

We will use the gross proceeds from the offering of the Notes to refinance the Existing Notes and pay related fees and expenses.

| Sources | | Uses | |
|---|---|---|---|
| | **(euros in millions)[1]** | | |
| Notes offered hereby | 1,000.0 | Refinancing of the Existing Notes[2] | 952.3 |
| Cash on hand | 5.3 | Transaction costs and original issue discount[3] | 52.2 |
| | | Payment of accrued but unpaid interest on the Existing Notes since April 1, 2017 | 0.8 |
| **Total Sources** | **€1,005.3** | **Total Uses** | **€1,005.3** |

(1) U.S. dollar amounts have been converted to euro using a U.S. dollar to euro exchange rate of $1.00 to €0.9524, which is the illustrative exchange rate used herein, €1.00 to $1.05. On March 24, 2017, the U.S. dollar to euro exchange rate was $1.00 to €0.9511.

(2) Assumes that 100% of the holders tender their Existing Notes in the Tender Offer and that the completion of the Tender Offer will be on April 1, 2017 for the purposes of calculating the amounts due.

(3) This amount reflects the aggregate fees and expenses we will pay in connection with the Tender Offer and the offering of the Notes, including transaction costs and professional fees. Includes original issue discount at an issue price of 99.649%.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2016 on a historical basis and on an as adjusted basis to give effect to the Hologic Transaction, the Refinancing and this offering and the use of the proceeds therefrom.

This table should be read in conjunction with "Use of Proceeds", "Selected Historical Consolidated Financial Data", "Operational and Financial Review" and the financial statements and related notes included elsewhere in this offering memorandum.

| | As of December 31, 2016 (euros in millions)[1] | | |
|---|---|---|---|
| | Historical | Adjustments | As Adjusted |
| Cash and cash equivalents | 895.0 | (327.2) | 567.8[2] |
| Existing Debt | 4,942.1 | (5,057.5) | (115.4) |
| Existing Credit Facilities | 3,964.3 | (3,964.3) | — |
| Existing Notes | 948.7 | (948.7) | — |
| Other Credit Facilities and Financial Liabilities[3] | 29.1 | (144.5) | (115.4) |
| New Credit Facilities[4]: | — | 5,686.5 | 5,686.5 |
| Revolving Loans | — | 0.3 | 0.3 |
| Tranche A term loans | — | 2,843.1 | 2,843.1 |
| Tranche B term loans | — | 2,843.1 | 2,843.1 |
| Notes offered hereby | — | 1,000.0 | 1,000.0 |
| Total Debt | 4,942.1 | 1,629.0 | 6,571.1 |
| Total Equity | 3,728.0 | — | 3,728.0 |
| Total Capitalization | 8,670.1 | 1,629.0 | 10,299.1 |

(1) Euro amounts have been converted to U.S. dollars using a euro/U.S. dollar exchange rate of €1.00 to $1.0552, which was the Federal Reserve Bank Rate on December 31, 2016. On March 24, 2017, the euro to U.S. dollar exchange rate was €1.0514 to $1.00.

(2) Assumes that 100% of the holders tender their Existing Notes in the Tender Offer for the purposes of calculating as adjusted cash and cash equivalents.

(3) Other Credit Facilities and Financial Liabilities includes current and non-current financial liabilities except for the Existing Credit Facilities and Existing Notes.

(4) Represents the New Credit Facilities. Borrowings under the New Credit Facilities were used to repay the Existing Credit Facilities on January 31, 2017. See "Description of Indebtedness—New Credit Facilities".

## 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 consolidated financial statements, the related footnotes and the section entitled "Operational and Financial Review" included elsewhere in this offering memorandum.

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, 2016, 2015 and 2014 is derived from our audited consolidated financial statements for 2016 and 2015, included elsewhere in this offering memorandum.

Our consolidated financial statements included elsewhere in this offering memorandum have been prepared in accordance with IFRS-IASB. See "Presentation of Financial and Other Information—Financial Information".

| | As of December 31, | | |
|---|---|---|---|
| **Consolidated Balance Sheet Data** | **2016** | **2015** | **2014** |
| | **(in thousands of euros)** | | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | | |
| Goodwill | 3,643,995 | 3,532,359 | 3,174,732 |
| Other intangible assets | 1,195,302 | 1,161,572 | 1,068,361 |
| Property, plant and equipment | 1,809,852 | 1,644,402 | 1,147,782 |
| Investments in equity-accounted investees | 201,345 | 76,728 | 54,296 |
| Non-current financial assets | 89,545 | 30,388 | 9,011 |
| Deferred tax assets | 67,219 | 66,794 | 82,445 |
| **Total non-current assets** | **7,007,258** | **6,512,243** | **5,536,627** |
| **Current assets** | | | |
| Inventories | 1,642,931 | 1,431,391 | 1,194,057 |
| Trade and other receivables | | | |
| Trade receivables | 413,656 | 362,406 | 500,785 |
| Other receivables | 42,299 | 60,520 | 35,370 |
| Current income tax assets | 77,713 | 60,270 | 79,593 |
| Trade and other receivables | 533,668 | 483,196 | 615,748 |
| Other current financial assets | 2,582 | 1,294 | 502 |
| Other current assets | 48,324 | 31,091 | 23,669 |
| Cash and cash equivalents | 895,009 | 1,142,500 | 1,079,146 |
| **Total current assets** | **3,122,514** | **3,089,472** | **2,913,122** |
| **Total Assets** | **10,129,772** | **9,601,715** | **8,449,749** |

| Consolidated Balance Sheet Data | As of December 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| | (in thousands of euros) | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 119,604 | 119,604 | 119,604 |
| Share premium | 910,728 | 910,728 | 910,728 |
| Reserves | 1,694,245 | 1,371,061 | 1,088,337 |
| Treasury stock | (68,710) | (58,575) | (69,252) |
| Interim dividend | (122,908) | (119,615) | (85,944) |
| Profit for the year attributable to the Parent | 545,456 | 532,145 | 470,253 |
| **Total Share Capital and Accumulated Results** | **3,078,415** | **2,755,348** | **2,433,726** |
| Available for sale financial Assets | (5,219) | — | — |
| Cash flow hedges | — | 3,329 | (15,811) |
| Other | (642) | 3,035 | (406) |
| Translation differences | 648,927 | 534,491 | 240,614 |
| Other comprehensive expenses | 643,066 | 540,855 | 224,397 |
| **Equity attributable to the Parent** | **3,721,481** | **3,296,203** | **2,658,123** |
| Non-controlling interests | 6,497 | 5,187 | 4,765 |
| **Total Equity** | **3,727,978** | **3,301,390** | **2,662,888** |
| **Liabilities** | | | |
| Grants | 12,196 | 13,120 | 6,781 |
| Provisions | 5,118 | 4,980 | 6,953 |
| Non-current financial liabilities | 4,712,071 | 4,597,654 | 4,154,630 |
| Deferred tax liabilities | 600,646 | 631,565 | 538,786 |
| Total non-current liabilities | **5,330,031** | **5,247,319** | **4,707,150** |
| Provisions | 89,588 | 123,049 | 115,985 |
| Current financial liabilities | 230,065 | 262,497 | 194,726 |
| Debts with associates | — | 443 | 3,059 |
| Trade and other payables | | | |
| Suppliers | 461,073 | 409,986 | 439,631 |
| Other payables | 142,894 | 106,171 | 90,965 |
| Current income tax liabilities | 7,957 | 16,196 | 87,462 |
| Total trade and other payables | 611,924 | 532,353 | 618,058 |
| Other current liabilities | 140,186 | 134,664 | 147,883 |
| Total current liabilities | 1,071,763 | 1,053,006 | 1,079,711 |
| **Total Liabilities** | **6,401,794** | **6,300,325** | **5,786,861** |
| **Total Equity and Liabilities** | **10,129,772** | **9,601,715** | **8,449,749** |

| Consolidated Statement of Profit or Loss Data | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (in thousands of euros, except for per share and share data) | | |
| **Continuing Operations** | | | |
| Net revenue | 4,049,830 | 3,934,563 | 3,355,384 |
| Cost of sales | (2,137,539) | (2,003,565) | (1,656,170) |
| **Gross Profit** | **1,912,291** | **1,930,998** | **1,699,214** |
| Research and development | (197,617) | (224,193) | (180,753) |
| Selling, general and administration expenses | (775,266) | (736,435) | (660,772) |
| **Operating Expenses** | **(972,883)** | **(960,628)** | **(841,525)** |
| **Operating Result** | **939,408** | **970,370** | **857,689** |
| Finance income | 9,934 | 5,841 | 3,069 |
| Finance costs | (244,829) | (240,335) | (225,035) |
| Change in fair value of financial instruments | (7,610) | (25,206) | (20,984) |
| Impairment and gains/(losses) on disposal of financial instruments | — | — | (5) |
| Exchange differences | 8,916 | (12,140) | (18,472) |
| **Finance result** | **(235,589)** | **(271,840)** | **(261,427)** |
| Share of profits/(losses) of equity-accounted investees | 6,933 | (8,280) | (6,582) |
| **Profit before income tax from continuing operations** | **712,752** | **690,250** | **589,680** |
| Income tax expense | (168,209) | (158,809) | (122,597) |
| **Profit after income tax from continuing operations** | **544,543** | **531,441** | **467,083** |
| **Consolidated profit for the year** | **544,543** | **531,441** | **467,083** |
| Profit attributable to the Parent | 545,456 | 532,145 | 470,253 |
| (Loss) attributable to non-controlling interests | (913) | (704) | (3,170) |
| **Basic earnings per ordinary share from continuing operations**[(1)] | 0.80 | 0.78 | 0.69 |
| **Average weighted number of ordinary shares outstanding**[(1)] | 683,225,815 | 683,549,316 | 685,344,936 |

(1) On January 4, 2016, the share split approved on December 3, 2015 by the Company's board of directors became effective. As a result of the share split, the nominal value of the new Class A shares becomes €0.25 per share (previously €0.50 per share), while the nominal value of the new Class B shares becomes €0.05 per share (previously €0.10 per share). In line with the audited financial statements included herein, average number of shares and basic earnings per ordinary share from continuing operations for 2016 and 2015 have been calculated taking the split into consideration and comparative data for 2014 has been modified accordingly.

## 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 audited consolidated financial statements and related footnotes 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 prepared under International Financial Reporting Standards as issued by International Accounting Standards Board, or IFRS-IASB, which for our purposes, are identical to the standards as endorsed by the European Union, or IFRS-EU, to present fairly the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at December 31, 2016, as well as the consolidated results from their operations, consolidated cash flows and consolidated changes in equity.

### Business Overview

We are one of the leading global specialty pharmaceutical companies developing, manufacturing and distributing a broad range of biological medicines derived from blood plasma. 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, such as: 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 30 countries.

We organize our business into four divisions: Bioscience, Diagnostic, Hospital and Raw Materials and Others. These divisions also represent the operating segments of the Company:

- *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 IVIG, 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 €3.2 billion, or 79.7%, of our total net revenue in 2016.

- *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 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 Diagnostic division accounted for €664 million, or 16.4%, of our

total net revenue in 2016. 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. We expect that the impact of the Hologic Transaction will enhance our vertical integration and further promote the development of new tests and screening routines for emerging viruses.

- *Hospital.* The Hospital division manufactures and installs products used by hospitals, such as parenteral solutions and enteral and parenteral nutritional fluids, which are sold almost exclusively in Spain and Portugal. 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 €98.6 million, or 2.4%, of our total net revenue in 2016.

- *Raw Materials and Others.* Net revenue from Raw Materials and Others primarily consists of revenue from third-party engineering projects performed by our subsidiary, Grifols Engineering, S.A., as well as all income derived from manufacturing agreements with Kedrion and royalty income from the Bioscience and Diagnostic divisions, including royalties acquired with the Novartis Diagnostic Business. The Raw Materials and Others division accounted for €59.0 million, or 1.5%, of our total net revenue in 2016.

**Recent Developments**

*The Hologic Transaction*

As part of our 2014 acquisition of the diagnostic business of Novartis Corporation, or Novartis, we acquired Novartis' share of its collaboration with Hologic, Inc., or Hologic. Pursuant to this joint collaboration, or the NAT Donor Screening Unit, Hologic was responsible for research, development and manufacturing of the Procleix® blood screening products and Grifols was responsible for their commercialization worldwide. 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 the blood and plasma donations, contributing to greater transfusion safety.

On December 14, 2016, we entered into an asset purchase agreement, or the Hologic Agreement, to consummate the Hologic Transaction. The Hologic Transaction closed on January 31, 2017, at which time we paid a purchase price of $1.865 billion to Hologic. The NAT Donor Screening Unit will be integrated into our current Diagnostic division through our subsidiary, Grifols Diagnostic Solutions, Inc. We expect that the Hologic Transaction will enhance our vertical integration and further promote 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 is expected to enable us to continue strengthening our leadership position in transfusion medicine. We believe the Hologic Transaction will increase our EBITDA margin and further enhance our future cash flow profile.

As part of the Hologic Transaction, the manufacturing site in San Diego, California has been transferred to Grifols. Additional assets acquired included development rights, intellectual property licenses and access to product manufacturers.

The purchase price of the Hologic Transaction is subject to certain post-closing adjustments and the Hologic Agreement also includes customary representations and warranties about the business of Hologic that we acquired and the purchased assets. We also entered into a transition services agreement, as well as a collaboration agreement and an intellectual property license with Hologic.

To finance the Hologic Transaction and to consummate the Refinancing, we entered into a credit and guaranty agreement on January 31, 2017 with a syndicate led by Nomura Securities International, Inc., Bank of America Merrill Lynch International Limited, Bank of America, N.A., Goldman Sachs Bank USA

and HSBC Bank plc, or the New Credit Facilities. A portion of the proceeds from the loans under the New Credit Facilities were used to fund the purchase price for the Hologic Transaction.

Historically, we accounted for 100% of the net revenue of the NAT Donor Screening joint collaboration as revenue. Pursuant to the collaboration agreement with Hologic, we paid a 50% revenue share and also reimbursed Hologic for 50% of its manufacturing costs. Following consummation of the Hologic Transaction, we expect no change in our accounting for revenue from NAT, since we have historically recorded 100% of the revenues from the NAT Donor Screening Unit in our income statement. However, we expect a net decrease in our cost of sales, primarily due to the termination of payments to Hologic in respect of its 50% revenue share, partially offset by an increase due to our assumption of the remaining 50% of the manufacturing costs.

*Refinancing of the Existing Credit Facilities*

The Existing Credit Facilities were repaid on January 31, 2017 with a portion of the proceeds of the New Credit Facilities that we entered into on January 31, 2017 and cash on hand. The New Credit Facilities consist of $6.0 billion of senior secured term loans, or the Senior Term Loans, and $300 million of senior secured revolving facilities, or the Revolving Loans. For a description of the principal terms of the New Credit Facilities, please see “Description of Indebtedness”.

**Tender Offer**

On April 6, 2017, Morgan Stanley & Co. International plc, or Morgan Stanley, as offeror, commenced a cash tender offer, or the Tender Offer, for any and all of the 5.25% Senior Notes due 2022 of Grifols Worldwide Operations Limited, or the Existing Notes, of which $1.0 billion in aggregate principal amount was outstanding as of March 31, 2017.

The Tender Offer will expire at 11:59 P.M., New York City time, on May 4, 2017, unless extended or earlier terminated, or the Expiration Date. Holders of the Existing Notes who validly tender (and do not validly withdraw) their Existing Notes at or prior to 5:00 P.M., New York City time, on April 20, 2017, unless extended or earlier terminated, or the Early Tender Date, will be eligible to receive the total consideration, which includes a base consideration plus an early tender premium for the Existing Notes as set forth in the Tender Offer. Holders of the Existing Notes who validly tender the Existing Notes after the Early Tender Date, but at or prior to the Expiration Date, will not be eligible to receive the early tender payment. Morgan Stanley will pay the applicable consideration for the Existing Notes tendered and validly delivered on or prior to the Early Tender Date, and after the Early Tender Date and prior to or at the Expiration Date.

The early settlement of the Tender Offer is expected to occur two business days prior to the anticipated closing of this offering. It is intended that the Existing Notes validly tendered at or prior to the Early Tender Date and purchased by Morgan Stanley in the Tender Offer, or the Early Tendered Existing Notes, will be exchanged by Morgan Stanley for a portion of the Notes offered hereby and a related decrease in the cash proceeds from the Notes, in an amount equal to the applicable total consideration for the Early Tendered Existing Notes, to be paid to the Issuer by the initial purchaser in this offering of the Notes, or the Exchange. The Issuer will pay Morgan Stanley an amount equal to accrued and unpaid interest on the Early Tendered Existing Notes in cash. The Existing Notes that are validly tendered after the Early Tender Date and prior to or at the Expiration Date that are purchased by Morgan Stanley in the Tender Offer will subsequently be purchased by the Issuer for cash.

The Tender Offer is conditioned on the satisfaction, or waiver by Morgan Stanley of certain conditions, including, but not limited to, the pricing of this offering on terms and conditions satisfactory to us. Completion of this offering is expected to satisfy this condition.

This offering memorandum is not an offer to purchase, or the solicitation of an offer to sell, the Existing Notes. The Tender Offer is made only by and pursuant to the terms of the Offer to Purchase, dated April 6, 2017, as the same may be amended or supplemented.

We intend to redeem any Existing Notes that are not tendered pursuant to the Tender Offer on April 28, 2017.

**Factors Affecting Our Financial Condition and Results of Operations**

*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, and may continue to adversely affect, our ability to maintain or increase our prices and gross margins.

As a result of the Talecris acquisition in 2011 and the acquisition of the transfusion medicine assets from Novartis in 2014, we have significantly expanded our presence in the United States. The United States is the principal market in the world for plasma derivative products and a significant market for transfusion medicine and other diagnostic specialties. Prices for plasma derivatives and diagnostic products are currently not regulated, with the exception of certain government healthcare programs.

*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 obtain our plasma from the United States 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 December 31, 2016, we had 171 operating plasma collection centers located across the United States. We have expanded our plasma collection network through a combination of organic growth and acquisitions and the opening of new plasma collection centers. Our acquisitions of SeraCare (now renamed Biomat USA) in 2002; PlasmaCare, Inc. (merged with Biomat USA in 2015) in 2006; eight plasma collection centers from a subsidiary of Baxter (now Shire) in 2006; four plasma collection centers from Bio Medics, Inc. in 2007; and one plasma collection center from Amerihealth Plasma LLC in 2008 have given us reliable access to United States source plasma. Our acquisition of Talecris in June 2011 expanded our network by an additional 67 centers. In 2016, we purchased equity interests in the IBBI Group (a 49.19% equity interest in IBBI, a 48.97% equity interest in Bio-Blood and a 48.90% equity interest in PBS), one of the main private and independent plasma suppliers in the United States, with the option to purchase the remaining 51%. In February 2017, we purchased six collection centers from Kedplasma LLC, increasing our collection network to 177 centers. We plan to reach 225 FDA-approved plasma collection centers by 2021.

In 2016, our plasma collection centers obtained approximately 8.8 million liters of plasma (including specialty plasma required for the production of hyperimmunes and plasma acquired from third parties). We believe that our plasma requirements through 2018 will be met through: (i) plasma collected through our plasma collection centers and (ii) plasma purchased from third-party suppliers pursuant to various plasma purchase agreements.

*Acquisitions*

***The Hologic Transaction***

On December 14, 2016, we entered into the Hologic Agreement. The Hologic Transaction closed on January 31, 2017, at which time we paid a purchase price of $1.865 billion to Hologic. Prior to the transaction, we and Hologic jointly operated this business, with Hologic responsible for research and development and manufacturing of the Procleix® blood screening products and Grifols responsible for their commercialization worldwide.

***Investment in Access Biologicals, LLC***

On January 10, 2017, we acquired 49% of the voting rights of Access Biologicals, LLC, or Access Biologicals, for $51 million. We were also granted the option, exercisable in 2022, to purchase the remaining 51% of the voting rights of the company for a multiple of its earnings. Access Biologicals is based in Vista, California and collects and manufactures an extensive biological product portfolio. It provides support for various markets such as in-vitro diagnostic manufacturing, biopharmaceutical, cell culture and diagnostic research & development.

***Investment in Singulex, Inc.***

On May 13, 2016, we invested $50 million in Singulex to acquire 20% of the common stock interest in Singulex. In connection with the investment, Singulex also 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, which will help to further ensure the safety of our blood and plasma products.

Singulex is the developer of the Single Molecule Counting (SMC™) technology for clinical diagnostic and scientific discovery. This technology enables the detection of disease biomarkers that were previously undetectable. Singulex is developing a fully-automated *in vitro* diagnostics system that will allow the company to bring its technology to hospitals and laboratories worldwide. Singulex provides clinical laboratory testing services to enhance the early detection of cardiac and vascular disorders and sells immunoassay tests and services.

***Investment in the Interstate Blood Bank Group***

On April 11, 2016, Grifols Worldwide Operations Limited acquired a 49.19% equity interest in Interstate Blood Bank, Inc., a 48.97% equity interest in Bio-Blood Components, Inc., and a 48.90% equity interest in Plasma Biological Services, LLC, collectively referred to herein as the "IBBI Group", for $100 million. We were also granted the option, exercisable in 2019, to purchase the remaining 51% of the voting rights of the IBBI Group for $100 million, and we paid an additional $10 million for this option. The transactions with the IBBI Group closed on May 11, 2016. IBBI Group's principal business is the collection of plasma for the plasma fractionation industry.

***Acquisition of Progenika***

On March 3, 2016, we announced the acquisition of shares representing 32.93% of the economic and voting rights of Progenika Biopharma, S.A., or Progenika, for a total amount of €25 million. The acquisition involved the execution of the put and call options that certain shareholders of Progenika and Grifols granted to each other on February 27, 2013. As a result, Grifols has increased its stake in Progenika to 89.25% of the share capital.

Fifty percent of the purchase price was paid in exchange for 876,777 non-voting class B shares of Grifols, with a face value of € 0.05 each. The remaining 50% of the price was paid in cash.

***AlbaJuna Therapeutics Investment***

In January 2016, we acquired 30% of the equity of AlbaJuna Therapeutics S.L. for €3.75 million in cash to fund the development and manufacture of therapeutic antibodies against HIV. The initial investment will be increased upon achievements of agreed upon development milestones.

AlbaJuna Therapeutics, a spin-off from the AIDS Research Institute, IrsiCaixa, promoted jointly by Obra Social "la Caixa" Foundation and the Department of Health of the Generalitat de Catalunya, was established to promote the pre-clinical and clinical development of monoclonal antibodies that neutralize the action of HIV in the body while they increase the activity of the natural killer cells that have the task of destroying infected cells.

***Alkahest Investment***

In March 2015, we entered into a definitive agreement to acquire 47.58% of the equity of Alkahest, Inc., a California biopharmaceutical company, for a $37.5 million payment upon entry into the agreement and a further payment of $12.5 million as collaboration fees and to fund the development of Alkahest's plasma-based products. We provide Alkahest with milestone payments and royalties on the sales of such products.

***Kiro Grifols Acquisition and Joint Venture***

In September 2014, we acquired 50% of the voting and economic rights of Kiro Grifols for €21 million. Kiro Grifols, a spin-off of MONDRAGON Health, a strategic unit of the MONDRAGON Corporation, is a Spanish technological company that develops, manufactures and sells machinery and equipment designed to automate or control critical hospital processes, such as dose dispensing in hospital pharmacy and clinical diagnostic services. It also develops technologies designed to improve the efficiency, safety and quality of hospital processes, such as 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.

In connection with the Kiro Grifols acquisition, we also signed a joint venture agreement with the other shareholders of Kiro Grifols S.L., which are also part of the MONDRAGON Corporation. The joint venture agreement governs, among other items, our equity investment, establishing a four-year lock-up period after which we may transfer shares subject to customary restrictions, including sale rights, preferential purchase rights and drag-along and tag-along rights, as well as representation on Kiro Grifols' board of directors, internal management and other governing bodies.

***Novartis Acquisition***

In January 2014, we concluded the acquisition of a diagnostic business unit related to transfusion medicine and immunology of the Swiss company Novartis for a total amount of $1.7 billion (€1.2 billion). The Novartis Acquisition was structured through our newly created 100% owned subsidiary, Grifols Diagnostic Solutions Inc. To finance the Novartis Acquisition, we entered into a bridge loan facility, pursuant to which we borrowed $1.5 billion of loans on January 3, 2014, which was repaid in full with the proceeds of the Existing Credit Facilities.

***TiGenix Acquisition***

In November 2013, we acquired 21.30% of the biotechnological company TiGenix N.V. through the subscription of a capital increase with exclusion of preferential subscription rights for €12 million. Primarily as a result of two private placements by TiGenix in 2015 and 2016, our percentage of equity ownership has been diluted to 16.90% at December 31, 2016. TiGenix is listed on the NYSE Euronext Brussels under the symbol "TIG", and is based in Leuven, Belgium but has commercial offices in Madrid. TiGenix is a

Belgian cell therapy company that is a global leader in the field of mesenchymal stem cell therapy, and the first European company that obtained an approval for a cell based medicinal product by the EMA, namely ChondroCelect. This investment was carried out through Gri-Cel.

In 2016, our significant influence over Tigenix ceased, as evidenced by the resignation of our preferred rights to distribute the main drug under investigation by Tigenix and Grifols no longer appointing board members. We do not expect to appoint board members going forward.

***Aradigm Stock Subscription***

In August 2013, we closed a transaction with Aradigm Corporation, or Aradigm, a company engaged in the development and commercialization of inhaled drugs for the treatment of severe respiratory diseases. We entered into an exclusive worldwide license agreement to develop and commercialize Pulmaquin, an inhaled ciprofloxacin product. In conjunction with the licensing agreement, we acquired 35% of Aradigm's common stock on a fully diluted basis for $26 million (€20.6 million).

***Investment in VCN Bioscience***

In July 2012, we acquired, through Gri-Cel, 40% of the share capital of VCN Bioscience, S.L., a Spanish biotechnology firm specializing in the research and development of new therapeutic approaches for tumors based on the use of oncologic viruses, for €1.5 million. In February 2014, we increased our share capital in VCN Bioscience by €700,000, bringing our interest in VCN Bioscience to 49.5%. Furthermore, in November 2015, we increased our share capital in VCN Bioscience by €2.5 million, bringing our interest up to 68.01%. Furthermore, in December 2016, we increased our share capital in VCN Bioscience by €5 million, bringing our interest up to 81.34%.

VCN Bioscience's most advanced project focuses on the treatment of pancreatic cancer, and our investment will enable it to continue to develop this new therapeutic approach, which is currently being tested in two Phase I clinical trials. In addition, a second VCN therapeutic approach, VCN-02, is scheduled to enter preclinical regulatory studies in the first half of 2017. We have committed under certain conditions to finance VCN Bioscience's ongoing projects for a minimum of €5 million, which we expect to achieve by continuing to increase our share capital in VCN Bioscience.

*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.

**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 International Financial Reporting Standards as issued by the International Accounting Standards Boards, or 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-IASB**

The preparation of consolidated financial statements in accordance with IFRS-IASB 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 audited 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 summary of accounting policies that we consider critical to our consolidated financial statements.

*(a) Business combinations*

We apply IFRS 3 (revised), Business combinations in transactions made subsequent to January 1, 2010, applying the acquisition method of this standard to business combinations. The acquisition date is the date on which we obtain 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 capital increase costs are recognized as equity when the increase takes place and borrowing costs are deducted from the related financial liability when it is recognized.

At the acquisition date, we recognize 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. We also recognize 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.

Assets and liabilities assumed 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.

When a business combination has been determined provisionally, 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 made to initial values only when errors must be corrected. Any potential benefits arising from tax losses and other deferred tax assets of the acquiree that were not recorded because 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.

*(b) Property, plant and equipment*

(i) *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. We determine the depreciation charge separately for each 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% |

We review 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.

(ii) *Subsequent recognition*

Subsequent to the 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 or 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.

(iii) *Impairment*

We test for impairment and reversals of impairment losses on property, plant and equipment based on the criteria set out below in (d).

*(c) Intangible assets*

(i) *Goodwill*

Goodwill is generated in the course of business combinations and is calculated using the criteria described in the section on business combinations.

Goodwill is not amortized, but tested for impairment annually or more frequently if events indicate a potential impairment loss. Goodwill acquired in business combinations is allocated to the cash-generating units, which we refer to as CGUs, or groups of CGUs that are expected to benefit from the synergies of the business combination, and we apply the criteria described in the footnotes to our audited consolidated financial statements included elsewhere in this offering memorandum. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(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:

- we have technical studies that demonstrate the feasibility of the production process;
- we have 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; and

- we have sufficient technical and financial resources to complete development of the asset and have developed budget control and cost accounting systems that enable monitoring of budgetary costs, modifications and the expenditures actually assigned to different projects.

The cost of internally generated assets 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 through the consolidated statement of profit or loss.

Expenditures on activities that contribute to increasing the value of the different businesses in which we operate are 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.

(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 identifiable intangible assets acquired in the business combination of Talecris includes the fair value of the currently marketed products sold and which are classified in "Other intangible assets".

The cost of identifiable intangible assets acquired in the business combination of Progenika includes the fair value of the currently marketed products sold, which are classified in "Other intangible assets" and "Development costs".

The cost of identifiable intangible assets acquired in the business combination of Novartis includes the fair value of the existing royalty agreements.

(v) *Useful life and amortization rates*

We assess 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:

| | Amortization Method | Rates |
|---|---|---|
| Development expenses | Straight line | 20% - 33% |
| Concessions, patents, licenses, trademarks and similar | Straight line | 7% - 20% |
| Computer software | Straight line | 16% - 33% |
| Currently marketed products | Straight line | 3% - 10% |

The depreciable amount is the cost or deemed cost of an asset less its residual value.

We do not consider the residual value of its intangible assets to be material. We review 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.

*(d) Impairment of goodwill, other intangible assets and other non-financial assets subject to depreciation or amortization*

We evaluate 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.

We test 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 or 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 CGU to which the asset belongs.

Impairment losses recognized for cash-generating units are first allocated, where applicable, to reduce 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 (i) its fair value less costs of disposal, (ii) its value in use and (iii) zero.

At the end of each reporting period we assess 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 or loss. The increase in the 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 its assets, except for 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 value and the carrying amount that would have been obtained, net of amortization or depreciation, had no impairment loss been recognized.

*(e) 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 plasma is 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 EMA 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 first-in, first-out, or FIFO, basis.

We use 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 the net realizable value, materials are written down to net realizable value. Net realizable value is considered as detailed below.

- 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 or 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 “Changes in inventories of finished goods and work in progress and supplies”.

*(f) Revenue recognition*

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. Revenue is presented net of VAT and any other amounts or taxes which are effectively collected on behalf of third parties. Volume or other types of discounts for prompt payment are recognized as a reduction in revenue if considered probable at the time of revenue recognition.

We recognize revenue from the sale of goods when:

- we have transferred to the buyer the significant risks and rewards of ownership of the goods;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue and the costs incurred or to be incurred can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

We participate in 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 we have signed with some of our customers entitle these customers to price discounts for a minimum purchase volume, volume discounts or prompt payment discounts. We recognize 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 United States, we enter into agreements with certain customers to establish contract pricing for our 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 we charge to the wholesaler, we provide the wholesaler with a credit referred to as a chargeback. We record the chargeback accrual at the time of the sale. The allowance for chargebacks is based on our 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. We periodically monitor the factors that influence the provision for chargebacks and make adjustments when we believe 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.

*(g) Leases*

*(i) Lessee accounting records*

We have rights to use certain assets through lease contracts.

Leases in which we assume substantially all the risks and rewards incidental to ownership are classified as finance leases, and all other leases are classified as operating leases.

- Finance leases: We recognize finance leases as assets and liabilities at the commencement of the lease term, 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 expenses in the years in which they are incurred.

- Operating leases: We recognize lease payments under an operating lease, excluding incentives, as expenses on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit.

*(ii) Sale-leaseback transactions*

Any profit on sale-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 at fair value, any profit or loss on the sale is recognized immediately in consolidated statement of profit or loss for the year; or

- If the sale price is below fair value, any profit or loss is recognized immediately in the consolidated statement of profit or loss. However, if the loss is compensated for by future below-market lease payments, it is deferred in proportion to the lease payments over the period for which the asset is to be used.

**Results of Operations**

*Year Ended December 31, 2016 Compared to Year Ended December 31, 2015*

The following discussion and analysis contains information regarding our results of operations for the year ended December 31, 2016 as compared to the year ended December 31, 2015:

| | Year Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2016 | 2015 | € | % |
| | (in thousands of euros, except for percentages) | | | |
| **Continuing Operations** | | | | |
| Net revenue | 4,049,830 | 3,934,563 | 115,267 | 2.9 |
| Cost of sales | (2,137,539) | (2,003,565) | (133,974) | 6.7 |
| **Gross Profit** | **1,912,291** | **1,930,998** | (18,707) | (1.0) |
| Research and development | (197,617) | (224,193) | 26,576 | (11.9) |
| Selling, general and administration expenses | (775,266) | (736,435) | (38,831) | 5.3 |
| **Operating Expenses** | **(972,883)** | **(960,628)** | **(12,255)** | 1.3 |
| **Operating Result** | **939,408** | **970,370** | (30,962) | (3.2) |
| Finance income | 9,934 | 5,841 | 4,093 | 70.1 |
| Finance costs | (244,829) | (240,335) | (4,494) | 1.9 |
| Change in fair value of financial instruments | (7,610) | (25,206) | 17,596 | (69.8) |
| Exchange differences | 8,916 | (12,140) | 21,056 | (173.4) |
| **Finance result** | **(233,589)** | **(271,840)** | 38,251 | (14.1) |
| Share of profit/(losses) of equity-accounted investees | 6,933 | (8,280) | 15,213 | (183.7) |
| **Profit before income tax from continuing operations** | **712,752** | **690,250** | 22,502 | 3.3 |
| Income tax expense | (168,209) | (158,809) | (9,400) | 5.9 |
| **Profit after income tax from continuing operations** | **544,543** | **531,441** | 13,102 | 2.5 |
| **Consolidated profit for the year** | **544,543** | **531,441** | 13,102 | 2.5 |

***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 23 to our audited consolidated financial statements included in this offering memorandum.

Net revenue increased by €115.3 million, from €3.9 billion in 2015 to €4.0 billion in 2016. This 2.9% (3.1% at constant currency) net revenue increase is the result of the negative impact of USD/EUR and other exchange rate fluctuations in the amount of €5.2 million and increased net revenue, mainly driven by the Bioscience division.

The following table reflects a summary of net revenue by each of our divisions for 2016, as compared to 2015:

| | Year ended December 31, 2016 | % of total net revenue | Year ended December 31, 2015 | % of total net revenue | % var | % var CC[(1)] |
|---|---|---|---|---|---|---|
| | (in thousands of euros, except for percentages) | | | | | |
| **Summary of Net Revenue by Division** | | | | | | |
| Bioscience | 3,228,275 | 79.7 | 3,032,111 | 77.1 | 6.5 | 6.6 |
| Diagnostic | 663,983 | 16.4 | 691,452 | 17.6 | (4.0) | (3.9) |
| Hospital | 98,583 | 2.4 | 96,245 | 2.4 | 2.4 | 4.5% |
| **Sub total** | **3,990,841** | **98.5** | **3,819,808** | **97.1** | **4.5** | **4.6** |
| Raw Materials and Others[(2)] | 58,989 | 1.5 | 114,755 | 2.9 | (48.6) | (49.0) |
| **Total** | **4,049,830** | **100.0** | **3,934,563** | **100.0** | **2.9** | **3.1** |

(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 from Raw Materials and Others primarily consists of revenue from third-party engineering projects performed by Grifols Engineering, as well as income derived from manufacturing agreements with Kedrion and royalty income from the Bioscience and Diagnostic divisions, including royalties acquired with the Novartis Diagnostic Business.

*Bioscience.* Net revenue for the Bioscience division increased by 6.5% (6.6% at constant currency) from €3.0 billion in 2015 to €3.2 billion in 2016. The United States, China and Spain were the division's principal country drivers, and the main plasma drugs marketed by Grifols saw significant growth. Noteworthy items include the growth recorded for IVIG; the growth of albumin in China and Latin America; the significant increases in sales of alpha-1 antitrypsin resulting from the strategy of improving the diagnosis of the deficiency in this protein; and the growth of plasma-derived Factor VIII.

The significant increase in sales volume continues to be the main driver of growth. A positive price impact and our geographic mix also positively contributed to revenues in 2016.

The volume of sales of IVIG remained solid throughout 2016, with growth in all regions. We maintained our global leadership of IVIG sales. Demand for IVIG continued to be strong in the U.S. market as a result of the efforts made to promote better diagnosis and greater use for the treatment of neurological diseases such as CIDP, a segment led by us. Sales of albumin continued to make a significant contribution to the Bioscience division's growth, supported by notable increases in sales in China and the United States. There was substantial growth in Latin America, India and Indonesia as a result of marketing efforts focused on promoting expansion in these areas. Additionally, there was gradual growth in countries such as Turkey, Thailand and Brazil. We are the leader in alpha-1 antitrypsin and actively promote the diagnosis of deficiency in this protein (AATD) in Europe and the United States and are beginning to do so in Latin America. The significant increase in sales of this plasma product validates our marketing efforts and confirms the efficacy of the strategy being developed in these priority markets to boost growth in demand. Improvements in the identification of patients and the diagnosis of AATD continues to be one of the strategic pillars for the growth of demand in the sector. Sales of Factor VIII rose significantly in the United States, driven by increased preference for the natural protection benefits of Alphanate®. We also strengthened our position of Alphanate® as the most prescribed plasma-derived Factor VIII in the United States. In addition, the results of the Survey of Inhibitors in Plasma-Products Exposed Toddlers, or SIPPET, study are influencing the choice of treatment for previously untreated patients with severe hemophilia A.

*Diagnostic.* Diagnostic division net revenue decreased by 4.0% (3.9% at constant currency) from €691.5 million in 2015 to €664 million in 2016. This is the division of Grifols that has a presence in the most countries. Growth was notable in the United States, Argentina, Saudi Arabia, Turkey, Switzerland, China and Australia. For comparison purposes, the revenues reported in 2015 included the impact of the contracts for systems using NAT technology (Procleix® NAT Solutions) signed with the Japanese Red Cross, as well as higher revenues deriving from the old contract with Abbott Laboratories for the production of antigens. This contract, signed in July 2015 for a total value of approximately $700 million, extended the supply of antigens until 2026.

We are a global leader in transfusion diagnostics. Revenues in 2016 from sales of laboratory systems using NAT technology (Procleix® NAT Solutions) for virological screening of blood and plasma donations remained stable in the main markets, including the United States, where we have a market share close to 80%. The expansion of this technology in Asia (especially in China) and the Middle East is positive, as shown by the agreements signed with the Malaysian National Blood Bank and the Saudi Arabian Ministry of Health, among others. In the second half of 2016, there was a positive impact from the Zika virus blood screening test, developed jointly with Hologic to tackle the Zika virus outbreak that occurred in 2016. In June 2016, the FDA approved the test for use in the United States under an IND research protocol. In December 2016, we obtained CE marking for our Zika virus screening test. After the end of 2016, we completed the Hologic Transaction in order to enhance our vertical integration and further promote the development of new tests and screening routines for emerging viruses. The blood typing line has continued to be one of the division's growth drivers. Sales of analyzers (Wadiana® and Erytra®) maintained their upward trend, and a new autoanalyzer (Erytra® Eflexis®) was developed in order to offer differentiated products in mature markets such as Europe. The launch in the main countries of the European Union is planned for 2017. Sales of antigens used to manufacture diagnostic immunoassays continue to be impacted by the major cost-reduction initiative being led by us within the framework of the joint-business agreement with Ortho Clinical Diagnostics, as well as by lower revenues obtained in 2016 under our old contract with Abbott Laboratories from July 2015. In the area of specialty diagnostics, we continue to work on increasing our clinical diagnostics portfolio and developing new diagnostic tests for personalized medicine through Progenika.

*Hospital.* Net revenue from the Hospital division increased by 2.4% (4.5% at constant currency) from €96.2 million in 2015 to € 98.6 million in 2016. Sales in Spain remained stable, whereas there were significant variations in the international markets. We continue to promote the internationalization of the division, and 29% of net revenue in 2016 are currently generated outside Spain. There was notable growth in the United States and significant progress in Portugal. The appointment in 2016 of a new commercial president of the division and the greater internationalization that is being pursued as the main growth strategy will contribute to a strengthening of revenues in the coming years. By product line, Intravenous Solutions and Pharmatech, which include intravenous therapy devices (i.v. Tools) and Hospital Logistics, were the main drivers of growth.

*Raw Materials and Others.* Net revenue from Raw Materials and Others decreased by 48.6% (49.0% at constant currency) from €114.8 million in 2015 to €59.0 million in 2016 mainly as a result of the expected decrease of royalties' revenue related to the transfusion diagnostic unit acquired with the Novartis Diagnostic Business.

*Net Revenue by Geographic Region*

The following table reflects a summary of net revenue by each of our geographic regions for 2016 as compared to 2015:

| | Year ended December 31, 2016 | % of total net revenue | Year ended December 31, 2015 | % of total net revenue | % var | % var CC[1] |
|---|---|---|---|---|---|---|
| | (in thousands of euros, except for percentages) | | | | | |
| **Summary of Net Revenue by Region** | | | | | | |
| European Union[2] | 640,249 | 15.8 | 662,917 | 16.8 | (3.4) | (2.7) |
| *Spain* | *217,497* | *5.4* | *207,641* | *5.4* | *4.7* | *4.7* |
| United States and Canada | 2,663,197 | 65.8 | 2,505,791 | 63.7 | 6.3 | 5.6 |
| Rest of the World | 687,395 | 17.0 | 651,100 | 16.6 | 5.6 | 8.4 |
| **Subtotal** | **3,990,841** | **98.5** | **3,819,808** | **97.1** | **4.5** | **4.6** |
| Raw Materials and Others[3] | 58,989 | 1.5 | 114,755 | 2.9 | (48.6) | (49.0) |
| **Total** | **4,049,830** | **100.0** | **3,934,563** | **100.0** | **2.9** | **3.1** |

(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) We exclude net revenue derived from our Raw Materials division and, since January 2014, net revenue from "Others" from our reported net revenue by region, because we believe that such net revenue does not represent part of our core recurrent business lines. Net revenue from Raw Materials and Others primarily consists of revenue from of third-party engineering projects performed by Grifols Engineering, as well as income derived from manufacturing agreements with Kedrion and royalty income from the Bioscience and Diagnostic divisions, including royalties acquired with the Novartis Diagnostic Business.

We believe that our ongoing internationalization has helped to improve our sales performance. We have seen a gradual reduction in the proportion of net revenue to total net revenue accounted for by Spain, remaining consistent at 5.4% in 2016 compared to 5.4% in 2015, as we continue to focus on increasing sales in regions less affected by austerity measures, with shorter payment periods and better margins. In 2016, 94.6% of net revenue, or €3.8 billion, was derived from countries outside of Spain.

***Cost of sales***

Cost of sales increased by 6.7% from €2.0 billion in 2015 to €2.1 billion in 2016. Cost of sales as a percentage of net revenue has increased to 52.8% compared to 50.9% in 2015. The increase in the cost of sales is the result of an increase of the cost per liter of plasma due to investments in new plasma collection centers to support growing demand for plasma proteins as well as the trend towards greater incentives to reward donors for their time. These factors were partially offset by improved manufacturing and operating efficiencies at our plants.

***Gross Profit***

The decrease in gross profit margin during the period from 49.1% of net revenue in 2015 to 47.2% in 2016 was mainly due to the significant decrease in royalties relating to the transfusion diagnostics unit compared with 2015 and higher plasma costs associated with the investment in new donor centers, as well as the trend towards greater incentives to reward donors for their time. These factors were partially offset by improved manufacturing and operating efficiencies at the group's plants.

***Research and development***

Research and development spending moved from €224.2 million (5.7% of net revenue) in 2015 to €197.6 million (4.9% of net revenue) in 2016, and our spending was focused on strengthening our pipeline.

***Selling, general and administration expenses***

Selling, general and administration expenses increased by 5.3% from €736.4 million in 2015 to €775.3 million in 2016 as a result of intensifying sales and marketing efforts associated with key products and countries. However, selling, general and administration expenses as a percentage of net revenue has increased to 19.1% in 2016, compared to 18.7% in 2015. Additionally, we recorded a charge in the amount of $0.2 million for the branded prescription drug, or BPD, fee in 2016. The BPD fee is not tax deductible.

***Finance result***

Finance result decreased by 14.1% from €271.8 million in 2015 to €233.6 million in 2016. This decrease was primarily a result of the termination of the interest rate derivatives and the positive impact of exchange rate variations. Finance result also includes the amortization of capitalized costs related to our debt.

***Income tax expense***

In 2016, we had a profit before income tax of €712.8 million and income tax expense of €168.2 million, which represents an effective tax rate of 23.6%. Our effective tax rate increased from 23.0% in 2015, primarily due to changes in the contribution to profits from different geographical regions.

*Year Ended December 31, 2015 Compared to Year Ended December 31, 2014*

The following discussion and analysis contains information regarding our results of operations for the year ended December 31, 2015 as compared to the year ended December 31, 2014:

| | Year Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2015 | 2014 | € | % |
| | (in thousands of euros, except for percentages) | | | |
| **Continuing Operations** | | | | |
| Net revenue | 3,934,563 | 3,355,384 | 579,179 | 17.3 |
| Cost of sales | (2,003,565) | (1,656,170) | (347,395) | 21.0 |
| **Gross Profit** | **1,930,998** | **1,699,214** | **231,784** | **13.6** |
| Research and development | (224,193) | (180,753) | (43,440) | 24.0 |
| Selling, general and administration expenses | (736,435) | (660,772) | (75,663) | 11.5 |
| **Operating Expenses** | **(960,628)** | **(841,525)** | **(119,103)** | **14.2** |
| **Operating Result** | **970,370** | **857,689** | **112,681** | **13.1** |
| Finance income | 5,841 | 3,069 | 2,772 | 90.3 |
| Finance costs | (240,335) | (225,035) | (15,300) | 6.8 |
| Change in fair value of financial instruments | (25,206) | (20,984) | (4,222) | 20.1 |
| Impairment and gains/(losses) on disposal of financial instruments | — | (5) | 5 | (100) |
| Exchange differences | (12,140) | (18,472) | 6,332 | (34.3) |
| **Finance result** | **(271,840)** | **(261,427)** | (10,413) | 4.0 |
| Share of profit/(loss) of equity-accounted investees | (8,280) | (6,582) | (1,698) | 25.8 |
| **Profit before income tax** | **690,250** | **589,680** | **100,570** | **17.1** |
| Income tax expense | (158,809) | (122,597) | (36,212) | 29.5 |
| **Profit after income tax from continuing operations** | **531,441** | **467,083** | **64,358** | **13.8** |
| **Consolidated profit for the year** | **531,441** | **467,083** | **64,358** | **13.8** |

***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 23 to our audited consolidated financial statements included in this offering memorandum.

Net revenue increased by €579.2 million from €3.4 billion in 2014 to €3.9 billion in 2015. This 17.3% (2.5% at constant currency) net revenue increase was the result of the positive impact of USD/EUR and other exchange rate fluctuations in the amount of €493.8 million and increased sales driven by the Bioscience division.

*Net Revenue by Geographic Region*

The following table reflects a summary of net revenue by each of our divisions for 2015 as compared to 2014:

| | Year ended December 31, 2015 | % of total net revenue | Year ended December 31, 2014 | % of total net revenue | % var | % var CC[(1)] |
|---|---|---|---|---|---|---|
| | (in thousands of euros, except for percentages) | | | | | |
| **Summary of Net Revenue by Division** | | | | | | |
| Bioscience | 3,032,111 | 77.1 | 2,513,510 | 74.9 | 20.6 | 4.8 |
| Diagnostic | 691,452 | 17.6 | 620,022 | 18.5 | 11.5 | (0.9) |
| Hospital | 96,245 | 2.4 | 94,800 | 2.8 | 1.5 | (0.2) |
| **Sub total** | **3,819,808** | **97.1** | **3,228,332** | **96.2** | **18.3** | **3.5** |
| Raw Materials and Others[(2)] | 114,755 | 2.9 | 127,052 | 3.8 | (9.7) | (22.2) |
| **Total** | **3,934,563** | **100.0** | **3,355,384** | **100.0** | **17.3** | **2.5** |

(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 from Raw Materials and Others primarily consists of revenue from third-party engineering projects performed by Grifols Engineering, as well as all income derived from manufacturing agreements with Kedrion and royalty income from the Bioscience and Diagnostic divisions, including royalties acquired with the Novartis Diagnostic Business.

*Bioscience.* Net revenue for the Bioscience division increased by 20.6% (4.8% at constant currency) from €2.5 billion in 2014 to €3.0 billion in 2015. The main driver of growth in the Bioscience division was an increase in sales volume of our main plasma-derived products. Revenues gradually accelerated from the second quarter of 2015 onwards as a result of rising sales of the main plasma-derived proteins. Sales volume of immunoglobulin (IVIG) increased in all the markets where we operate. The company has maintained the leadership of its IVIG both in the United States, Canada and globally. There was a growing contribution to revenues from countries such as Brazil, Chile and Turkey, following our international expansion. The U.S. immunoglobulin (IVIG) market continued to be competitive throughout the year, which required the company to intensify its sales and marketing efforts. Sales of alpha-1 antitrypsin also made a significant contribution to the division's growth. The increased sales of alpha-1 antitrypsin recorded in countries such as the United States, Canada and Germany reflected the commercial efforts and the expansion of our sales network into these markets. Improved diagnosis of alpha-1 antitrypsin deficiency continued to be one of the strategic drivers of demand growth. In the case of albumin, following the renewal of our import licenses in China, we experienced strong growth in China due to high demand for this plasma protein. Our albumin sales also benefited from increased demand in the United States. Sales of Factor VIII maintained their upward trend from 2014, based primarily on growth in the commercial market. The growth in volume from this plasma protein in the public tenders market had a positive impact on revenues, particularly in the second half of 2015.

*Diagnostic.* Diagnostic division net revenue increased by 11.5% (a 0.9% decrease at constant currency) from €620.0 million in 2014 to €691.5 million in 2015. During the year the Diagnostic division was fully integrated, reflecting its strategic fit within the company, and establishing a foundation for its future development. Geographically, the Asia-Pacific region, which includes China and Japan, made a significant contribution to sales. In the United States trends were stable, while in Europe the principal markets continued to be the mainstay of revenues.

In transfusion medicine, revenues from systems using NAT technology (Procleix® NAT Solutions) to screen blood donations for infectious viruses were positive. However, the competitive NAT landscape and the lower number of blood transfusions in certain developed countries have limited growth in the division's revenue. We renewed a NAT contract with the South African National Blood Service (SANBS), and won the first commercial tender to supply NAT to the Saudi Arabian National Guard. Our contract with Abbott Laboratories in the second half of 2015 had an impact on sales of antigens used to manufacture diagnostic immunoassays. This contract, with a total value of approximately $700 million, extends the supply of antigens until 2026, ensuring higher levels of recurring income for this business line. However, in comparison with income recognized under the previous contract, sales were penalized. The blood typing line was one of the growth drivers in the division. Sales of instruments (Wadiana® and Erytra®) and blood typing reagents (DG-Gel® cards) rose significantly as a result of our sales effort in Europe and China. 2015 was a major year for the blood typing product line in the United States, where increased sales efforts resulted in new accounts and substantial growth.

*Hospital.* Net revenue from the Hospital division increased by 1.5% (a 0.2% decrease at constant currency) from €94.8 million in 2014 to €96.2 million in 2015. We promoted the internationalization of the division, although 72% of its net revenue in 2015 was generated in Spain. However, sales grew in the United States and Portugal, and the division began to enter into the Asia-Pacific region. By area of specialization, Pharmatech, which includes Hospital Logistics and i.v. Tools, and the Intravenous Therapies lines were the main drivers of growth, followed by Medical Devices.

*Raw Materials and Others.* Net revenue from Raw Materials and Others decreased by 9.7% (a 22.2% decrease at constant currency) from €127.1 million in 2014 to €114.8 million in 2015, mainly as a result of the expected decrease of royalties revenue related to the transfusion diagnostic unit acquired with the Novartis Diagnostic Business.

*Net Revenue by Geographic Region*

The following table reflects a summary of net revenue by each of our geographic regions for 2015 as compared to 2014:

| | Year ended December 31, 2015 | % of total net revenue | Year ended December 31, 2014 | % of total net revenue | % var | % var CC[(1)] |
|---|---|---|---|---|---|---|
| | (in thousands of euros, except for percentages) | | | | | |
| **Summary of Net Revenue by Region** | | | | | | |
| European Union[(2)] | 662,917 | 16.8 | 662,802 | 19.8 | 0.0 | (1.7) |
| *Spain* | *207,641* | *5.4* | *214,558* | *6.4* | *(3.2)* | *(3.2)* |
| United States and Canada | 2,505,791 | 63.7 | 2,042,700 | 60.9 | 22.7 | 2.8 |
| Rest of the World | 651,100 | 16.5 | 522,830 | 15.6 | 24.5 | 12.8 |
| **Subtotal** | **3,819,808** | **97.1** | **3,228,332** | **96.2** | **18.3** | **3.5** |
| Raw Materials and Others[(3)] | 114,755 | 2.9 | 127,052 | 3.8 | (9.7) | (22.2) |
| **Total** | **3,934,563** | **100.0** | **3,355,384** | **100.0** | **17.3** | **2.5** |

(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.

(3) We exclude net revenue derived from our Raw Materials division and, since January 2014, net revenue from "Others" from our reported net revenue by region, because we believe that such net revenue does not represent part of our core recurrent business lines. Net revenue from Raw Materials and

Others primarily consists of revenue from of third-party engineering projects performed by Grifols Engineering, as well as all income derived from manufacturing agreements with Kedrion and royalty income from the Bioscience and Diagnostic divisions, including royalties acquired with the Novartis Diagnostic Business.

We believe that our ongoing internationalization has helped to improve our sales performance. We have seen a gradual reduction in the proportion of net revenue to total net revenue accounted for by Spain, falling to 5.4% in 2015 from 6.4% in 2014, as we continue to focus on increasing sales in regions less affected by austerity measures, with shorter payment periods and better margins. In 2015, 94.6% of net revenue, or €3.7 billion, was derived from countries outside of Spain.

***Cost of sales***

Cost of sales increased by 21.0% from €1.66 billion in 2014 to €2.0 billion in 2015. Cost of sales as a percentage of net revenue has increased to 50.9% compared to 49.4% in 2014. The slight increase in cost of sales was the result of an increase of the cost per liter of plasma due to the impact of investments in new plasma centers on the cost of raw material to support growing demand for plasma proteins. These factors were partially offset by improved manufacturing and operating efficiencies at our plants.

***Gross Profit***

The decrease in gross profit margin during the period from 50.6% of net revenue in 2014 to 49.1% in 2015 was mainly due to the competitive situation in the IVIG market in the United States; the decrease of royalties' revenue related to the transfusion diagnostic unit; and the simultaneous operation of two fractionation plants at Clayton while all production is gradually transferred to the new plant. Other factors contributing to the decrease in gross profit margin included changes in the geographic mix of revenue and the impact of investments in new plasma centers on the cost of raw material.

***Research and development***

Research and development spending increased from €180.8 million (5.4% of net revenue) in 2014 to €224.2 million (5.7% of net revenue) in 2015, and our spending was focused on strengthening our pipeline.

***Selling, general and administration expenses***

Selling, general and administration expenses increased by 11.5% from €660.8 million in 2014 to €736.4 million in 2015 as a result of intensifying sales and marketing efforts associated with key products and countries. However, selling, general and administration expenses as a percentage of net revenue has decreased to 18.7% in 2015, compared to 19.7% in 2014 as the policy of rationalizing the operating costs related to central services remained in place and the company continued to implement technologies to achieve greater efficiencies. Additionally, we recorded a charge in the amount of $0.1 million for the BPD fee in fiscal year 2015. The BPD fee is not tax deductible.

***Finance result***

Finance result increased by 4.0% from €261.4 million in 2014 to €271.8 million in 2015. This increase was primarily a result of changes in the U.S. dollar—euro exchange rate. Additionally, the negative impact of exchange rate differences on the financial result was €12.1 million. At constant currency, finance result decreased by 9%. Finance result also includes the amortization of capitalized costs related to our debt.

***Income tax expense***

In 2015, we had a profit before income tax of €690.3 million and income tax expense of €158.8 million, which represents an effective tax rate of 23.0%. Our effective tax rate increased from 20.8% in 2014, primarily due to changes in the contribution to profits from different geographical regions.

**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, capital expenditures for existing and new operations and debt service requirements relating to our existing and future debt. Historically, we have financed our liquidity and capital requirements through internally generated cash flows, mainly attributable to revenue, and debt financings. As of December 31, 2016, our cash and cash equivalents totaled €895 million. In addition, as of December 31, 2016, we had the equivalent of approximately €484 million available under our debt agreements, including the equivalent of approximately €284 million available as Revolving Loans under our New Credit Facilities.

We expect our cash flows from operations combined with our cash balances and availability under the Revolving Loans from the New Credit Facilities and other bank debt to provide sufficient liquidity to fund our current obligations, 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.

*Historical Cash Flows*

Below are our consolidated statements of cash flow for the years ended December 31, 2016, 2015 and 2014 prepared under IFRS-IASB.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (in thousands of euros) | | |
| ***Cash flows from operating activities*** | | | |
| **Profit before tax** | **712,752** | **690,250** | **589,680** |
| **Adjustments for depreciation, amortization and other:** | **391,986** | **460,564** | **501,233** |
| **Changes in operating assets and liabilities** | **(164,319)** | **(77,058)** | **95,281** |
| **Other cash flows (used in) operating activities** | **(387,141)** | **(330,978)** | **(207,266)** |
| **Net cash from operating activities** | **553,278** | **742,778** | **978,928** |
| ***Cash flows from/(used in) investing activities*** | | | |
| Payments for investments | (509,078) | (647,417) | (1,535,527) |
| Proceeds from the sale of investments | 2,426 | 14,307 | 14,423 |
| **Net cash (used) in investing activities** | **(506,652)** | **(633,110)** | **(1,521,104)** |
| ***Cash flows from/(used in) financing activities*** | | | |
| Proceeds from and payments for equity instruments | (11,766) | 12,695 | (69,252) |
| Proceeds from and payments for financial liability instruments | (80,149) | 28,953 | 1,226,339 |
| Dividends and interest on other equity instruments | (216,151) | (216,772) | (156,007) |
| Other cash flows from/(used in) financing activities | (21,492) | 17,086 | (159,962) |
| **Net cash from/(used in) financing activities** | **(329,558)** | **(158,038)** | **841,118** |
| **Effect of exchange rate fluctuations on cash** | 35,441 | 111,724 | 71,427 |
| **Net increase in cash and cash equivalents** | (247,491) | 63,354 | 370,369 |
| **Cash and cash equivalents at beginning of the year** | 1,142,500 | 1,079,146 | 708,777 |
| **Cash and cash equivalents at year end** | **895,009** | **1,142,500** | **1,079,146** |

***Net Cash from Operating Activities***

In 2014, we generated net cash from operating activities of €978.9 million. The principal effects on working capital were:

- a €26.5 million decrease in receivables, due to more efficient receivables collections and sales of non-recourse receivables, with the days sales outstanding ratio at 55 days;
- a €97.0 million increase in inventories with the stocks turnover ratio at 266 days, due to the increased activity and inventories associated with the Novartis Acquisition; and
- a €114.8 million increase in current trade and other payables due to the integration of the Novartis Diagnostic Business.

In 2015, we generated net cash from operating activities of €742.8 million. The principal effects on working capital were:

- €170.0 million reduction in commercial debtors related to the reduction in the average collection period, at 34 days in December 31, 2015 compared to 55 days in 2014;
- a €120.6 million increase in inventory levels due to the higher activity levels with respect to plasma-derived proteins and the Diagnostic division. We have continued to be successful in the management of inventory levels as confirmed by the reduction in inventory turnover to 261 days at December 31, 2015, compared to the figure of 266 at December 31, 2014; and
- a €71.7 million reduction in trade creditors.

In 2016, we generated net cash from operating activities of €553.3 million. The principal effects on working capital were as follows:

- increase of €43.3 million in trade receivables. The average collection period remains at 37 days, in line with the 34 days level at December 31, 2015;
- increase of €173.0 million in inventory levels due to the greater strength of sales, especially of plasma proteins, and the new openings of plasma collection centers. We continue to actively manage inventory levels on an anticipatory basis in order to match planned organic growth. In this regard, inventory turnover was 281 days at December 31, 2016, compared with 261 days reported at December 31, 2015; and
- trade payables rose by €31.6 million due to the increase in the average payment period to 61 days.

***Net Cash Used in Investing Activities***

Net cash used in investing activities amounted to €1.5 billion in 2014, €633.1 million in 2015 and €506.7 million in 2016.

Investments made in 2014 included the Novartis Acquisition for $1.7 billion (€1.2 billion) and various other capital expenditures totaling €251.8 million, which were primarily investments for manufacturing facility expansion and improvement.

Investments made in 2015 included capital expenditure during the year for a total of €266.4 million, focused on accelerating investments in manufacturing plants and opening new plasma collection centers (including relocation, renovation and new centers); the repurchase of industrial assets in the United States and Spain for a total of €277 million; and the acquisition of 47.58% equity of Alkahest for a total of $37.5 million.

Investments made in 2016 included further acquisition of shares in Progenika Biopharma, S.A. for €25 million, increasing our stake in Progenika to 89.25% of the share capital, and the acquisition of a 49% stake in the IBBI Group for $100 million.

***Net Cash from/(Used in) Financing Activities***

Net cash from financing activities was €841.1 million in 2014, which reflected an increase in financial liabilities of €1.2 billion and financing costs included at the amortized costs of debt of €183.3 million in connection with the Novartis Acquisition and related refinancing, as well as €156.0 million of dividend payments to our shareholders.

Net cash used in financing activities was €158 million in 2015, primarily as a result of the payment of dividends of €221.8 million, including both the final dividend for 2014 and the interim dividend for 2015 distributed in December.

Net cash used in financing activities was €329.6 million in 2016, primarily as a result of the payment of dividends for a value of € 216.2 million, including both the final dividend for 2015 and the interim dividend for 2016 distributed in December.

**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 fell from 2014 to 2015 and increased from 2015 to 2016, as a result of the investments made in the opening of new plasma collection centers. Inventory turnover rose to 281 days at December 31, 2016, compared to 261 days at December 31, 2015.

*Trade Receivables*

Our receivables had an aging average of 37, 34 and 55 days at December 31, 2016, 2015 and 2014, respectively. We are focused on optimizing our working capital. The geographic redistribution of sales following the Talecris acquisition significantly increased our sales volume in countries with shorter collection periods and reduced sales in southern European countries, which have relatively longer collection periods (Spain, Italy, Portugal and Greece) to approximately 8% of our total net revenue.

It is common to experience extended collection periods for balances due from Greece, Italy, Spain and Portugal. In particular, in Spain, Italy and Portugal, it is common practice for government or local authority-backed entities to pay suppliers well after the 30- to 60-day period normally applied, with payments occurring very often after one year. The failure to receive timely payments for the sale of our products negatively affects our working capital levels and may require us to obtain more short-term financing than we would otherwise need.

The following table presents the breakdown of our trade receivables by country in each of Greece, Italy, Spain and Portugal as of December 31, 2016:

| | Balances with Public Entities | | | Balances with Third Parties | | | |
|---|---|---|---|---|---|---|---|
| | Balance (1) | Balance Past Due | Provision for Doubtful Receivables (2) | Balance (3) | Balance Past Due | Provision for Doubtful Receivables (4) | Net Debt (1+2+3+4) |
| | (in thousands of euros) | | | | | | |
| **Greece** | —- | — | — | 425 | — | (137) | 288 |
| **Italy** | 7,188 | 2,077 | — | 12,196 | 7,375 | (3,098) | 16,286 |
| **Spain** | 23,281 | 3,287 | — | 27,316 | 9,595 | (249) | 50,348 |
| **Portugal** | 2,734 | 1,205 | (356) | 129 | 78 | (27) | 2,480 |
| **Total** | 33,203 | 6,569 | (356) | 40,066 | 17,048 | (3,511) | 69,402 |

Allowances for doubtful accounts are recognized when there are indicators that the debt will not be repaid. Although we have historically collected all trade receivables due from the government or funded by the government in each of Greece, Italy, Spain and Portugal, we are aware of the economic difficulties presently facing those countries. In each of 2016, 2015 and 2014, we made a provision for doubtful receivables from Portuguese and Italian public entities; however, this amount is not material. We believe we will recover the trade receivables from each of Greece, Italy, Spain and Portugal.

In the best interest of the company, we may sell certain receivables with a maturity beyond 30 days. Certain receivables are sold to financial institutions without recourse. We sold €870 million, €787 million and €465 million of receivables to third parties during 2016, 2015 and 2014, respectively.

**Capital Expenditures and Other Intangible Assets**

The following table presents our capital expenditure additions in the years ended December 31, 2016, 2015 and 2014, by division.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (in thousands of euros) | | |
| Bioscience division | 197,741 | 421,020 | 188,698 |
| Hospital division | 9,193 | 7,972 | 14,241 |
| Diagnostic division | 89,760 | 68,740 | 46,272 |
| Raw Materials and Others | 13,397 | — | — |
| Unallocated | 12,011 | 79,082 | 42,981 |
| **Total** | **322,102** | **576,814** | **292,192** |

*January 2014 through December 2016*

The most important planned capital projects relating to the expansion and improvement of our manufacturing facilities during 2014, 2015 and 2016 were:

**Parets site (Barcelona, Spain):**

- investments to increase the albumin purification capacity of €1.3 million in 2014, €1.3 million in 2015 and €0.1 million in 2016;

- investments in the construction of a new raw materials warehouses at our Parets facility of €1.9 million in 2014;

- investments in a plant to manufacture Prolastin® of €1.4 million in 2014, €24.5 million in 2015 and €13.2 million in 2016;

- investments of €1.8 million in 2014 and €1 million in 2015 for a new solvents line; and

- investments in a new production line for diagnostic gel cards of €2.2 million.

**Clayton site (North Carolina, United States)**:

- completing the construction and bringing online a new plasma fractionation facility: €49.2 million in 2014, €6.5 million in 2015 and €0.1 million in 2016;

- construction of a new plasma warehouse for €17.3 million in 2014, €7.9 million in 2015 and €0.1 million in 2016;

- construction of a new raw materials warehouse for €4.0 million in 2014, €4.6 million in 2015 and less than €0.1 million in 2016;

- investments of €12.9 million in 2014, €5.8 million in 2015 and €4.8 million in 2016 for the construction of new aseptic filling areas, as well as validation of the new filling zone facilities and equipment for liquid and freeze-dried products;

- investments of €1.4 million in 2014, €0.6 million in 2015 and €0.1 million in 2016 to expand our Gamunex purification area;

- construction of a convalescent plasma immunoglobulin facility to help develop treatments for diseases such as Ebola and others for €7.5 million in 2015 and €0.5 million in 2016; and

- construction of a new 6 million liter fractionation plant; € 2.6 million investment in 2016.

**Los Angeles (California, United States):**

- land and facilities acquisition in Los Angeles for €16.6 million in 2015 and €1.5 million in 2016;

- increasing our Albumin and purification capacity for €6.7 million in 2014, €3.7 million in 2015 and €4.4 million in 2016; and

- investments to increase our IVIG purification capacity of € 5.1 million in 2014, €3.3 million in 2015 and €7.2 million in 2016.

**Dublin (Ireland):**

- aggregate investments of over €58 million to build a new headquarters, global operations and logistics center to serve as part of the new global operations center of the Bioscience division from 2014 to 2016; and

- investment in a new Albumin purification and filling plant of € 2.6 million in 2016.

**Other Investments:**

- most significant investments in New Donor Centers in the United States: investments of €21 million in 2014, €10.3 million in 2015 and €31 million in 2016;

- Emeryville, United States: investments of €9.4 million in 2014, €13.4 million in 2015 and €33.3 million in 2016 to consolidate the manufacturing of antigens in a new building;

- Curitiba, Brazil: land acquisition and construction of a plant to manufacture bags used for collection, storage and transfusion of blood components for €2 million in 2014, €7.3 million in 2015 and €9.3 million in 2016;

- Murcia, Spain: investments of €13.2 million in 2014, € 1.3 million in 2015 and €0.4 million in 2016 to increase capacity to manufacture parenteral solutions by approximately eight million units, to approximately 35 million units and investments to increase our Fleboflex Manufacturing Capacity of €2.3 million in 2016;

- refurbishment of the Barcelona headquarters included €16.4 million in acquiring a new office building and continue with the refurbishment of the existing building in 2014, €1.4 million in 2015 and €0.2 million in 2016; and

- investment in a new office building at the Clayton Plant for € 3.7 million in 2015 and €10.2 million in 2016.

***January 2016 through December 2018***

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 will manufacture the oligos and other critical components of the TMA amplified NAT kits for blood and plasma infectious diseases screening. Specific components focused on HIV, Hepatitis B and C, Parvo and Zika are among those being manufactured at the San Diego facility.

We are undertaking an investment plan that includes, among other capital expenditures, approximately $360 million from 2016 through 2021 to expand manufacturing capacity for our plasma derived therapies. We plan to finance our projected capital expenditures with internally generated cash flow, cash on hand and debt financing. Additional capital expenditures have been, and will continue to be, needed as a result of the acquisition of Novartis' assets. These expenditures are included in our current investment plan.

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 part of this process, we have already opened 21 new plasma collection centers and plan to have 225 FDA-approved plasma collection centers by 2021.

The most important planned capital projects relating to the expansion and improvement of our manufacturing facilities are:

- Clayton: construction of a new six million liters fractionation plant and of a purification plant for IVIG;

- Parets: completion of a new Prolastin® plant and improvements in the alpha-1 purification plant;

- Dublin: construction of a purification plant for albumin;

- Emeryville: completion of the construction of a new building to consolidate the manufacturing of antigens; and

- construction of new plasma collection centers as well as further relocation and renovation of our existing centers.

As a result of such expansion and improvement of our manufacturing facilities, we are expecting to increase our purification capacity within the next five years as follows:

- for IVIG, we are expecting to increase our capacity to 13.2 million liters and 19.1 million liters by 2020 and 2022, respectively, from 10.3 million liters in 2016;

- for alpha-1, we are expecting to increase our capacity to 12.2 million liters by 2020, from 5.2 million liters in 2016;
- for Albumin, we are expecting to increase our capacity to 17.5 million liters and 23.5 million liters by 2020 and 2022, respectively, from 10.4 million liters in 2016;
- for Factor VIII, we are expecting to increase our capacity to 11.2 million liters and 13.5 million liters by 2020 and 2022, respectively, from 10.2 million liters in 2016.

We are undertaking research and development projects in all of our major product areas. See "Our Business Strategy—Research and Development" for details of the major projects.

**Indebtedness**

Our current and non-current financial liabilities as of December 31, 2016 were €4.9 billion, of which a substantial majority (€4.7 billion) was long-term debt. As adjusted for the Refinancing, the Hologic Transaction, the offering of the Notes and the Tender Offer for the Existing Notes, we would have approximately €6.6 billion of indebtedness outstanding as of December 31, 2016. The proceeds from the issuance of the Notes hereby will be used to redeem the Existing Notes in full. See "Use of Proceeds".

**Contractual Obligations**

The following table presents our principal existing contractual obligations as of December 31, 2016 (without giving effect to the Refinancing, the offering of the Notes or the use of proceeds therefrom) requiring future payments:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than one year | One to three years | Three to five years | More than five years |
| | (in thousands of euros) | | | | |
| Operating leases[(1)] | 357,524 | 56,869 | 116,549 | 64,526 | 119,579 |
| Financial debt obligations[(2)] | 5,086,251 | 205,754 | 450,754 | 4,390,131 | 39,613 |
| Interest—financial debt obligations[(3)] | 899,479 | 185,785 | 419,952 | 293,742 | 0 |
| Licenses and royalties[(4)] | 34,459 | 4,610 | 9,257 | 13,166 | 7,426 |
| **Total** | 6,377,713 | 453,018 | 996,513 | 4,761,565 | 166,618 |

(1) Operating leases include primarily leases for our plasma collection centers, leases from sale-leaseback transactions and marketing offices worldwide. These amounts reflect only our contractual obligations as of December 31, 2016 and therefore assume that these operating leases will not be renewed or replaced with new operating leases upon expiration. Our operating lease expenses will likely be substantially higher than the amounts provided in this table because our operations will require us to either renew or replace our operating leases.

(2) Includes principal amortization for short- and long-term debt including, among other things, capitalized lease obligations. The remaining financial debt was made up largely of bilateral facilities that bore interest at market rate.

(3) Interest payments on debt and capital lease obligations are calculated for future periods using interest rates in effect at the end of 2016. Certain of these projected interest payments may differ in the future based on changes in floating interest rates, foreign currency fluctuations or other factors or events. The projected interest payments only pertain to obligations and agreements outstanding at December 31, 2016. Refer to notes 20 and 30 to our audited consolidated financial statements

included in this offering memorandum for further discussion regarding our debt obligations and related interest rate agreements outstanding at December 31, 2016.

(4) License and royalty payment formulas are generally based on volume of sales. The amounts presented in the table are calculated based on the net revenue of 2016 without assuming any growth in sales. Additionally, the column "More than five years" includes only one year of payments under the license agreement with Marca Grifols, S.L., which expires in January 2092.

The table above does not give effect to the Refinancing or the offering of the Notes and the use of proceeds therefrom.

**Off-balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

**Financial Derivatives**

See Note 30 to our audited consolidated financial statements included in this offering memorandum for information regarding our derivative instruments.

The New 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. We are subject to market price risk through the valuation of some of our derivatives.

*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, 2016, equity would have increased by €318.6 million (€300.4 million at December 31, 2015) and profit would have increased by €11.4 million (increased by €50.6 million at December 31, 2015). 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, 2016 and 2015 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 obtained during 2016 accrues interest at fixed rates. This fixed interest debt amounts to $1 billion as of December 31, 2016, which represents 21% of our total U.S. dollar

denominated debt. The additional loan of €100 million from the European Investment Bank represents 20% of our total debt in euros.

At June 30, 2016, our U.S. dollars hedging expired and, as a consequence, was not in place on December 31, 2016.

Our senior euro denominated debt represented 10% of our total senior debt at December 31, 2016 (10% at December 31, 2015). All of such debt is at variable rates. We manage cash flow interest rate risks through euro denominated variable to fixed interest rate swaps. On March 31, 2016, the Euro hedging expired and, as a consequence, was not in place on December 31, 2016.

As of December 31, 2016, we were 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 during 2016, the interest expense would have increased by €40.7 million and the finance cost due to changes in the value of derivatives would have been €2.6 million lower. The impact on equity is not significant because of derivatives close to maturity on March 31, 2016 for Euro swaps and June 30, 2016 for U.S. dollar swaps. Therefore, the net effect on cash interest payments would have been €38.1 million.

*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.

**Consolidated financial statements and other data**

The consolidated financial statements included in this offering memorandum include financial data in respect of the Issuer and both Guarantor and non-guarantor subsidiary companies.

The guarantee is a full and unconditional and joint and several guarantee of the Guarantors.

The EBITDA, total assets and total liabilities figures and the percentage of EBITDA, total assets and total liabilities that (i) the Issuer, (ii) the Guarantors and (iii) the non-guarantor companies represent in the audited consolidated financial statements included in the offering memorandum are set out below:

| Entity | EBITDA | Percentage of EBITDA | Total Assets | Percentage of Total Assets | Total Liabilities | Percentage of Total Liabilities |
|---|---|---|---|---|---|---|
| Issuer | €(54.1 million) | (4.7)% | €159.5 million | 1.6% | €63.5 million | 0.99% |
| Guarantors | €1,097.2 million | 96.1% | €8,690.2 million | 85.8% | €6,068.3 million | 94.79% |
| Non-guarantors | €98.1 million | 8.6% | €1,280.1 million | 12.6% | €270.0 million | 4.22% |
| Grifols Worldwide Operations Limited | €303.2 million | 26.6% | €2,231.3 million | 22.0% | €4,154.0 million | 64.89% |
| Grifols Therapeutics Inc. | €276.6 million | 24.2% | €3,883.2 million | 38.3% | €526.2 million | 8.22% |

The EBITDA figures, total assets and total liabilities figures set out in the table above are taken from the most recent audited consolidated financial statements as of December 31, 2016.

Grifols Worldwide Operations Limited and Grifols Therapeutics Inc. are the only guarantors that individually account for over 20% of our consolidated EBITDA or total assets as of December 31, 2016. The non-guarantor subsidiary companies represent less than 10% of our consolidated EBITDA and 15% of our consolidated total assets.

## BUSINESS

### History 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. Our activities include sourcing raw material, manufacturing various plasma derivative products and selling and distributing final products to healthcare providers. As of December 31, 2016, we had 171 operating plasma collection centers located across the United States. We have expanded our plasma collection network through a combination of organic growth and acquisitions and the opening of new plasma collection centers, and we plan to reach 225 FDA-approved plasma collection centers by 2021. We also produce diagnostic and hospital products.

Our Class A shares have been listed on the Spanish Stock Exchanges since we completed our initial public offering on May 17, 2006 and are quoted on the SIBE under the ticker symbol "GRF". In January 2008, we became part of the IBEX-35 Index, which comprises the top 35 listed Spanish companies by liquidity and market capitalization. Our Class B shares were issued as part of the consideration for the Talecris acquisition and are listed on the Spanish Stock Exchanges and quoted on the SIBE under the ticker symbol "GRF.P". Our Class B shares are also traded in the United States on the NASDAQ Global Select Market in the form of ADSs, evidenced by ADRs, under the symbol "GRFS". Each ADS represents one of our Class B shares. Our ADSs are currently traded in U.S. dollars. In November 2011, our ADSs were added to the NASDAQ Biotechnology Index.

### Our Company

We are one of the leading global specialty pharmaceutical companies developing, manufacturing and distributing a broad range of biological medicines derived from blood plasma. 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, such as: primary and secondary immunological deficiencies; 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 30 countries.

In 2015, we believe we ranked in the top three largest producers 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 Prolastin®, IVIG, Factor VIII, Albumin as well as in terms of plasma collection centers and fractionation capacity.

For the year ended December 31, 2016, our consolidated net revenue and EBITDA were €4,049.8 million and €1,141.3 million, respectively, representing an EBITDA margin of 28.2%. During 2016, we generated 65.8% of revenue in the United States and Canada and 15.8% in Europe (of which only 5.4% was generated in Spain).

On January 31, 2017, we completed the acquisition of the business of Hologic related to the development, production and, pursuant to the collaboration described below, sale to us of products in connection with nucleic acid probe-based testing human blood, plasma, other blood products, human cells, organs or tissue intended for or associated with transfusion or transplantation. The transaction consisted of, among other things, the acquisition of the assets and liabilities related to this business and the termination of the then-existing collaboration agreement between Hologic and us for the joint development, manufacture, commercialization, marketing and sale of such products. The acquired business will be part of our Diagnostic division. See "Summary—Recent Developments—The Hologic Transaction".

We organize our business into four divisions: Bioscience, Diagnostic, Hospital and Raw Materials and Others. These divisions also represent the operating segments of the Company:

- *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 IVIG, Factor VIII, A1PI and albumin. We also manufacture intramuscular (hyperimmune) immunoglobulins, ATIII, Factor IX and PTC. The Bioscience division accounted for €3.2 billion, or 79.7%, of our total net revenue in 2016.

- *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 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 Diagnostic division accounted for €664 million, or 16.4%, of our total net revenue in 2016. 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. We expect that the impact of the Hologic Transaction will enhance our vertical integration and further promote the development of new tests and screening routines for emerging viruses.

- *Hospital.* The Hospital division manufactures and installs products used by hospitals, such as parenteral solutions and enteral and parenteral nutritional fluids, which are sold almost exclusively in Spain and Portugal. 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 €98.6 million, or 2.4%, of our total net revenue in 2016.

- *Raw Materials and Others.* Net revenue from Raw Materials and Others primarily consists of revenue from third-party engineering projects performed by our subsidiary, Grifols Engineering, S.A., as well as all income derived from manufacturing agreements with Kedrion and royalty income from the Bioscience and Diagnostic divisions, including royalties acquired with the Novartis Diagnostic Business. The Raw Materials and Others division accounted for €59.0 million, or 1.5%, of our total net revenue in 2016.

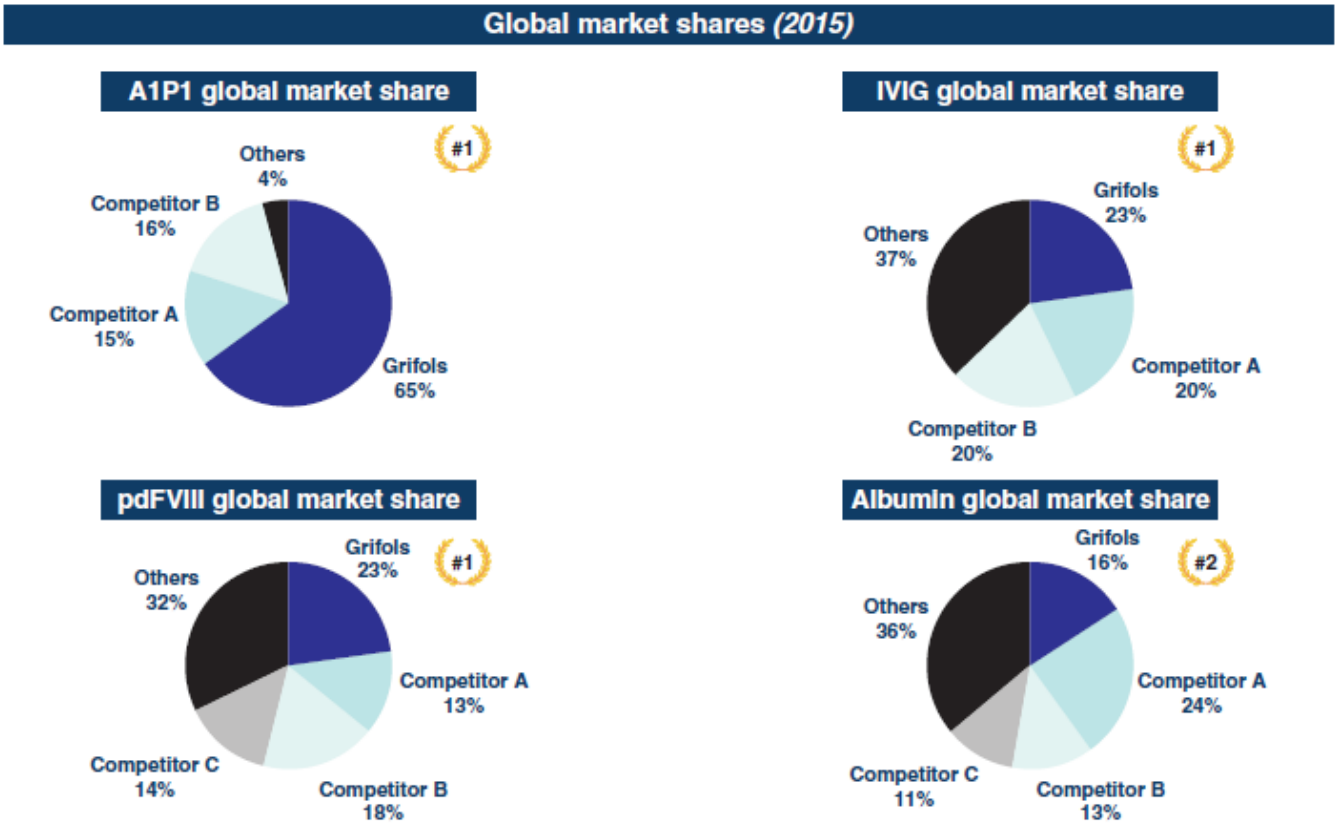
**Our Strengths**

We believe our Company has a number of competitive strengths, including:

***Global Company with an Established Presence in the Two Largest Plasma Derivatives Markets***

We are a global plasma derivative company with operations in over 100 countries through distributors and subsidiaries in 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. The United States, Canada and the European Union accounted for €3.3 billion, or 81.6%, of our total net revenue in 2016. We also have a presence in fast growing sales regions including Asia (Malaysia, China and Thailand), Japan, Australia, the Middle East and Latin America (Mexico, Colombia, Argentina, Chile and Brazil). In addition, we operate eleven manufacturing facilities located in the United States, Spain, Switzerland and Australia.

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 Shire and CSL Group. We are the world's largest producer of A1PI, which is used for the treatment of A1PI deficiency-related emphysema. Prolastin® is the leading A1PI product in the United States, and is also licensed in 28 countries globally, including 15 countries in Europe. We had an estimated 65% market share for this product globally at the end of 2016. In 2015, based on our internal estimates, we had a top three market position in other segments of the plasma derivatives industry, including the largest market share in IVIG (23% of the market), the largest market share in Factor VIII (23% of the market) and the second largest market share in Albumin (16% of the market). According to the latest available data, we also have a leading position in terms of plasma collection centers and have a leading position in terms of fractionation capacity, with a global capacity of 12.5 million liters per year.




* Source: *MRB, secondary official data and Company estimates. Others include all competitors with individual shares below 10%.*

***Fully Vertically Integrated Business Model with a Secure Supply of FDA-approved Source Plasma***

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 opening of new plasma collection centers, we have expanded our plasma collection network to 171 centers in the United States as of December 31, 2016, all of which are licensed by the FDA or in the final approval process. Our acquisitions, including, among others, the 2011 acquisition of 67 plasma collection centers from Talecris, have given us reliable access to United States source plasma. In 2016, we purchased equity interests in the IBBI Group, including a 49.19% equity interest in IBBI, a 48.97% equity interest in Bio-Blood and a 48.90% equity interest in PBS. The IBBI Group is one of the main private and independent plasma suppliers in the United States. In February 2017, we purchased six collection centers from Kedplasma LLC, increasing our collection network to 177 centers. As of December 31, 2016, we held a leading position in terms of fractionation capacity with total global capacity of 12.5 million liters per year. We plan to increase our global fractionation capacity to 18.5 million liters per year by 2022 in response to growing demand, which has been fueled by increased use of plasma derivatives in a wider range of on-label and off-label indications.

We also 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. We expect that the impact of the Hologic Transaction will enhance our vertical integration and further promote 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 is expected to enable us to continue strengthening our leadership position in transfusion medicine.

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

We have state-of-the-art plasma derivatives manufacturing facilities which have a high degree of efficiency and safety and that have EMA certifications and FDA licenses. Our plasma fractionation plant located in Parets del Vallès, near Barcelona, Spain is licensed by the FDA for the production of albumin and IVIG. The Parets facility features 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. 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 at our Parets facility and Clayton, North Carolina and Los Angeles, California plants, giving us increased production efficiency and flexibility. We also have a plasma fractionation plant in Los Angeles, California, which has total fractionation capacity of approximately 2.3 million liters of plasma per year. In addition, our Clayton site is one of the world's largest integrated protein manufacturing sites, including fractionation, purification and aseptic filling and finishing of plasma-derived proteins with a fractionation capacity of 6 million liters of plasma per year.

As of December 31, 2016, we had total fractionation capacity of 12.5 million liters per year through our Clayton, Los Angeles and Parets fractionation plants. We plan to increase our fractionation capacity with a new 6 million liter plant in Clayton, which we expect will take our total capacity to 18.5 million liters per year by 2022. We are also increasing our purification capacity for IVIG, albumin and alpha-1.

***Strong Reputation for Safety and Reliable Service***

We have never experienced a recall of any batch of our finished biological products due to a safety risk, although certain of our other products have been subject to immaterial recalls. 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. We believe that 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 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. During 2014, we completed a new plasma fractionation plant at both our Parets facility and our Clayton facility. The Clayton facility, with 6 million liters of fractionation capacity, is one of the largest fractionation plants in the industry. 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. Additionally, we have developed a nanofiltration method of viral elimination for our IVIG and antithrombin III products which has further improved our health and safety standards.

We maintain the same standards as other industry participants with regard to infectious disease screening and quarantine of units. For example, source plasma inventory is held for not less than 60 days. Additionally, we implement look-back procedures for seroconversion and ongoing testing of donations, for a twelve-month period after a negative donation, as additional safety policies. 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.

As part of our commitment to quality, we provide ongoing training for our plasma professionals through 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.

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.

***Highly Diversified, High-Quality, Industry-Leading Products***

We have a diversified portfolio of high quality products in both the bioscience and the diagnostic divisions. Alphanate® and Fahndi™, our Factor VIII/von Willebrand factor products, are used for both the treatment of hemophilia and von Willebrand disease. In addition, we offer albumin products with reduced aluminum content that meet European regulatory requirements, which makes them more attractive to biotechnology companies and genetic laboratories, as well as to hospitals and physicians. Our portfolio also includes products for the treatment of tetanus, hepatitis B, and Rh factor complications during birth, 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 for liver transplants.

Our portfolio of IVIG and A1PI 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 16 European countries. Gamunex® IVIG can be administered subcutaneously or intravenously.

In addition, our diagnostic portfolio encompasses innovative, market leading transfusion medicine technology, instrumentation and equipment for Nucleic Acid Testing (NAT) and Serology blood screening.

We believe we are the global leader in the NAT blood screening segment with an estimated 54% share of global blood donations, as of 2016, and a market-leading position in the United States NAT segment (estimated 81% of the market in 2016). We have a strong immunohematology product portfolio that includes DG Gel cards, multicards and new genotyping technology with an estimated global market share of 9%.

Prior to the Hologic Transaction, we and Hologic jointly operated this business, with Hologic responsible for research, development and manufacturing of the Procleix® blood screening products and Grifols responsible for their commercialization worldwide. The Hologic Transaction is part of the consolidation and growth strategy envisaged for the Diagnostic division and is expected to enable us to continue strengthening our leadership position in transfusion medicine. See "Summary—Recent Developments—The Hologic Transaction".

***Over 70-Year History of Successful Innovation***

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 extraction of products per liter of plasma. We have also developed the first centrifugation unit for the automated cleaning of blood cells, known as the Coombs test. As one of the first fractionators to conduct double viral inactivation processes for Factor VIII, we designed and implemented a new process for the sterile filling of vials that reduces exposure to potential contaminants as compared to other existing processes. We believe that our adoption of novel policies and methodologies has raised industry standards and made us a leader in safety and product quality.

The Transfusion Medicine Business, formerly owned by Novartis and acquired by us in January 2014, enjoyed a successful history of product innovation and commercialization, and its 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 its employees expertise enabled it to develop 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. We expect that the Hologic Transaction will further promote the development of new tests and screening routines for emerging viruses, strengthening our leadership position in the transfusion medicine field.

***Strong Acquisition Track Record***

We have a strong track record of integrating acquired companies, as demonstrated by the acquisition of Talecris in 2011, the Novartis Diagnostic Business in January 2014 and the acquisition of Hologic's NAT Donor Screening business in January 2017, which provided us with strong growth opportunities in diagnostics. We have also demonstrated our capabilities to integrate products and technologies within our portfolio, including the acquisition in September 2014 of 50% of the voting and economic rights in Kiro Grifols, a Spanish technological company that develops, manufactures and sells machinery and equipment designed to automate or control critical hospital processes; the acquisition in March 2015 of 47.58% of the

equity of Alkahest; the acquisition in April 2016 of a 49.19% equity interest in IBBI, a 48.97% equity interest in Bio-Blood and a 48.90% equity interest in PBS, collectively, a group based in Memphis, Tennessee, that collects plasma for the plasma fractionation industry; the May 2016 acquisition of 20% of the common stock interest of Singulex, a company that granted us an exclusive worldwide license for the use and sale of Singulex's technology for blood donor and plasma screening; and the acquisition in January 2017 of a 49% stake in Access Biologicals, a company based in Vista, California, that collects and manufactures an extensive biological and product portfolio. We also expect that the Hologic Transaction will enable us to continue strengthening our leading position in transfusion medicine.

***Large and Growing Market with Strong Fundamentals***

According to the MRB, the global market for biological medicines derived from human blood plasma was worth an estimated $20 billion in 2016 with a future growth rate estimated at 6% to 7%. In 2015, IVIG was the leading product in the market, accounting for 57% of sales in the plasma derivatives market in the United States and Canada. 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 growth despite the poor global macro-economic environment in recent 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.

***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 fiscal year ended December 31, 2016, we generated net revenues of €4.0 billion from a global and balanced geographical footprint with €2.7 billion, or 65.8%, coming from the United States and Canada, €640.2 million, or 15.8%, from the European Union and €687.4 million, or 17.0%, from the rest of the world. We have also increased our levels of profitability, raising our net profit by 2.5% in 2016. Our ability to generate strong and consistent cash flow has also enabled us to invest in our operations and pursue attractive growth opportunities. We believe that the Hologic Transaction will increase our EBITDA margin and further enhance our future cash flow profile.

***Experienced and Committed Management Team***

We have an experienced and committed management team with over 30 years of experience on average. In accordance with our succession plan, Víctor Grifols Roura, a grandson of Grifols' 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 Chief Industrial Officer, Carlos Roura Fernández, has been associated with Grifols and our predecessor for more than 40 years. The President of the Global Commercial Division, Ramón Riera, has been associated with Grifols and our predecessor for more than 38 years. The Vice-President of Finance and CFO, Alfredo Arroyo, has been associated with Grifols for ten years. The President of United States Operations, Gregory Gene Rich, has been in the industry for nearly 37 years.

**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***

In the plasma sector, access to raw materials is critical. 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 171 FDA licensed plasma collection centers in the United States as of December 31, 2016. 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 in 2011. Since the acquisition of Talecris, our strategy has been to expand and relocate our existing centers in order to collect more plasma more efficiently. In February 2017, we purchased six collection centers from Kedplasma LLC, increasing our collection network to 177 centers. We intend to continue to focus on expanding our collection platform and relocating our existing centers. We are undertaking a €1.2 billion investment plan that includes, among other things, cumulative capital expenditures, of approximately $360 million from 2016 through 2021 to expand the manufacturing capacities for our plasma derived therapies. Under our capacity expansion program, we are currently undergoing an increase of our fractionation capacity from 12.5 million liters per year to 18.5 million liters per year by 2022. The plan also includes the expansion of our FDA collection network platform to reach 225 plasma collection centers in the United States by 2021.

***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 30 countries. The United States is the largest sales region in the world for plasma derivative products. For the year ended December 31, 2016, the United States and Canada accounted for 65.8% of our total net revenue.

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.

Our continued focus on international expansion and acquisitions that generate operational synergies was demonstrated by our acquisition of Talecris in June 2011, a United States based producer of plasma derived protein therapies with an established presence in the United States and Canada. We also expanded internationally with the acquisition in March 2013 of a 60% stake in Progenika (on March 3, 2016, we increased our stake to 89.25%), a Spanish biotechnology firm with operations in the United States, Europe and the Middle East. The Novartis Acquisition 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. Pursuant to the Hologic Transaction in January 2017, we 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. 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: (i) discovering and developing new products, (ii) researching new applications for existing products and (iii) 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, Aradigm Corporation and Singulex, among others. Our research and development teams are working to develop the possible use of albumin in treating Alzheimer's disease. AMBAR is in Phase III and finalized patient enrollment in December 2016. Other recent product developments include three clinical trials of fibrin glue in vascular and non-vascular surgery, which we completed in 2016. We have presented the results to both the FDA and EMA and have applied for approval in the United States and Europe, with an expected launch of the product in early 2018. 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. We expect to launch Prolastin-C® in liquid formulation for the U.S. market by early 2018. 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 are also working on a high concentration (20%) sub-cutaneous immunoglobulin (Phase III) to complement our current offering of immunoglobulin products.

In June 2016, the FDA authorized blood screening for the Zika virus using NAT technology developed by us and Hologic, for use in the United States through the agency's study protocol for IND. Subsequently, in December 2016, we obtained European Conformity (CE Marking) for our Zika virus screening test

We spent €197.6 million in 2016 on research and development. As of December 31, 2016, we had 812 scientists and support staff dedicated to research and development.

***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 is expected to enable us to continue strengthening our leadership position in transfusion medicine. We expect that the Hologic Transaction will further promote 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 contributed to the expansion of our immunohematology line into the United States

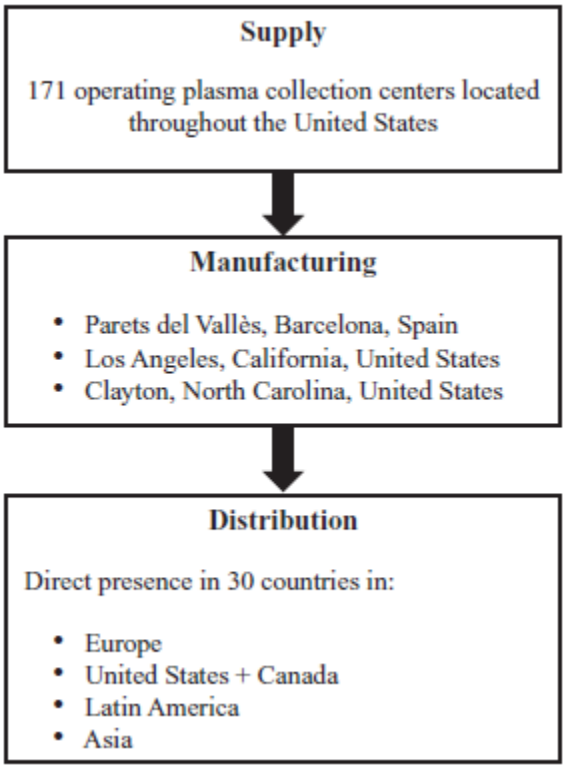
The Novartis Acquisition also enabled us to offer a full range of products to the blood screening market, expanding our portfolio of diagnostic products for transfusion medicine and immunology, with the addition of the Novartis Diagnostic Business' market-leading NAT technology, instrumentation and equipment 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. In 2016, the Bioscience division accounted for 79.7% of total net revenue.

*Operational Structure.* The following chart illustrates its operational structure:




As of December 31, 2016, 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 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 obtain our plasma primarily from the United States through our 171 operating plasma collection centers as of December 31, 2016 and, to a much lesser extent, through agreements with third parties. In February 2017, we purchased six collection centers from Kedplasma LLC, increasing our collection network to 177 centers. In 2016, our plasma collection centers obtained approximately 8.8 million liters of plasma (including specialty plasma required for the production of hyperimmunes and plasma acquired from third parties). We believe that our plasma requirements through 2018 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, assure the quality of the plasma throughout our manufacturing process and improve control over our plasma costs and margins.

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 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 of at least −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 blood 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 12.5 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.

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. In 2016, 2015, 2014 and in prior years, we 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 new fractionation facility at Clayton 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.

*Safety.* We have never experienced a recall of any batch of our finished biological products due to a safety risk, although certain of our other products have been subject to non-material recalls. 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.

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.

We maintain standards consistent with other industry participants with regard to infectious disease screening and quarantine of units. For example, source plasma inventory is held for not less than 60 days. Some of our additional safety policies include look-back procedures for seroconversion. 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.

Fractionation plants must be cleaned and sterilized frequently. Our Parets facility was designed to minimize the clean area required for the plasma fractionation tanks and separates the tanks from the room temperature work area. This allows us to perform all maintenance work from outside the room temperature area, decreasing the risk of contamination.

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.

After plasma derivatives are processed, we inspect each bottle for irregularities such as imperfect seals, bottle cracks, volume mismeasurements and the presence of foreign objects.

We have also developed and installed in our facility a proprietary process of sterile bottle filling designed to reduce the risk of contamination. In our process, the bottle and stopper are sterilized together. Once both are sterilized the bottle is reopened in a small sterile room for only two seconds in order to insert the product and then resealed, greatly reducing exposure to the environment and reducing the risk of contamination.

Since January 1999, we have recorded the filling process to enable us to identify the cause of, and rectify more easily, any related problem. Our policy is to maintain each recording for six years. We also imprint an identification number on each of our bottles with a laser for easier identification in the event of a recall and to reduce the risk of tampering. This allows us to protect the integrity of our manufacturing process.

We continually invest in the improvement of our manufacturing facilities and plasma fractionation process. During 2012, we completed a new ATIII purification and nanofiltration area in Clayton. During 2013, we completed a new albumin purification area at our Parets facility and began the validation process for the new fractionation facilities in Barcelona and Clayton. During 2014, we completed a new plasma fractionation plant at our Parets facility and our Clayton facility. During 2016, a new albumin purification and aseptic filling area was completed at our Los Angeles facility.

*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 used 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 2016 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.

Our principal plasma derivative products are IVIG, A1PI, Factor VIII and albumin, each sold under various brand names, and their respective applications are as follows:

| **Product Description** | **Main Applications** |
|---|---|
| *Flebogamma® 5%*. Immune Globulin Intravenous (Human). | IVIG assists in the treatment of: primary and secondary immunological deficiencies; immune-mediated ITP; Guillain-Barré syndrome; Kawasaki disease; allogeneic bone marrow transplants; and CIDP (Gamunex®/Gamunex®-C only). |
| *Flebogamma® 5% and 10% DIF*. Immune Globulin Intravenous (Human).<br>*Gamunex®/Gamunex®-C*. Immune Globulin Injection (Human), 10% Caprylate/Chomatography Purified.<br>*Prolastin®/Prolastin®-C(only in the United States)/Prolastina®/Pulmolast®*. Alpha 1-Proteinase Inhibitor (Human). | Used to treat congenital alpha-1 antitrypsin deficiency-related emphysema. |
| *Fahndi™and Alphanate®*. Antihemophilic Factor/von Willebrand Factor Complex (Human). | Used for the prevention 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).<br>*Human Albumin Grifols®/Albutein®/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. |

Our acquisition of Talecris expanded our portfolio of IVIG and A1PI products. Gamunex® IVIG, which was launched in the United States and Canada in 2003 as a ready-to-use liquid IVIG product, is one of the leading products in the IVIG segment. We believe Gamunex® IVIG is considered to be one of the premium products in its category since its launch due to a comprehensive set of differentiated product characteristics. Further, the FDA granted Gamunex® IVIG orphan drug status, which provided marketing exclusivity for the CIDP indication in the United States through September 2015. However, Gamunex® IVIG is the only IVIG product approved for CIDP in the United States.

In addition, we are the world's largest producer of A1PI, which is used for the treatment of A1PI deficiency-related emphysema. Prolastin®/ Prolastin®-C A1PI is the leading A1PI product in the United States and Europe. It is licensed in 28 countries. In Italy and Spain, we previously distributed Prolastin® through third parties. We began distributing Prolastin® directly to those two countries in 2013 and we began conducting clinical trials in Europe in 2013 to obtain Prolastin®-C approval there. Prolastin® is the leading A1PI product in the United States and is also licensed in 15 countries in Europe. We had an estimated 65% market share for this product globally at the end of 2016.

Alphanate® and Fahndi™, our Factor VIII/von Willebrand factor products, are used both for the treatment of hemophilia and von Willebrand disease. In addition, our albumin product meets U.S. and European requirements, making it attractive to biotechnology companies and genetic labs, as well as to hospitals and physicians.

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; Anbinex® and Thrombate® III, which are used in the prevention and treatment of thromboembolic complications; 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.

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 707 hemoderivative product licenses registered in 93 countries throughout the European Union, United States, Latin America, Asia and the rest of the world. Our most significant government-issued licenses for plasma derivative products are:

- *Flebogamma®/Flebogamma® DIF/Gamunex®/Gamunex®-C Immunoglobulin.* We have 133 licenses for the marketing and sale of one or more of these immunoglobulin products;
- *Fahndi™/Alphanate®/Koate® Factor VIII.* We have 97 licenses for the marketing and sale of one or more of these Factor VIII products;
- *Human Albumin Grifols®/Albutein®/Plasbumin® Albumin.* We have 202 licenses for the marketing and sale of one or more of these albumin products in its various concentrations; and
- *Prolastin®/Trypsone® A1PI.* We have 33 licenses for the marketing and sale of one or both of these A1PI products.

Pursuant to the Consent Order, we have granted Kedrion the exclusive license to sell Koate®-DVI in the United States.

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 contracts with Canadian Blood Services and Héma-Québec and we have similar, albeit smaller, arrangements with 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 €664 million, or 16.4%, of total net revenue in 2016. Our principal diagnostic products are:

| Product Description | Main Applications |
|---|---|
| ***Transfusion Medicine:*** | |
| *Procleix® Tigris®/Procleix® Panther® systems. Automated NAT blood screening systems, assays and software.* | Used to detect infectious viruses in donated blood and plasma including: HIV (Types 1 & 2); Hepatitis A, Hepatitis B, Hepatitis C and Hepatitis E; parvovirus B19; West Nile Virus; and Dengue Virus. |
| *WADiana®/Erytra® 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-Coagulometer™and Q-Smart™ 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. |

We assemble the majority of our instrument analyzers at our Parets facility. We manufacture antigens at our Emeryville facility and our blood bags at our facility located in Las Torres de Cotillas, Murcia, Spain, or the Murcia facility, which has an estimated capacity of nine million blood bags per year.

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 1,889 diagnostic product licenses registered in 72 countries in Europe, the United States, Latin America 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.

We currently distribute Diagnostic division products in Europe, North America, Asia-Pacific, the Middle East, Latin America and Africa.

In January 2014, we acquired from Novartis a complete line of products and systems to perform blood donor screening molecular tests aimed at detecting the pathogenic agents of transfusion-related infectious diseases such as HIV, hepatitis B, hepatitis C and West Nile Virus. The Novartis Diagnostic Business has been integrated in our current Diagnostic division, resulting in a significant expansion of our transfusion medicine product portfolio. More recently, in January 2017, we completed the Hologic Transaction. Prior to the Hologic Transaction, we and Hologic jointly operated this business, with Hologic responsible for research and development and manufacturing of the Procleix® blood screening products and Grifols responsible for their commercialization worldwide. Following the acquisition, we now control the research and development processes as well as the manufacturing of the reagents. We believe the Procleix® NAT solutions that we added to our portfolio in the Hologic Transaction, which we were already commercializing following the Novartis Acquisition, continue to lead the market, and are used to screen more blood and plasma donations worldwide each year than any other NAT system. The Procleix® products are designed to directly detect the genetic material of a virus using a technique called transcription-mediated amplification (TMA).

*Transfusion Medicine*

Grifols has 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. Our growth strategy in transfusion medicine has been strengthened by the January 2014 acquisition of the transfusion medicine and immunology diagnostic unit of Novartis and the recent Hologic Transaction. 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® and Erytra® analyzers and related DG Gel® blood determination cards). See Note 3(b) to our audited consolidated financial statements included in this offering memorandum.

We continue to focus on obtaining FDA and other regulatory approvals to expand our portfolio of NAT products. In 2015, a European Conformity, or CE mark, was granted for the NAT test that detects both parvovirus B19 and hepatitis A virus (Procleix® Parvo/HAV) in human plasma on the Procleix® Panther platform, enabling Grifols to increase the number of tests available for this platform and to expand its portfolio of products designed to meet the specific needs of the plasma industry. In 2016, the Procleix® Tigris system underwent a series of significant software and hardware improvements to better address evolving market needs, including more functional and streamlined software and increased storage holding for key consumables.

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. In June 2016, the first samples were tested using Grifols Procleix® Zika virus assay on a Procleix® Panther® system under an IND protocol. In August 2016, the FDA issued non-binding recommendations that require NAT screening of all individual donations in the United States and its territories. 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. The record-time development of the Procleix Zika virus assay reinforces our commitment to blood safety worldwide.

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 have been completed and the corresponding Biologics License Applications (BLA) are now undergoing review by the FDA.

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 this regard, it is important to highlight several new contracts in the Middle East. In 2015, we won a tender in Saudi Arabia to supply the Saudi Arabian National Guard, followed by a contract in 2016 to supply transfusion services to the Saudi Ministry of Health (MoH) and the majority of the member countries of the Cooperation Council for the Arab States of the Gulf (CCASG), establishing Grifols as the leading provider of NAT technology in the region. During 2016, we conducted our first sales in Oman and Kuwait. We opened a new training center in Dubai in 2016 to further support our growth in the region. The center offers single and multi-day training courses for laboratory technicians, engineers and specialists in Grifols' broad portfolio of products in transfusion medicine and clinical diagnostics.

We continue to experience strong sales of our DG Gel® blood typing products. In December 2016, we obtained CE marking for Erytra Eflexis®, a fully automated, mid-size analyzer that performs pretransfusion compatibility testing using DG Gel® technology. 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. In the United States, our blood typing solutions have experienced solid growth. Grifols has expanded commercialization efforts and will continue to promote this area in light of its high growth potential.

In 2015, we opened the "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. In 2016, we expanded the number of tests offered by the center to include simple and complex serological tests.

In several countries, we distribute the BLOODchip® blood group genotyping tests manufactured by Progenika, a company in which Grifols has a majority stake.

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. To strengthen our position in Brazil, we are constructing a blood bag manufacturing plant there.

As part of the Novartis Acquisition, we also acquired 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 with Ortho Clinical Diagnostic, Grifols signed a new contract with Abbott Laboratories for the supply of high quality antigens used in the manufacture of immunoassay diagnostics. This new contract, with a total value of approximately $700 million, has created new conditions and extends the supply of antigens until 2026, ensuring higher levels of recurring income in this area. In 2016, we obtained CE mark approval for the VITROS® HIV Combo test, developed by Grifols and Ortho Clinical Diagnostics 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.

*Clinical and Specialty Diagnostics*

Our Q-Coagulometer™, Q-Smart™ and Triturus® analyzers remain key product lines in the clinical and specialty diagnostics product line. In 2015, the Q-Smart™ analyzer (a mechanism for laboratories to automate and standardize hemostasis tests) was commercially launched in Latin America.

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.

Also within Clinical and Specialty Diagnostics, Progenika Biopharma obtained in 2015, CE marking for its first genetic diagnosis test for Familial Hypercholesterolemia (FH) using next generation sequencing technology (NGS). Sales continue in Chile, select E.U. countries and Australia for the Promonitor® product line, which includes an ELISA device line also developed by Progenika to monitor patients being treated with biological medicines for rheumatoid arthritis and other chronic inflammatory diseases. In 2015, CE marking was granted for two new references of tests in the Promonitor family that enable treatment with the biological product golimumab. This launch strengthens Grifols' strategy in autoimmunity based on innovative tests using ELISA technology to help rationalize the use of biological treatments. In 2016, we obtained CE marking for several new reference tests in the Promonitor family of products, developed by Progenika. The new reference tests 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. These new tests strengthen Grifols' strategy in autoimmunity, based on innovative tests using ELISA technology, to help rationalize the use of biological treatments.

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.

In 2015, we signed an exclusive agreement for distribution of AESKU Diagnostics GmbH & Co.'s autoimmunity diagnostic products in the United States and Mexico. We also have various distribution agreements with AESKU in Chile, Italy, Portugal, Spain and the United Kingdom. In 2016, AESKU obtained FDA approval for Helios, the only fully automated platform capable of performing all immunofluorescence pipetting and reading steps in the United States, which strengthened our portfolio of products in the country.

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 manufactures and installs products used by hospitals, such as parenteral solutions and enteral and parenteral nutritional fluids, which are sold almost exclusively in Spain and Portugal. 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 €98.6 million, or 2.4%, of our total net revenue in 2016. We are the leader in the Spanish intravenous therapy segment in intravenous solutions, with a 35% market share.

Hospital logistics and i.v. Tools segments are also strategic areas for the Hospital division. With i.v. Tools we are the leaders in bringing GMP procedures and product solutions to the hospital pharmacy, increasing the safety of their compounding needs. With the hardware and software solutions offered by the Hospital logistics area, we are the market leader in Spain and Latin America in terms of offering solutions to manage the flow of medications in hospitals.

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, antibiotics and paracetamol. | Increases safety and efficiency by rendering unnecessary the mixing of solutions at in-hospital pharmacies. |
| ***Pharmatech***: | |
| *I.v. Tools.* 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. Phocus RX® is a specific software and hardware tool for guiding the manual preparation of intravenous mixtures, including cytotoxic drugs. The Kiro Oncology automation system is designed specifically for the preparation of cytotoxic drugs. | Improves safety of hospital pharmacy preparation procedures by assuring sterility, traceability and user safety. |
| *Hospital Logistics*: This includes products such as packaging instruments; software programs, including our own BlisPack®; and logistic dispensing systems, including Pyxis® and Kardex®, for inventory control | 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. |
| *Disposables for gastroenterology*. Stents and special endoscopy disposables for gastroenterology patients. | For patients needing gastrointestinal recanalitation, normally used in endoscopic surgery. |
| *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, radiology, cardiology, neurology hemodynamics and anesthesia. |

The production, marketing or sale of our various Hospital division products are subject to prior registration with authorities of the relevant jurisdictions. We have close to 190 licenses for our Hospital division products registered in 38 countries throughout the European Union, Latin America 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.

As our Hospital division generates most of its revenue in Spain, it has been impacted by budgetary constraints in the Spanish health sector. In order to address these challenges more effectively, in 2014, we reorganized our commercial structure in Spain, by focusing on a more specialized, integrated model, both geographically and functionally. As a result of this reorganization, sales growth in Spain in 2016 was stable. We also continue to promote international expansion of this division. However, there was no significant change in international markets, with 29% of the division's net revenue in 2016 generated outside of Spain affected by the end of a third-party manufacturing contract. Sales are growing in the United States and Portugal. By area of specialization, Pharmatech, which includes Hospital Logistics and i.v. Tools, and the Intravenous Therapies lines were the main drivers of growth.

The Hospital division has established a new 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. 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 are continuing to develop ready-to-use potassium solutions in polypropylene packaging. We have added to our portfolio of large volume parenterals a new system of needle-free Polypropylene bags, an added value product addressed to avoid injuries to health care practitioners. Both Parets and Murcia, were audited by the FDA in June 2015 without any observation. We are also in the process of developing intravenous paracetamol for sales through third-party companies in the United States and intravenous ibuprofen for sales through third-party distributors in Europe. We have signed an agreement with Mylan for 0.9% Sodium Chloride distribution in the United States.

In 2015, and in line with the strengthening of the activity in third-party manufacturing contracts, the dossier for an analgesic in polypropylene bag for the North American market has been submitted to the FDA. Development work continues on a ready-to- use, non-steroidal anti-inflammatory in bag presentation for Europe and the United States. The company plans to consolidate this activity area by obtaining new contracts.

*Pharmatech: Hospital Logistics and i.v. Tools*

We sell 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 Hospital Logistics 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, StockKey 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.

As a complement to our intravenous solutions, we also manufacture and distribute a complete portfolio of tools used in connection with the preparation of specific i.v. medication, which we refer to as i.v. Tools. We manufacture Misterium™, a cleanroom we design to order and install on site to customer specifications. In 2016, the principal market for Misterium™ was the United States.

PhocusRx is a system of non-invasive cameras used in many hospital pharmacies in the United States to validate and document the process of preparing intravenous mixtures. In 2016, this system was adopted in the number one cancer hospital in the United States: the Memorial Sloan Kettering Cancer Center.

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 i.v. Tools 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 i.v. medication preparation processes. In 2015, Kiro Grifols obtained FDA marketing approval in the United States for the Kiro Oncology system. The Ann & Robert H. Lurie Children's Hospital in Chicago was the first center in the United States to adopt the system, and during 2016, Smilow Cancer Hospital at Yale became our second reference site in this market.

*Nutrition*

We develop and distribute enteral nutrition products, including accessories such as feeding tubes and nutritional bags, for sale in the Spanish market. During 2016, the main driver in the Nutrition segment continued to be our distribution of nasogastric probes manufactured by Halyard. We are launching a new Diet Grif container that is more adapted to market needs in 2017.

*Medical Devices*

We also sell other medical devices, such as disposable sterile therapeutic medical products for urology, radiology, hemodynamics 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. We performed well in 2016 thanks, in part, to Brazilian sales and efforts to intensify our contacts to incorporate new distribution lines to the current portfolio.

**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 moved from €224.2 million in 2015 to €197.6 million in 2016. In addition, as of December 31, 2016, we had 812 scientists and support staff dedicated to research and development.

We have over 70 years 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 IVIG 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*

The Talecris acquisition complemented our substantial Bioscience division research and development project portfolio, which we believe will ensure the quality of our research activity in the long term.

We have a number of patents and research and development projects in our Bioscience division underway, 27 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** | **2016** | **2015** | **2014** |
| Discovery | 16 | 21 | 19 |
| Preclinical | 14 | 22 | 19 |
| Clinical | 27 | 26 | 23 |
| Post Commercialization Studies | 9 | 12 | 12 |
| Rest of projects | 20 | 22 | 24 |
| **Total Bioscience Research and Development Projects** | 86 | **103** | **97** |

The table below presents the most important of our research and development projects:

| Product Candidate | Therapeutic Area | Product Type | Potential Use | Development Phase |
|---|---|---|---|---|
| Albumin and IVIG | Alzheimer's | Plasma-derived | Alzheimer's disease | Phase III (began in April 2012) |
| Antithrombin | Intensive Care | Plasma-derived | Cardiovascular surgery | Phase II for Anbinex® (completed in June 2011)Phase II for Thrombate® III (entered in June 2014) |
| Fibrin glue | Surgical bleeding | Plasma-derived | Vascular, organ and soft-tissue surgery | Licensure (entered in Q4 2016) |
| Topical thrombin | Surgical bleeding | Plasma-derived | General surgery | Phase II (entered in January 2014) |

*AMBAR Study.* We are continuing our ongoing research into possible treatments for Alzheimer's disease. The Alzheimer Management by Albumin Replacement, or AMBAR study, is a multicenter trial that complements two previous trials and involves combining therapeutic plasmapheresis with albumin and IVIG in different intervals and in varying doses. Since the AMBAR project is mainly based on albumin, the study also includes a treatment arm with albumin alone in order for both approaches, combination of albumin plus IVIG and albumin alone to be covered. Therefore, we are conducting a Phase III clinical trial to demonstrate the efficacy of plasmapheresis with Albutein® (5% and 20%) combined with Flebogamma® DIF 5% or Albutein® alone for improving the cognitive status of patients with Alzheimer's disease. We expect the study, which will be conducted in collaboration with hospitals in Spain and in the United States, to include 365 patients plus a control group. We received approval for our study from both the Spanish Agency and the FDA, and more than 300 patients have enrolled. We completed recruitment in 2016.

We incurred costs in the amount of €11.4 million, €10.8 million and €4.9 million in connection with this project in 2016, 2015 and 2014, 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.

*Antithrombin.* In 2008, we initiated research into the clinical efficacy of antithrombin for use on cardiac surgery patients with cardiopulmonary bypass. In June 2011, we concluded Phase II clinical trials involving the use of our antithrombin Anbinex. In June 2014, we began a second Phase II trial for the same indication using Thrombate III. Enrollment is expected to be completed in 2017. We incurred costs in the amount of €3.8 million, €2.0 million and €1.2 million in connection with this project in 2016, 2015 and 2014, respectively.

*Fibrin Glue.* We began clinical trials into the safety and efficacy of the use of fibrin glue 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 glue in vascular surgery. Three additional clinical trials were performed: (i) a Phase III clinical trial in the United States for the use of fibrin glue in solid organ surgery; (ii) a Phase III clinical trial in the United States for the use of fibrin glue in soft-tissue surgery; and (iii) a Phase III clinical trial for the use of fibrin glue in vascular surgery in the United States. All of the U.S. clinical trials for fibrin glue were completed in 2015.

We incurred costs in the amount of €7.8 million, €16.8 million and €15.9 million in connection with this project in 2016, 2015 and 2014, respectively. We hold significant granted patents on the fibrinogen and thrombin production processes.

*Topical thrombin.* This project encompasses all aspects of the development and licensing of thrombin, using topical administration methods, as a complement to hemostasis products for the cessation of bleeding in general surgery. Upon completion of supporting process development and preclinical activities, we began preparations for the Phase II clinical trial in 2013 and initiated the trial in the United States in January 2014. We completed enrollment in the Phase II clinical trial in 2015.

In connection with this project, we incurred costs in the amount of €1.1 million, €2.9 million and €5.1 million in 2016, 2015 and 2014, respectively.

Other Bioscience research and development projects undertaken during 2016 included:

- development of a high concentration immunoglobulin for subcutaneous administration;
- clinical programs to evaluate new indications of Flebogamma® DIF 5% and Gamunex®-C;
- a clinical study to evaluate the effects of the prolonged administration of human albumin on cardiovascular, hepatic and renal function in patients with advanced cirrhosis and ascites. One study involves the administration of Albutein® 20% and is being conducted at six Spanish hospitals;
- a study designed to evaluate the effects of plasma exchange on the functional capacity of serum albumin on cerebral, circulatory and renal dysfunction; and
- development and clinical payments to Aradigm related to Pulmaquin and Lipoquin. Study concluded, pending FDA application for approval in the United States.

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 "D. Risk Factors—Risks Relating to 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 is focused on the development of recombinant proteins and in vitro diagnostic reagents and equipment, principally for pretransfusional testing, hemostasis diagnosis and biological drug monitoring. It is based on enzymatic and immunologic reactions and molecular genetic testing, using different technologies including RBC agglutination, latex particles agglutination, solid phase capture, lateral flow and chromogenic substrates.

The principal research and development projects that we are undertaking in this division are: (i) development of recombinant proteins for the manufacture by third parties of finished kits, mainly for blood virus screening focused in HIV and hepatitis diagnosis, and also for the manufacture of Grifols finished kits for hemostasis testing as well as for the Immunohematology line of products; (ii) red blood cell typing tests and blood compatibility testing through the use of gel technology, liquid reagents and our patented Multicard device as well as the corresponding automated platforms; (iii) genetic detection of red blood cell and platelet antigens; (iv) development of an automatic ELISA platform and a broad menu of drug and anti-drug ELISA kits; and (v) development of a complete range of hemostasis reagents and automatic equipment.

Subsequent to the Hologic Transaction, we have taken over the R&D tasks in this segment. Current activities are centered in the Babesia and Zika virus NAT kits. In 2016, we obtained CE marking for our ZIKA virus screening test and FDA approval under an IND protocol.

Additionally, the Diagnostic division is developing medical devices for the extraction and storage of blood components. In 2016, we received the approval from Spain CE Mark Notified Body for Leucored CPD-SAGM Eurobloodpack configuration and the approval from Health Canada also for Leucored CPD-SAGM. The principal products under development were phthalate (DEHP)-free blood bags, Leucored Platelet Kit and Leucored RC bags soft filter.

***Hospital Division Initiatives***

The research and development team in the Hospital division primarily focuses on developing complementary products and on improving the safety and efficiency of existing products. During 2016, we received the approval from Agencia Española del Medicamento y Productos Sanitarios for Paracetamol 10 mg/mL and from European Health Authorities and FDA for sterile water for injection. We also submitted 0.9% Sodium Chloride as a Decentralized procedure in Europe and a new Set Grifill® in the U.S. and EU markets. The principal projects currently under development are a flexible plastic container closure system for biological products, 0.9% Sodium Chloride in Fleboflex Luer container for Kiro IV®, an anticoagulant solution, a nonsteroidal anti-inflammatory solution (NSAID) and a new version of the Gri-fill® system. 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. Additionally, the Hospital division is developing ready-to-use mixtures for third-party distribution, including intravenous paracetamol, ibuprofen and Tirofiban mixtures.

The Hospital division is also developing new software and devices using state-of-the-art technology, such as Radio-Frequency Identification (RFID) and mobile apps, to improve the warehousing control of medication, the administration of medication to the patient and the traceability of the pharmaceutical products and high value medical devices inside the hospital. Another important field of software development is targeted to improve the workflow and productivity in the IV compounding areas.

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. The Hospital division is also collaborating on the manufacturing of the cuvette of Q-Coagulometer™ for the Diagnostic division.

The Kiro-Grifols joint venture is generating synergies in the research and development of medication compounding. We are using Kiro's automation knowledge and Grifols experience with compounding procedures, preparation, technologies and cleanroom development to create new compounding automatic platforms that will be introduced in the coming years.

The Hospital division is collaborating with the Bioscience division, with products such as plastic holders for syringes of Fibrin Glue.

***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 (GIANT), established in 2016, through agreements to use patents owned by third parties and through selective acquisitions.

Our acquisitions of Araclón and VCN Biosciences in 2012 expanded our research and development capabilities in fields outside of our traditional business segments. Araclón is dedicated to finding solutions that promote new diagnostic and therapeutic approaches to Alzheimer's disease. Araclón is working on an early diagnostic kit 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. The company is preparing to enter clinical Phase II trial. 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 of the treatment of pancreatic cancer. The Agencia Española del Medicamento y Productos Sanitarios 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 2015, we initiated a partnership with Alkahest, acquiring 47.58% of the equity of the company, to develop plasma-based products for the treatment of cognitive decline in aging and other central nervous system (CNS) disorders, including Alzheimer's.

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 action of HIV in the body while increasing the activity of the natural killer cells that have the task of destroying infected cells.

**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 GPO's. GPO's are entities that act as purchasing intermediaries for their members, which are primarily hospitals. GPO's 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 GPO's, the actual sales are made to each GPO's authorized distributor(s) at the contract price, and the distributor then sells the products to that GPO's members. 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 and product line-specific sales units for immunology & neurology, pulmonary and coagulation factors.

*Advertising*

We do not conduct any widespread advertising. Instead, we participate in medical conferences and fairs and occasionally publish advertisements in medical journals and trade magazines.

*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 2016, 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 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 1,332 employees as of December 31, 2016, which included 1,164 sales and distribution personnel and 168 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 in the hospital 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 December 31, 2016, we owned over 2,360 patents and patent applications in various countries throughout the world, of which approximately 535 are in the application process. In some countries, these patents grant a 20-year protection period. Approximately 1,003 of these patents are set to expire in the next ten years, according to the international filing date. As of December 31, 2016, we also owned over 3,000 trademarks in various countries throughout the world, of which approximately 159 are in the 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 in the United States to handle the patent and trademark approval and maintenance process and to monitor possible infringements.

***Plasma Derivative Products***

As of December 31, 2016, we owned approximately 1,409 patents and patent applications related to plasma derivatives in various countries throughout the world, including approximately 641 in Europe and 136 in the United States and Canada. The most important of these patents relate to:

- process for the production of virus-inactivated human Gamma Globulin G;
- use of therapeutic human albumin for the preparation of a drug for the treatment of patients suffering from cognitive disorders;
- process for removing viruses in fibrinogen solutions; and
- preparation of plasminogen.

***Hospital and Diagnostic Products***

As of December 31, 2016, we owned approximately 918 patents and patent applications related to our Hospital and Diagnostic products throughout the European Union (497), the United States and Canada (93), Latin America, Asia and 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® , apparatus for the automatic analysis of samples on gel cards; and
- suspension medium of red blood cells.

*Licenses from Third Parties*

We license certain intellectual property rights from third parties, including Bayer, Singulex and Hologic. Under a licensing agreement with Bayer, Talecris was granted a royalty-free, worldwide and perpetual license covering certain intellectual properties not acquired by Talecris in connection with its formation transaction. We assumed this licensing agreement in connection with the Talecris acquisition. 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 707 hemoderivative product licenses registered in 93 countries, which include the licenses we hold from the FDA for the sale in the United States of IVIG, 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 1,889 diagnostic product licenses registered in a total of 72 countries in Europe, the United States, Latin America and Asia. With respect to our various Hospital division products, we have close to 190 licenses for our Hospital division products registered in 38 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 "Regulatory Matters" below.

**Property, Plant and Equipment**

Our headquarters is located in Barcelona, Spain. As of December 31, 2016, we owned or leased facilities in five countries. We currently own or lease eleven manufacturing facilities in nine locations, three

of which have plasma fractionation capabilities. The table below shows the geographic location and business purpose of each facility as of December 31, 2016.

| Location | Facility | Own/Lease[2] | Business Purpose |
|---|---|---|---|
| Parets del Vallès, Spain ..... | | | Plasma fractionation |
| | Industrial Facility One Parets | Own; 34% of the property is leased | Manufacture of plasma derivatives & division support activities |
| | Industrial Facility Two Parets | Own; 20% of the property is leased | Manufacture of Diagnostic and Hospital products |
| | Industrial Facility Three Parets | Own; 87% of the property is leased | Plasma storage & other operating activities |
| Los Angeles, California, USA ..... | | | Plasma fractionation<br>Plasma purification |
| | Industrial Facility USA | Own; 7% of the property is leased | Manufacture of plasma derivatives |
| Clayton, North Carolina, USA..... | | | Plasma fractionation |
| | Clayton Facility | Own | Manufacture of plasma derivatives |
| Emeryville, California, USA ..... | | | Manufacture of |
| | Emeryville Facility | Own; 27% of the property is leased | Diagnostic products |
| City of Industry, California, USA..... | City of Industry USA | Lease | Plasma storage |
| Murcia, Spain..... | | | Manufacture of Hospital |
| | Industrial Facility Murcia | Lease | products |
| Fribourg, Switzerland ..... | Industrial Facility Switzerland | Lease | Manufacture of Diagnostic products |
| Melbourne, Australia ..... | Industrial Facility Australia | Own | Manufacture of Diagnostic products |
| Austin, Texas, USA ..... | Plasma Testing Lab | Lease | Plasma testing |
| San Marcos, Texas, USA..... | Plasma Testing Lab | Own | Plasma testing |
| Benson, North Carolina, USA ..... | Benson Facility | Lease | Plasma storage |
| Dublin, Ireland..... | | | Operating activities |
| | Global Operations Center | Own[1] | related to the Bioscience division |
| Sant Cugat del Vallès, Spain..... | Headquarters | Lease | Headquarters |

(1) We hold a 999 year leasehold interest in the property.

(2) Lease percentage based on property size.

In addition, 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 will manufacture the oligos and other critical components of the TMA amplified NAT kits for blood and plasma infectious diseases screening. Specific components focused on HIV, hepatitis B and C, Parvo and Zika are being manufactured at the San Diego facility.

*Plasma Fractionation Plants*

Our plasma derivative products are manufactured at our Clayton, Los Angeles and Parets facilities. All of our fractionation facilities have FDA and EMA certification. The Spanish and American facilities currently have an aggregate fractionation capacity of 12.5 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 4.2 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 authorities for the production of various plasma derivative products, the Parets facility is licensed by the FDA for the production of albumin and IVIG. We are one of the few European plasma derivatives plants to be licensed by the FDA. In addition to the plasma fractionation facilities, the Parets facility also has energy generation, research and development, packaging and storage facilities for the Bioscience division and the Hospital division. The Parets facility holds ISO 14000 and ISO 9001 certifications for its parenteral solutions and diagnostic manufacturing facilities. In addition, the Clayton facility in North Carolina received the ISO 14001 certification by TÜV Rheinland Iberica Inspection, Certification & Testing S.A during the year. The ISO 14001 certification 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 at the Grifols Clayton facility.

We acquired our Los Angeles facility in July 2003, in connection with our acquisition of Alpha's plasma fractionation business. We subsequently made significant capital investments in the facility, including the construction of purification and aseptic filling areas for coagulation factors and albumin, which were completed in 2006 and 2009, respectively, and an increase of the fractionation capacity by 0.7 million liters to 2.2 million liters, which was approved by the FDA during 2009. The Los Angeles facility is subject to regulation by the FDA. From the date of acquisition through March 15, 2012, the Los Angeles facility operated under a consent decree from the FDA and the DOJ dating to the time the plant was owned and operated by Alpha. On March 15, 2012, the United States District Court for the Central District of California entered an order vacating the consent decree.

As a result of the Talecris acquisition, we acquired the Clayton facility. Since the acquisition, the Clayton facility has benefited from significant capital investment, including compliance enhancements, general site infrastructure upgrades, capacity expansions and new facilities, such as its chromatographic purification facilities and its high capacity sterile filling facility. The Clayton 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. We completed construction and received FDA approval of the new Clayton fractionation plant in 2014, which expanded our fractionation capacity at Clayton to approximately six million liters per year. In 2015 and 2016, we operated our two Clayton fractionation facilities while transitioning all fractionation to the newly constructed one, which we expect will decrease our gross profit on Clayton products during those two years. The transition of all significant production was successfully completed during 2016.

*Global Operations Center*

In the last quarter of 2015, we officially opened a global operations center for our Bioscience division. The new facilities, located in Dublin, Ireland, occupy 22,000 square meters. The new facility will centralize decision-making with regard to commercial policy, R&D policy and supply chain global management. It will house 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. The global operations center for the Bioscience division came on stream as planned.

**Insurance Coverage**

*General and Product Liability*

We have a program of insurance policies designed to protect us and our subsidiaries from product liability claims.

Effective May 1, 2016, we have product liability insurance coverage for up to $220 million per claim and in annual aggregate for products manufactured in all of our facilities and for third-party products we sell. This policy expires on May 1, 2017. We have elected to self-insure the first $16.5 million per claim and in annual aggregate of our product liability policy 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 affiliates from certain environmental liabilities arising in those countries in which our subsidiary companies have operations, except in the United States. This risk is covered up to a maximum of $22 million per year and in the aggregate.

Biomat USA and Talecris Plasma Resources maintain a separate liability insurance policy. The policy covers their plasmapheresis business activities and expires on May 1, 2017. The maximum amount of coverage for liability claims under the policy is $10 million per claim and in the annual aggregate. In addition, we have general liability coverage for up to $220 million for those three subsidiaries.

*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 expires on May 1, 2017, 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 billion per occurrence. It also covers material damages produced by flooding, for up to €100 million per claim and in the annual aggregate.

In addition, this policy covers loss of profit for a period of 24 months with a deductible equivalent to up to five business days of lost profits. Pursuant to the loss of profit benefit, 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 $650 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 Ltd., one of our wholly owned subsidiaries. We self-insure the first $16.5 million per claim per year of our product liability policy, the first €200,000 per loss for property damage and the first ten days of lost profits, the first $27,000 per claim for transit losses and the first €200,000 per claim for inventory losses. 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 average number of employees by department for the years ended December 31, 2016, 2015 and 2014:

| Department | 2016 | 2015 | 2014 |
|---|---|---|---|
| Manufacturing | 11,400 | 11,409 | 10,776 |
| Research & development—technical area | 812 | 812 | 774 |
| Administration and others | 1,095 | 1,032 | 1,030 |
| General management | 238 | 215 | 187 |
| Marketing | 168 | 158 | 186 |
| Sales and distribution | 1,164 | 1,111 | 1,027 |
| **Total** | **14,877** | **14,737** | **13,980** |

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 our 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 and Argentina 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, except for a one-day general strike in Spain in June 2002. 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 in 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 €674,000 in 2016, compared to €647,000 in 2015. 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 $17 million for 2016, compared to $12.7 million for 2015. 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. See Note 29(e) to our audited consolidated financial statements included in this offering memorandum for additional information regarding the legal proceedings in which we are involved.

*Foreign Corrupt Practices Act Investigations*

We are continuing an internal investigation into potential violations of the FCPA by any of the companies acquired by us. The FCPA investigation is being conducted by outside counsel under the direction of the Board.

In July 2009, Talecris voluntarily contacted the DOJ to advise it that it was conducting an internal investigation into potential violations of the FCPA. The investigation into possible improper payments to individuals and entities made after Talecris' formation initially focused on payments made in connection with sales in certain Central and Eastern European countries, specifically Belarus and Russia, although trading practices in Brazil, China, Georgia, Iran and Turkey are also being investigated, in addition to other countries as deemed appropriate.

As a result of this investigation, shipments to some of these countries have been suspended while we put additional safeguards in place. In some cases, safeguards involved terminating consultants and suspending relations with or terminating distributors in countries under investigation as circumstances warranted. In addition, as a consequence of the investigation, an agreement with a Turkish distributor was terminated giving rise to an arbitration between the parties that has now concluded. Grifols has now identified a new distributor in Turkey for the distribution of its products.

In November 2012, we were notified by the DOJ that the proceedings would be closed, without prejudice to the fact that they could be re-opened in the future should new information arise. We are continuing an in depth review of potential irregular practices.

In 2013, there was a criminal lawsuit initiated in Naples, Italy against five of our employees, including the former general director. In 2014, Italian courts withdrew all claims, except for minor charges against two non-management employees. The Company has finalized the internal investigations opened in Italy and in November 2015 a meeting took place with the DOJ to report on the conclusions derived from the investigations. On September, 29 2016, the DOJ notified Grifols that it had closed its inquiry into Grifols, concerning possible violations of the U.S. Foreign Corrupt Practices Act. In its notice of declination to prosecute, the Department acknowledged the full cooperation of Grifols in the investigation.

*Antitrust Approval of Talecris-Grifols Merger*

On July 20, 2011, the Federal Trade Commission, or FTC, issued a final order, or Consent Order, to settle its May 31, 2011 charges that our acquisition of Talecris 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 Talecris' Melville, New York manufacturing facility, which we refer to as the Melville facility, and United States marketing rights to Koate® antihemophilic factor, and an agreed quantity of plasma and subsequently transferred to Kedrion 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 3 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 fifth compliance report in July 2016. There has been no further action by the FTC. Our next compliance report is due in July 2017.

## 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 and that, once isolated and purified, have therapeutic value. 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 marked 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 1998 to 2014, with estimated worldwide sales of $20 billion in 2016. Sales in the United States have grown at a compound annual rate of approximately 13.4% from 2005 through 2015, with sales of $8.6 billion in 2015, representing a 10.3% increase over 2014, 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 2014 were the United States and Canada and Europe, which together represented 69.5% 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 $8.2 billion in 2014, followed by Europe, estimated to be $5.5 billion. Although prices are not regulated in the United States, the presence of large 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.

The table below shows the historical evolution of sales by the plasma derivatives market in billions of dollars:

| 2003 | 2005 | 2008 | 2010 | 2012 | 2014 |
|---|---|---|---|---|---|
| $5.8 | $7.0 | $11.6 | $13.7 | $15.2 | $19.7 |

* Source: *MRB*

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 United States paid donations to fill the supply gap. In 2015, the United States supplied approximately 65% 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.

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.

United States 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 United States 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 three largest selling plasma proteins, which together constituted approximately 70% of plasma-derived product sales in the world in 2014 and 67% in the United States in 2015 were:

- *IVIG* is the part of the plasma that contains antibodies. IVIG 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 IVIG 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. IVIG is also currently being investigated for use in the treatment of neurological conditions. Industry participants believe that, because IVIG is a complex mixture of antibody molecules, it is unlikely that a recombinant (or synthetic) alternative will be developed within the foreseeable future. IVIG had global sales of $8.3 billion in 2014, which represented 42% of the total plasma derivatives sales in that year. IVIG 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 IVIG is used;

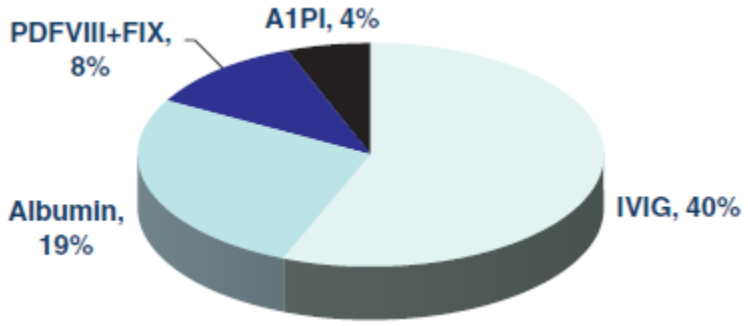
- *Factor VIII* is a blood coagulation factor which ensures that blood coagulates correctly after hemorrhage. Persons born with Factor VIII deficit or who acquire this deficit over time through the formation of antibodies that inactivate it, require administration of Factor VIII in determined situations (before surgery or after injury or serious hemorrhage). Factor VIII is also often used for the treatment of hemophilia A, a disease that is suffered by one out of every 10,000 men (women are not susceptible to this disease). Factor VIII used in these cases is either extracted from human plasma or is genetically modified into a recombinant substitute from mouse or hamster cells. Recombinant products account for most sales in the Factor VIII market. In 2014, worldwide plasma-derived Factor VIII and von Willebrand factor annual sales were approximately $1.7 billion, comprising 8.7% of total plasma derivatives sales. Plasma-derived Factor VIII and von Willebrand factor had a compound annual growth rate of 5.3% from 2000 to 2014. Growth in Factor VIII is being driven by increased patient identification and treatment in developing countries of hemophilia A and inhibitors. In 2016, the Survey of Inhibitors in Plasma-Products Exposed Toddlers (SIPPET) results were published in the British Journal of Medicine, showing that treatment with recombinant FVIII is associated with an 87% higher incidence of inhibitors than treatment with plasma-derived FVIII. According to the principal investigators, the study may have implications in the choice of products for treatment of patients with severe hemophilia A. The current per capita Factor VIII utilization is significantly higher in the United States and the European Union than in developing countries; 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 $3.3 billion in 2014, comprising 16.8% of the total plasma derivatives industry. According to the MRB, the demand for albumin had a compound annual growth rate from 2000 to 2014 of 8.5% 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 2015*:

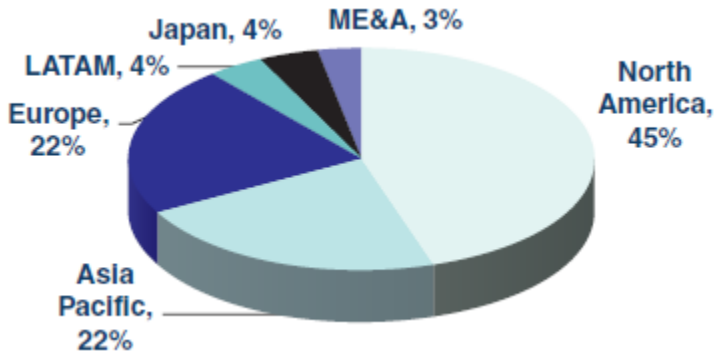



* Source: *MRB, Secondary Official data and Company estimates*

*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 2015 global sales for plasma derivatives by region*:




* Source: *MRB, Secondary Official data and Company estimates*

*Historical Market Growth of Plasma-Derived Products*

- According to the MRB, worldwide sales for IVIG have grown at a 10.3% compound annual rate between 2000 and 2014. This growth has been driven by increased evidence that IVIG 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 IVIG demand:
    - Growing use in CIDP and other neurological diseases;

- Increase in number of patients diagnosed with Primary Immunodeficiency (PID) that require lifetime treatments. Thirty U.S. states have adopted the requirement to detect inherited antibody deficiencies at birth. This may contribute to the continued high demand of immunoglobulin in this country; and

- Positive perception by patients and the medical community of the efficacy and safety of IVIG.

- *Factor VIII.* According to the MRB, the worldwide sales of plasma-derived Factor VIII, including von Willebrand factor sales, have grown at a 2.9% compound annual rate between 2000 and 2014, and we believe that demand growth will continue. The SIPPET results, published in the British Journal of Medicine, show that treatment with recombinant FVIII is associated with an 87% higher incidence of inhibitors than treatment with plasma-derived FVIII, and may have implication in the choice of products for treatment of patients with severe hemophilia A, according to the principal investigators of the study. The United States Factor VIII market is supplied primarily by recombinant products. While Factor VIII continues to be used for the treatment of hemophilia A, we believe that continued plasma-derived Factor VIII growth worldwide will be driven by the following therapeutic indications:

  - *Treatment of von Willebrand disease.* The treatment of von Willebrand disease requires a Factor VIII product containing von Willebrand factor. Von Willebrand factor is not present in recombinant and monoclonal Factor VIII products;

  - *Immune Tolerance Therapy, or ITT.* Plasma-derived ITT is used principally as a second attempt at treatment when an initial course of recombinant ITT has failed. The daily administration of a high dose of either recombinant or plasma-derived Factor VIII for six months to a year is an increasingly popular treatment to combat inhibitors, which are substances that restrict the activity of Factor VIII. Doses in the second attempt at ITT tend to be significantly higher than in the initial course of treatment; and

  - *Treatment of Hemophilia A:* in recent years, emerging markets have purchased increased quantities. This is partly attributed to the efforts of the hemophilia patient associations that have lobbied governments.

- *Albumin.* According to the MRB, the worldwide sales demand for albumin has grown at a 28.0% compound annual rate between 2000 and 2014. 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 17.7% compound annual rate between 2000 and 2014. 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.

*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 United States 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.

We believe the growth in United States source plasma collections over the past several years has been higher than in other geographic areas. Such belief is based on our view that the growth of source plasma collection in the United States is primarily due to (i) the desire of fractionators to have the flexibility to export United States source plasma for the manufacture of products outside the United States, (ii) the favorable collection environment for source plasma centers in the United States, and (iii) the decreasing availability of recovered plasma worldwide.

Market estimates continue to point to new growth in United States source plasma, as new centers are developed in the United States and individual plasma center productivity improves. Despite the growth in United States 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.

We believe that worldwide plasma collection is increasing and will continue to increase in future years, primarily driven by increased plasma collection in the United States.

*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 and fully operational.

*United States Plasma Products Distribution*

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 55% of the IVIG sold in the United States in 2015 was purchased by hospitals for both inpatient and outpatient use through GPOs ; infusion sites, including physician offices represented about 15% of IVIG volume; and homecare companies including those with specialty pharmacies represented 30% of the IVIG volume.

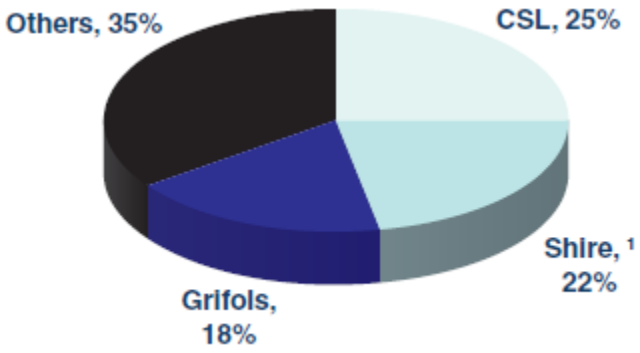
- A1PI is generally distributed by homecare companies and specialty pharmacies and administered by a nurse at home or at a hospital infusion suite;

- 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 Shire, together representing 65% of the worldwide blood plasma derivatives market by sales as reported by the MRB in 2014 and based on our own estimates. We estimate that CSL and Shire have the largest shares of the global market, at 25% and 22% respectively, followed closely by Grifols at 18%. The remaining major competitors are estimated to account for less than 10% of market share each.




* Source: *MRB, Secondary Official data and Company estimates*

(1) Shire includes the Baxalta market share. Within others, the largest share belongs to Octapharma with 9%.

**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.

The Spanish and Portuguese markets for intravenous therapy have experienced stable growth. According to IMS Health, a leading provider of information to the pharmaceutical and healthcare industries, the intravenous therapy market in Spain was €82 million in 2015. According to AENE, the Spanish market for enteral nutrition products was €259.5 million in 2016.

**The In Vitro Diagnostic Market**

We also operate a "Diagnostic division", which includes the Novartis Diagnostic Business. The In Vitro Diagnostics, or IVD, is a $56 billion market according to a 2014 Boston Biomedical Consultants report; within IVD we specialize in Transfusion Medicine which is a $4 billion market, according to our

own research and peer data. The two most important segments of Transfusion Medicine in which we sell our diagnostic products are the following:

- immunology, which is the study of the detection of pathogenic agents and other antigens, accounting for 43%, or an estimated $1.7 billion, of the Transfusion Medicine market, where we are present with Nucleic Acid Testing (NAT) and Serology products; and
- immunohematology, which is the diagnosis of blood type and the screening of antibodies, accounting for 33%, or an estimated $1.3 billion, of the Transfusion Medicine market;

Within the IVD market, we are also present in the Specialty Diagnostics segment with 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 market size of our focus areas within Specialty Diagnostics accounts for an estimated $11.7 billion.

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 in vitro diagnostic market has grown significantly over the past few years as a result of the introduction of new technologies, increasing test volumes and favorable pricing environments. Significant technological progress and automation have resulted in specific and precise diagnoses. This improvement in diagnosis translates into a better application and monitoring of therapies and an improvement in disease prevention.

In order to be marketed and sold, diagnostic products must comply with local regulations that generally require that these products be shown to be safe and effective. These are products that, even though they are not pharmaceutical, are in contact with the human body or its fluids. Competition for diagnostic products is based on reputation for quality and safety, the particular features of the product and, to a lesser extent, price. In the immunohematology market, we see increased competitiveness with new product launches and new local market entries.

## 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 Public Health Service Act, or 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 Approval Process.*** Drugs that are also biological products, such as our plasma derivative products IVIG, 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.

The steps for obtaining FDA approval of a BLA to market a biological product in the United States include:

- completion of preclinical laboratory tests, animal studies and formulation studies under the FDA's good laboratory practices regulations;
- submission to the FDA of an Investigational New Drug Application, or IND, for human clinical testing, which must become effective before human clinical trials may begin and which must include approval by an independent IRB at each clinical site before the trials may be initiated;
- performance of adequate and well controlled clinical trials in accordance with "Good Clinical Practice", as set forth by the FDA, to establish the safety and efficacy of the product for each indication;
- submission to the FDA of a BLA, which contains detailed information about the chemistry, manufacturing and controls for the product, reports of the outcomes and full data sets of the clinical trials and proposed labeling and packaging for the product;
- satisfactory review of the contents of the BLA by the FDA, including the satisfactory resolution of any questions raised during the review;
- satisfactory completion of an FDA Advisory Committee review, if applicable;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with cGMP to assure that the facilities, methods and controls are adequate to ensure the product's identity, strength, quality and purity; and

- FDA approval of the BLA, including agreement on post-marketing commitments, if applicable.

Preclinical tests include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information and analytical data, to the FDA as part of the IND. Some preclinical testing may continue after the IND is submitted. The IND must become effective before human clinical trials may begin. An IND will automatically become effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions about issues such as the conduct of the trials or supporting preclinical data as outlined in the IND. In that case, the IND sponsor and the FDA must resolve any outstanding FDA concerns or questions before clinical trials can proceed. In other words, submission of an IND may not result in the FDA allowing clinical trials to commence.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators. Clinical trials are conducted under strict requirements to ensure the protection of human subjects participating in the trial and protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, an IRB (usually, but not necessarily specific to each study site) must approve the protocol, subject consent form and any amendments. All research subjects must be informed, among other things, about the risks and benefits of the investigational product and provide their informed consent in writing.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap or be combined.

Phase I trials usually involve the initial introduction of the investigational drug into a small group of healthy volunteers (e.g., ten to 20 volunteers) to evaluate the product's safety, dosage tolerance and pharmacokinetics and, if possible, to gain an early indication of its effectiveness.

Phase II trials usually involve controlled trials in a larger but limited patient population (e.g., a few hundred) to:

- evaluate dosage tolerance and appropriate dosage;
- identify possible adverse effects and safety risks; and
- provide a preliminary evaluation of the efficacy of the drug for specific indications.

Phase III trials usually further evaluate clinical efficacy and test further for safety in an expanded patient population (e.g., several hundred to several thousand patients). Phase III trials usually involve comparison with placebo, standard treatments or other active comparators. Usually two well controlled large Phase III or pivotal trials demonstrating safety and efficacy are required. These trials are intended to establish the overall risk-benefit profile of the product and provide an adequate basis for physician labeling. Phase III trials are usually larger, more time consuming, more complex and more costly than Phase I and Phase II trials. Since most of our products are aimed at very small populations so that it is not always possible to conduct two large studies, regulators may accept one study on a smaller number of patients than would typically be required for pharmaceutical products in general, provided the data is sufficiently robust.

Phase I, Phase II and Phase III testing 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.

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.

Assuming successful completion of the required clinical testing, the results of the preclinical studies and of the clinical trials, together with other detailed information, including information on the chemistry, manufacture and composition of the product, are submitted to the FDA in the form of a BLA requesting approval to market the product for one or more indications. Under the Pediatric Research Equity Act of 2003, BLAs, or supplements to BLAs, must contain data to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the drug is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers. Unless otherwise required by regulation, the Pediatric Research Equity Act of 2003 does not apply to any drug for an indication for which orphan designation has been granted. 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 FDA will initially review the BLA for completeness before it accepts the BLA for filing. After the BLA submission is accepted for filing, the FDA reviews the BLA to determine, among other things, whether a product is safe and effective for its intended use and whether the product is being manufactured in accordance with cGMP to assure and preserve the product's identity, strength, quality, purity and potency. The FDA may refer applications for novel biological products or biological products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation, and recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of the advisory committee, but it considers such recommendations carefully when making decisions.

Under the Pediatric Research Equity Act of 2003, BLAs, or supplements to BLAs, must contain data to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the drug is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers. Unless otherwise required by regulation, the Pediatric Research Equity Act of 2003 does not apply to any drug for an indication for which orphan designation has been granted.

Before approving a BLA, the FDA generally will inspect the facility or the facilities at which the product is manufactured. The FDA will not approve the product if it finds that the facility does not appear to be in cGMP compliance. If the FDA determines the application, manufacturing process or manufacturing facilities are not acceptable, it will either disapprove the application or issue a complete response letter in which it will outline the deficiencies in the BLA and provide the applicant an opportunity to meet with FDA representatives and subsequently to submit additional information or data to address the deficiencies. Notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

Further, the Healthcare Reform Law 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 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 the FDA for review until 4 years after the date 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 testing and approval processes 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 Healthcare Reform Law 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. We also have an orphan drug designation in the United States for the use of Plasmin for aPAO but we do not yet have marketing authorization.

***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. We do not currently have any products on fast track.

***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, or the 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. 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. Also in January 2015, the DSCSA required manufacturers and wholesale distributors to have systems in place by which they can identify whether a product in their possession or control is a "suspect" or

"illegitimate" product, and handle it accordingly. The DSCSA established certain requirements for the licensing and operation of prescription drug wholesalers and third party logistics providers, or 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. Beginning January 1, 2015, the DSCSA required wholesalers and 3PLs to submit annual reports to the FDA, which include information regarding each state where the wholesaler or 3PL is licensed, the name and address of each facility and contact information. 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. We believe that we are substantially compliant with applicable DSCSA requirements.

***Anti-fraud and Abuse Regulation.*** Since we supply products and services that are reimbursed by U.S. federally funded programs such as Medicare and Medicaid, our activities are also subject to regulation by CMS and enforcement by HHS 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. Violations of the Anti-Kickback Law can result in substantial legal penalties, including, among others, civil and criminal penalties or exclusion from participation in federal health care programs, including Medicare and Medicaid. The Healthcare Reform Law strengthened provisions of the Anti-Kickback Law.

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 Healthcare Reform Law 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. 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 ...".

Significant enforcement activity has been the result of actions brought by relators, who file complaints in the name of the United States (and, if applicable, particular states) under the FCA or equivalent state statutes. "False claims" can result not only from noncompliance with the express requirements of applicable governmental reimbursement programs, such as Medicaid or Medicare, but also from noncompliance with other laws, such as the Anti-Kickback Law (which was explicitly confirmed in the Healthcare Reform Law), or laws that require quality care in service delivery. The qui tam and whistleblower provisions of the FCA allow private individuals to bring actions on behalf of the government alleging that the government was defrauded, with tremendous potential financial gain (up to 30% of the

government's recovery plus legal fees) to private citizens who prevail. When a private party brings a whistleblower action under the FCA, the defendant is not made aware of the lawsuit until the government starts its makes a decision on whether it will intervene. Many states have enacted similar laws, and these state laws have their own penalties which may be in addition to federal FCA penalties. The bringing of any federal FCA action could require us to devote resources to investigate and defend the action. Violations of the FCA can result in treble damages, and each false claim submitted can be subject to a penalty ranging from $10,781 to $21,563 per claim.

A Healthcare Reform Law provision, generally referred to as the PPS Act or Open Payments Program, 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 health care provider identities. Under the PPS Act we are required to collect and report detailed information regarding certain financial relationships we have with covered health care providers, and we believe that we are substantially compliant with applicable PPS Act requirements. The PPS Act pre-empts 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, our compliance with these rules imposes additional costs on us.

*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, U.S. plasma centers collecting plasma 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 European Economic Area/European Free Trade Association states Iceland, Liechtenstein and Norway.

The Community authorization procedure is compulsory for:

- medicinal products developed by using recombinant DNA technology, the controlled expression of genes coded for biologically active proteins in prokaryotes and eukaryotes, including transformed mammalian cells, or hybridoma or monoclonal antibody methods;

- 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.

- 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 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); or
- 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 European Economic Area, 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 3 products:

- Alpha-1 proteinase inhibitor (for inhalation use) for treatment of cystic fibrosis;
- Alpha-1 proteinase inhibitor (for inhalation use) for the treatment of congenital alpha-1 antitrypsin deficiency; and
- Human Plasmin / Treatment of acute peripheral arterial occlusion.

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 be 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.

*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 IVIG, 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 an 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, Canada and Europe*

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.

In the United States, our products are reimbursed or purchased under several government programs, including Medicaid, Medicare Parts B and D and the 340B/PHS 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 Healthcare Reform Law also extended this rebate obligation to prescription drugs covered by Medicaid managed care organizations.

In addition, the statutory definition of AMP changed in 2010 as a result of the Healthcare Reform Law. On January 21, 2016, CMS issued a final rule, effective on April 1, 2016, providing a regulatory definition of “AMP” along with other changes to the price reporting process. We believe our reporting meets the obligations contained in the final rule.

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 2017. 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 President Trump has suggested he would support pharmaceutical pricing negotiations on behalf of Medicare and certain Senators have stated their intent to introduce a bill authorizing importation of pharmaceuticals where pharmaceutical prices of certain products in the United States are deemed excessive. It is not clear that any such pricing negotiation or importation measures will be enacted.

Medicare Part D is a partial, voluntary prescription drug benefit created by the federal government primarily for persons 65 years old and over. The 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 Healthcare Reform Law generally required that we provide a 50% discount to patients who have expended certain amounts for drugs and therefore fall within the Medicare Part D coverage gap.

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 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 to 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/PHS program by charging eligible entities no more than the PHS ceiling price for drugs intended for outpatient use. Additional legislative changes to the 340B program have been proposed, though it is too early to determine which changes will be adopted or what their impact will be. 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/PHS program, which creates uncertainty. For example, on January 5, 2017, a final rule was published in the Federal Register. The regulation's effective date is March 21, 2017, and HRSA has stated that it plans to begin enforcing the requirements of this final rule effective April 1, 2017. The rule includes provisions on how to calculate the ceiling price for covered outpatient drugs under the 340B program and addresses the imposition of civil monetary penalties, or CMP, would be imposed on a manufacturer that knowingly and intentionally overcharges a covered entity. We believe that we meet the requirements of the 340B/PHS program, but we are continuing to review and monitor these and other HRSA proposals.

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 Healthcare Reform Law 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, and on July 28, 2014, the U.S. Internal Revenue Service issued a final rule, regarding the calculation and payment of this fee. The aggregate fee is scheduled to increase up to $4.1 billion for 2018, and is scheduled to be reduced to $2.8 billion for 2019 and thereafter. Beginning in 2013, the Healthcare Reform Law 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. Diagnostic division equipment that we manufacture or import into the United States may be subject to these taxes. 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 January 2012, after a lengthy process involving significant industry input, the FDA submitted its final recommendations to Congress for the fifth PDUFA reauthorization, which was signed into law in July 2012.

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. For a discussion of certain risks related to reimbursement and pricing, see "Risk Factors—Risks Relating to the Healthcare Industry—The implementation of the Healthcare Reform Law in the United States may adversely affect our business".

**Other Governmental Regulation**

Our operations and many of the products that we manufacture or sell are subject to extensive regulation by numerous other governmental agencies, both within and outside the United States, non-compliance with which could adversely affect our business, financial condition and results of operations. In the United States, apart from the agencies discussed above, our facilities, operations, employees, products (their manufacture, sale, import and export) and services are regulated by the Drug Enforcement Agency, the Environmental Protection Agency, the Occupational Health & Safety Administration, the Department of Agriculture, the Department of Labor, Customs and Border Protection, the Transportation Security Administration, the Department of Commerce, the Department of Treasury, the DOJ, the U.S. Office of Foreign Assets Control and others. State and local agencies also regulate our facilities, operations, employees, products and services within their respective states and localities. Government agencies outside the United States also regulate public health, product registration, manufacturing, environmental conditions, labor, exports, imports and other aspects of our global operations. For further discussion of the impact of regulation on our business, see "Risk Factors—Risks Relating to the Healthcare Industry—Certain of our business practices are subject to scrutiny by regulatory authorities, as well as to lawsuits brought by private citizens under federal and state laws. Failure to comply with applicable law or an adverse decision in lawsuits may result in adverse consequences to us".

## DIRECTORS AND SENIOR MANAGEMENT

### Board of Directors

Pursuant to the Articles of Association, we are managed by a Board, which may be composed of not less than three and not more than 15 directors. Our current Board has 13 directors. Directors may be either individuals or legal entities represented by 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 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 may either be an individual or an entity represented by 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 the director becomes unable to hold the office due to a legal cause of ineligibility or incompatibility; (iii) when the director has been formally charged with certain crimes (including, but not limited to, crimes against personal freedom, economic crimes and crimes against the justice administration) or a formal inquiry is opened against him or her by a regulator; (iv) when the director has been severely admonished by our audit committee (comité de auditoría), or Audit Committee, for having breached his or her duties as director; (v) 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 (vi) 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.

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 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) 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.

*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 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 | 67 | Director, non-executive Chairman of the Board | Proprietary | July 1991[(1)] | May 2017 |
| Victor Grifols Deu | 40 | Director and Chief Executive Officer | Executive | May 2016 | May 2020 |
| Raimon Grifols Roura | 53 | Director and Chief Executive Officer | Executive | May 2015 | May 2019 |
| Ramón Riera Roca | 62 | Director | Executive | April 2000[(2)] | May 2017 |
| Tomás Dagá Gelabert | 61 | Director and Vice-Secretary of the Board | Other External | April 2000 | May 2019 |
| Thomas H. Glanzmann | 58 | Director, Vice-chairman of the Board of Directors | Other External | April 2006 | May 2020 |
| Anna Veiga Lluch | 60 | Director | Independent | December 2008 | May 2019 |
| Luís Isasi Fernández de Bobadilla | 60 | Director | Independent | May 2011 | May 2020 |
| Steven Francis Mayer | 58 | Director | Independent | January 2011 | May 2020 |
| Belén Villalonga Morenés | 49 | Director | Independent | May 2013 | May 2018 |
| Marla E. Salmon | 67 | Director | Independent | May 2014 | May 2018 |
| Carina Szpilka Lázaro | 48 | Director | Independent | May 2015 | May 2019 |
| Iñigo Sánchez-Asiaín Mardones | 53 | Director and Lead Independent Director[(3)] | Independent | May 2015 | May 2019 |
| Nuria Martín Barnés | 58 | 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) Between May 25, 2001 and May 30, 2002, Mr. Ramón Riera Roca was not a director but sat on the Board as representative of our then director Grifols International, S.A.

(3) The lead independent director is a new 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 December 16, 2016 agreed to maintain Iñigo Sánchez-Asiaín Mardones as the Company's lead independent director as from January 1, 2017 even if from that date onwards the position is not mandatory since the office of the Chairman of the Board and that of chief executive officer is no longer held by the same person.

*Director Biographies*

***Víctor Grifols Roura***

Mr. Víctor Grífols Roura is non-executive Chairman and proprietary director since January 1, 2017. Prior to this date and since 1985 he held the role of Chief Executive Officer and top executive of Grifols, succeeding his father Mr. Victor Grífols Lucas at the performance of said tasks, spearheading the 1987 reorganization that created Grifols as it is today. Mr. Grífols Roura originally joined Grifols in 1973 as an Export Manager and later served as Sales Manager. Since 2014 he is member of the Board of Directors of Criteria Caixa, S.A., Sociedad Unipersonal. Mr. Grífols Roura earned a business administration degree from the University of Barcelona. Mr. Grifols Roura acted as our CEO until December 31, 2016. As part of the approved succession plan on January 1, 2017, Mr. Víctor Grifols Deu and Mr. Raimon Grifols Roura were appointed co-CEO's of the Company.

Victor Grífols Roura is a shareholder of Deria S.A. (a non-controlling shareholder, pursuant the Spanish Securities Market Act). He is also a shareholder of Scranton Enterprise, B.V. (a non-controlling shareholder, pursuant to the Spanish Securities Market Act). Nuria Roura Carreras (Rodellar Amsterdam Holdings B.V.) is the mother of Victor Grífols Roura.

***Víctor Grifols Deu***

Mr. Víctor Grífols Deu is Grifols' joint and several Chief Executive Officer together with Raimon Grífols Roura since January 1, 2017. He succeeds his father Victor Grífols Roura on the position. He is a member of the administration bodies of several companies within Grifols 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 member of the Executive Committees. He has been part of the team that analyzed and was responsible for the integration of the 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. Víctor Grífols Deu is the grandson of Nuria Roura Carreras (Rodellar Amsterdam Holdings B.V.).

***Raimon Grifols Roura***

Mr. Raimon Grífols Roura is Grifols' joint and several Chief Executive Officer together with Victor Grífols Deu since January 1, 2017. He succeeds his brother Victor Grífols Roura on the position. He is a member of the administration bodies of several companies within Grifols. From 2001 to 2015 he held the role of non-member secretary of the Board of Directors of Grifols, S.A., serving as Director and Vice-Secretary of the Board of Directors since 2015. In May 2016 the Board accepted his resignation as vice secretary. Until his appointment as executive director in July 2016 Mr. Grífols Roura was a partner at the law firm Osborne Clarke in Spain. Currently he is a Sole Director of Deria, S.A. Mr. Grífols earned his degree in law from the University of Barcelona (Universidad de Barcelona).

Raimon Grífols Roura is sole administrator and a shareholder of Deria S.A. (a non-controlling shareholder, pursuant to the Spanish Securities Market Act). He is also a shareholder of Scranton Enterprise, B.V. (a non-controlling shareholder, pursuant to the Spanish Securities Market Act). Nuria Roura Carreras (Rodellar Amsterdam Holdings B.V.) is the mother of Raimon Grífols Roura.

***Ramón Riera Roca***

Mr. Ramón Riera Roca joined Grifols in 1977 and serves as Chief Operations Officer as well as being a member of the administration bodies of several companies of Grifols. Mr. Riera earned a degree in Chemical Sciences from the Autonomous University of Barcelona.

Ramón Riera Roca is a shareholder of Scranton Enterprise, B.V. (a non-controlling shareholder, pursuant to the Spanish Securities Market Act).

***Tomás Dagá Gelabert***

Mr. Tomás Dagá Gelabert has served as director of Grifols, S.A. since April 2000 and also as vice secretary of the board since May 2016. He is the managing partner and founder of the law firm Osborne Clarke in Spain. 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 Board of Directors of Kiro Grifols S.L., Biomat USA, Inc., Talecris Plasma Resources, Inc., Grifols Diagnostic Solutions Inc. and Grifols Worldwide Operations Limited. He is also a trustee and the Secretary of the private foundation Víctor Grífols i Lucas, a trustee of the Probitas Fundación Privada foundation and the Secretary non-board

member of the Board of Directors of Progenika Biopharma, S.A. and Araclon Biotech, S.L. Mr. Dagá earned his degree in Law from the University of Barcelona (Universidad de Barcelona).

Tomás Dagá Gelabert is a shareholder of Scranton Enterprise, B.V. (a non-controlling shareholder, pursuant of the Spanish Securities Market Act).

***Thomas H. Glanzmann***

Mr. Thomas H. Glanzmann has served as a director of Grifols, S.A. since April 2006 and on January 1, 2017 he was appointed non-executive Vice President of the Board of Directors. He also serves as a Director on the Boards of Sulzer AG, Sage Products Inc. and is a Healthcare Advisor to Madison Dearborn and Partners. From 2006 until 2011 he was the Chief Executive Officer and President 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: Senior Vice President and 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 amongst other was the country manager for Norway, Denmark and Iceland. He also was a Senior Advisor to the Executive Chairman and a Managing Director at The World Economic Forum in Davos from 2004 - 2005 and the Chairman of the Plasma Protein Therapeutics Association (PPTA) between 2000 and 2001. Mr. Glanzmann holds a M.B.A. from IMD in Switzerland, a B.A. in Political Science from Dartmouth College, USA. and a Board of Directors Certification from the UCLA Anderson School of Management, USA.

***Anna Veiga Lluch***

Ms. Anna Veiga Lluch graduated in Biology and received a Ph.D in Biology (Cum Laude) from the Universidad Autónoma de Barcelona. She has been the IVF laboratory Director at the Reproductive Medicine Service at Institut Universitari Dexeus from 1982 to 2005. She is the Director of the Stem Cell Bank at the Centre for Regenerative Medicine in Barcelona, Scientific Director at the Reproductive Medicine Service of the Institut Universitari Dexeus, and an Associate Professor at the Department of Experimental and Health Sciences of the Universitat Pompeu Fabra in Barcelona. She is also a member of the Board of Trustees of the Fundación Dexeus de la Salud de la Mujer and an Honorific Member of the Institut Medicofarmacèutic de Catalunya. In May 2015 she received the degree as Doctor Honoris Causa from the Universitat Central de Catalunya. She specializes in clinical embryology, reproductive genetics, embryonic and pluripotent stem cells research and bioethics.

***Steven F. Mayer***

Mr. Steven F. Mayer is Senior Managing Director, Co-Head of Global Private Equity, and Chairman of the Investment Committee of Cerberus Capital Management, L.P. Mr. Mayer is the managing director of Cerberus California, LLC and predecessor entities since November 2002. Likewise, Mr. Mayer is a member of the boards of directors of BlueLinx Holdings, Inc., Starrus Holdings Limited, TransCentra Inc. and YP Holdings LLC. Mr. Mayer received his AB, cum laude, from Princeton University and his JD, magna cum laude, from Harvard Law School.

***Luís Isasi Fernández de Bobadilla***

Mr. Luis Isasi Fernández de Bobadilla is Managing Director of Morgan Stanley in Spain and Country Head for the Iberia region. He joined Morgan Stanley in London in 1987. Prior to that, he served as executive director at First Chicago Ltd. in London and, previously, worked in New York for the Latin American department of Morgan Guaranty Trust Co. Mr. Isasi started his professional career in Abengoa, in Seville (Spain) in 1977. Mr. Isasi has a Bachelor's Degree in Business by the University of Seville, and holds a M.B.A. from Columbia Business School in New York, United States, obtained in 1982.

***Belén Villalonga Morenés***

Ms. Belén Villalonga Morenés is an Associate Professor with Tenure at New York University's Stern School of Business. Between 2001 and 2012 she was a faculty member at Harvard Business School. She serves as an independent director at Acciona, leader in the renewable energy and infrastructure businesses, since 2006, and at Talgo, a high-speed train manufacturer, since 2015. She is also a Senior Associate Partner at Cambridge Advisors to Family Enterprise, a family business consulting company. Her teaching, research, and consulting activities are in the areas of corporate strategy, finance, and governance, with a special focus on family-controlled companies. Her award-winning research, which has been published in the top academic journals, has been cited extensively in academic articles and in the international media. She 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 second Ph.D. in Business Economics from the Complutense University of Madrid and a B.A. in Economic and Management Sciences from the Colegio Universitario de Estudios Financieros in Madrid. Before starting her doctoral studies, she worked at McKinsey & Co. in Paris.

***Marla E. Salmon***

Ms. Marla E. Salmon is Professor of Nursing and Public Health at the University of Washington, as well as Senior Visiting Fellow of Public Affairs. Her career has focused on health policy and capacity building in both global and U.S. contexts, working with governments, international agencies and other health -related entities. Her most recent work focuses on social enterprise and development in the health sector. Salmon holds a doctorate in health policy and administration from the Johns Hopkins University, degrees in political science and nursing from the University of Portland, and was a Fulbright Scholar at the University of Cologne (Germany).She holds two honorary doctoral degrees recognizing her national and international service and is a member of the Institute of Medicine. Her board service includes IES Abroad, Inc. the Robert Wood Johnson Foundation, and the National Center for Healthcare Leadership. Her advisory roles include the White House Task Force on Health Care Reform, the World Bank, the World Health Organization's Global Advisory Group on Nursing and Midwifery, and the National Institutes of Health National Advisory Committee for the Institute of Nursing Research.

***Carina Szpilka Lázaro***

Ms. Carina Szpilka Lázaro earned a degree in Business Administration from the Universidad Pontificia de Comillas in Madrid (ICADE) and an Executive MBA from the Instituto de Empresa. She began her professional career in the financial sector working at Banco Santander and Argentaria (now part of BBVA). In 1998 she was part of the team that founded ING Direct in Spain, where she occupied the position of CEO from 2010 to 2013, having previously occupied the same position in ING Direct France from 2008 to 2010. She is currently an independent director at Abanca and at Meliá Hotels International, as well as a partner at KFund Venture Capital and a member of the Advisory Board of Reparalia and of Oracle España. Since the beginning of 2014 she has been vice-president of UNICEF in Spain. She is also a member of the Professional Board of ESADE. 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).

***Iñigo Sánchez-Asiaín Mardones***

Mr. Iñigo Sánchez-Asiaín Mardones is 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. Since 2010 he is founding partner at Portobello Capital, a private equity company recognized this year as "Best Independent Investment Firm" in Spain by AI Magazine. He is member of the Executive Committee and Investment Committee at Portobello Capital, leading the investments in companies such as Angulas Aguinaga or Multiasistencia, companies in

which he is Chairman and member of the Executive Committee. Previously he was Deputy General Director (Subdirector General) at Banco Santander (1993-2005) and was partner and member of the Board of Directors of Ibersuizas Gestión SGECR, S.A. (2005-2010). He is also regional director for Europe at the Harvard Alumni Association and Chairman of the Harvard Business School of Madrid.

*Biography of the Secretary Non-Member of the Board*

***Nuria Martín Barnés***

Ms. Núria Martín Barnés has served as Vice-Secretary non-member of the Board of Directors from 2001 to 2015, serving as Secretary non-member of the Board of Directors since 2015. Ms. Martín is a Partner at Osborne Clarke Spain. Prior to joining Osborne Clarke she worked in the Corporate and Tax Department of KPMG Peat Marwick from 1982 to 1986. Ms. Martín is also secretary and member of the Board of Directors of Compañía General de Inversiones, S.A., S.I.C.A.V., Gesiuris Asset Management, S.G.I.I.C., S.A., CAT Patrimonis, S.I.C.A.V., S.A., URC Patrimonis, S.I.C.A.V., S.A. and Technetix Spain, S.L. 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 | 53 | Co-CEO | 2017 |
| Victor Grifols Deu | 40 | Co-CEO | 2017 |
| Ramón Riera Roca | 62 | EVP and President of Global Commercial Division | 1988 |
| Alfredo Arroyo Guerra | 59 | Corporate Vice President (CVP) and Chief Financial Officer | 2007 |
| Carlos Roura Fernández | 65 | Chief Industrial Officer | 1987 |
| Montserrat Lloveras Calvo | 55 | CVP and Director of Corporate Accounting and Reporting | 1991 |
| Vicente Blanquer Torre | 56 | CVP Quality and R&D | 1993 |
| Mateo Florencio Borrás Humbert | 61 | CVP and Director of Global Human Resources | 2008 |
| Francisco Javier Jorba Ribes | 66 | CVP and President of Biological Industrial Group | 1995 |
| Gregory Gene Rich | 65 | CVP and President and Chief Executive Officer of Grifols Shared Services North America, Inc. | 2001 |
| David Ian Bell | 62 | CVP and General Counsel of Grifols Shared Services North America, Inc. | 2003 |
| Nuria Pascual Lapeña | 53 | CVP Treasury, Risk Management and IRO | 1997 |
| Shinji Wada | 59 | CVP and President of Plasma Operations of Grifols Shared Services North America, Inc. | 2003 |
| Lafmin Morgan | 52 | President of the Bioscience and Hospital division | 2014 |
| Carsten Schroeder | 51 | President of the Diagnostic Division | 2014 |
| Juan Ignacio Twose Roura | 71 | Member of the Advisory Committee | 2015 |

*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.

***Carlos Roura Fernández***

Mr. Roura joined us in 1977 and has held several positions since that time. Mr. Roura served as Corporate Vice President and a co-President of the Global Industrial Division (previously the General Manager of Hospital Operations) from 1987 to 2013. Since January 1, 2014, Mr. Roura has served as Corporate Vice President and President of the Global Industrial Division. Beginning in 2002, he has served as President of Farmafluid, a Spanish association of medical parenteral nutritional fluid laboratories. From 2008 to 2013, Mr. Roura served as deputy Vice President of the Industrial Division. Mr. Roura is an Industrial Engineer.

***Montserrat Lloveras Calvo***

Mrs. Lloveras has served as Corporate Vice President and the Director of Corporate Accounting and Reporting (previously the Administration Director and Controller) since 1991. She joined our predecessor in 1984 as the Costs Analyst of the Financial Department and in 1988 was promoted to the position of Administration Director. Mrs. Lloveras received a degree and an MBA from the Escuela Superior de Administración y Dirección de Empresas in Barcelona.

***Vicente Blanquer Torre***

Mr. Blanquer has served as our Corporate Vice President and the Technical Director of the Biological Industrial Group (previously the Pharmaceutical Technical Director) since 1993, and is 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.

***Mateo Florencio Borrás Humbert***

Mr. Borrás has served as our Corporate Vice President and the Director of Global Human Resources (previously Human Resources Director) since 2008. Previously, he served as a HR Director at different companies, including EMAYA, Nissan Motor Ibérica and others. He is a member of AEDIPE (Spanish Association of People Management and Development) and he is an Arbitrator at the Arbitrator Corps of Catalonian Labor Court. Mr. Borrás received a degree in Psychology and a Postgraduate on Labor and Social Security, both at the University of Barcelona.

***Francisco Javier Jorba Ribes***

Mr. Jorba has served as Corporate Vice President and President of the Biological Industrial Group (previously the General Manager of Bioscience Operations) since 1995. He joined us in 1979 as Director of Plasma Procurement and Director of the A.I.P.H. Program. He was also General Manager of Biomat, S.A. from 1991 until 1995 and Managing Director of Instituto Grifols, S.A. until the consummation of the Talecris acquisition. At present, Mr. Jorba is Co-President of the Global Industrial Division. Mr. Jorba received a degree in General Medicine and Surgery in 1975 from the University of Barcelona and completed his Residency in Pediatrics in 1978 at the same university.

***Gregory Gene Rich***

Mr. Rich has served as Corporate Vice President and President of U.S. Operations and Chief Executive Officer and Chairman of the Grifols Shared Services North America, Inc. board of directors since December 2001. Previously, Mr. Rich worked for Grupo Picking Pack, as Chief Operating Officer from December 2000 to December 2001 and from July 1997 to August 2000, as Senior Vice President for Green Cross International, the then parent of Alpha. Mr. Rich also worked for Alpha as Vice President and General Manager of International Operations from October 1995 to July 1997. In between his two terms at Alpha, Mr. Rich worked for us from January 1983 to October 1995 and served as our co-President for the period December 1985 through his departure in 1995. Mr. Rich earned a Bachelor's of Science degree from California Polytechnic University, Pomona.

***David Ian Bell***

Mr. Bell joined us as a Corporate Vice President of Grifols Shared Services North America, Inc. in July 2003 and has since been responsible for Corporate Operations and Development. He also serves as General Counsel and is a member of our Executive Committee in Spain. 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. He is also responsible for regulatory, registrations and licensing, governmental and public affairs and human resources. Prior to joining us, Mr. Bell was Vice President and General Counsel for Alpha. Additionally, he was a partner in 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 and numerous federal appellate and district courts.

***Nuria Pascual Lapeña***

Ms. Pascual joined us in 1996. She currently serves as Corporate Vice President Treasury, Risk Management and IRO. Prior to joining us, she served in different 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.

***Shinji Wada***

Mr. Wada started his career in the plasma industry in 1981 working for a Japanese plasma fractionation company, the Green Cross Corporation, parent company of Alpha in Los Angeles. He assumed various positions at Alpha, including M&A, International Sales and Marketing. After our acquisition of Alpha's plasma fractionation business, he was assigned to manage Biomat USA, Inc., our U.S. plasma collection arm, and he was CEO of Biomat USA, Inc. from 2005 to today. Mr. Wada currently also serves as Corporate Vice President and President of Plasma Operations of Grifols Shared Services North America, Inc.

***Carsten Schroeder***

Mr. Schroeder became President of the Grifols Diagnostic division in 2014. Prior to joining Grifols, Mr. Schroeder was president of Novartis Diagnostics, where he led growth in the global Transfusion Medicine market and oversaw improvements in manufacturing, quality, and commercial operations. At Novartis, Mr. Schroeder was a member of the Vaccines & Diagnostic Division Executive Committee and served as site head for the company's Emeryville campus. He joined Novartis Diagnostics in 2010 as Vice President of Commercial Operations for the EMEA region. Mr. Schroeder has held executive positions

with Boston Scientific and positions of increasing responsibility at Mallinckrodt (now Covidien) and Boehringer Ingelheim. Mr. Schroeder holds an MBA from the European School of Management in Paris (ESCP) and a Bachelor of Arts in Economics from the University of Cologne in Germany.

***Lafmin Morgan***

Lafmin Morgan has been President of the Global Bioscience Division for Grifols since 2014. Previously, Mr. Morgan lead 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) 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 Hypermune 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 a MBA from the University of North Carolina in Chapel Hill.

***Juan Ignacio Twose Roura***

Mr. Twose served as a director of Grifols, S.A. from 1973 until 2015, when he became a member of the Advisory Committee. He also served as our Vice President of Manufacturing from 1988 to 2011 and as President of our Global Industrial Division from 2011 until 2013. Mr. Twose received a degree in Industrial Engineering from the Escuela Técnica Superior of Barcelona.

**Committees of Our Board of Directors**

The Board has an Audit Committee and an Appointments and Remuneration 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. In connection with the Talecris 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.

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. All of the members of the Audit Committee must be non-executive directors, of which at least two must be independent directors. 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;

- having sole authority to recommend to the Board the appointment, 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;

- monitoring the internal audit services and proposing the selection, appointment, reelection and resignation of the manager of our internal audit department; (ii) proposing the budget for our internal audit department; (iii) receiving periodic information on our internal audit department's activities (including the annual work plan and annual activities reports prepared by the manager); and (iv) ensuring that management takes the conclusions and recommendations of their 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 of concerns regarding questionable accounting or auditing matters;

- knowing the process for gathering financial information and the internal control system; reviewing the annual financial statements and the periodic financial statements that should be submitted to the securities regulatory authorities and making sure 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 regarding matters that could impair their independence, or any other matters relating to conduct of audits of the financial statements as well as any other communications provided for in the legislation governing audits of financial statements and in technical auditing regulations, issuing on an annual basis a written opinion on the independence of the auditor;

- 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, S.A. 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 Remunerations Committee in compliance with Article 24.*bis* 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.

Our Appointments and Remuneration Committee is required, pursuant to Spanish corporate governance requirements and Article 15 of the Board Regulations, to consist of between three and five members, all of which must be non-executive directors. Consistent with NASDAQ Listing Rules for foreign private issuers, our Appointments and Remuneration Committee currently consists of Messrs. Tomás Dagá Gelabert, Luís Isasi Fernández de Bobadilla and Ms. Salmon as directors. Each of Ms. Salmon and Mr. Isasi 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. Martín Barnés serves as Secretary non-member of the Appointments and Remuneration Committee.

**Family Relationships**

Mr. Raimon Grifols Roura, director and one of our Chief Executive Officers, 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. Víctor Grifols Deu, director and one of our Co-Chief Executive Officers, is the son of Mr. Víctor Grifols Roura, the director and non-executive Chairman of the Board.

Messrs. Víctor Grifols Roura and Raimon Grifols Roura are the grandchildren of Mr. José Antonio Grifols i Roig, our founder.

Mr. Carlos Roura Fernandez, the President of our Global Industrial Division, is the cousin of Messrs. Víctor Grifols Roura and Raimon Grifols Roura. Mr. Francisco Javier Jorba Ribes, the Corporate Vice President and President of the Biological Industrial Group, is the brother-in-law of Mr. Víctor Grifols Roura.

**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 (i) with respect to directors in their condition 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 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. The Board then determines, pursuant to Article 26.2 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, 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 that results from the Annual Remunerations Report approved, on a consultative vote at the general shareholders' meeting.

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 29, 2015, the shareholders set the maximum annual amount available for compensation to the non-executive directors at €100 thousand 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 and Appointments and Remuneration Committee) shall receive an additional gross annual remuneration of €25 thousand as a result of the heavier workload (thus, the total remuneration shall amount to €125 thousand. Similarly, the chairpersons of each Committee shall receive an additional €25 thousand for performing their duties (thus, the total remuneration shall amount to €150 thousand). The lead independent director shall receive an additional remuneration amounting to €50 thousand for performing their duties (thus, the total remuneration shall amount to €150 thousand). Under no circumstances shall the remuneration of a non-executive director exceed €150 thousand.

As a result, in 2016, the following directors received compensation in their condition as such, namely, Anna Veiga Lluch, Steven F. Mayer, Luís Isasi Fernández de Bobadilla, Belén Villalonga Morenés, Marla E. Salmon, Carina Szpilka Lázaro, Iñigo Sánchez Asiaín Mardones.

As of the date of this offering memorandum, Anna Veiga Lluch, Luís Isasi Fernández de Bobadilla, Steven F. Mayer, Belén Villalonga Morenés, Marla E. Salmon, Carina Szpilka Lázaro and 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. Victor Grifols Roura serves as proprietary director (and not independent) in conformity with Spanish rules.

The total compensation paid to directors in 2016, in the aggregate, amounted to €4,573 thousand. Of the total director compensation amount, executive directors (*consejeros ejecutivos*) received €2,743 thousand (€2,152 thousand in fixed compensation and €591 thousand in variable compensation) for their service as executive directors. External directors (other than those who render remunerated professional service to us) received €925 thousand. 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 €591 thousand received by the executive directors in variable compensation, this amount corresponds to 50% of the total amount of variable compensation. The remaining 50% shall be paid in Class B ordinary shares. The vesting period for the delivery of these shares is two years and one day.

Mr. Victor Grifols Roura 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. Therefore, as of January 1, 2017, the Company's remuneration policy changed due to the position held by Victor Grifols Roura as non-executive Chairman of the Board, as his remuneration for his role in the Company is different to that of the other members of the Board.

The remuneration of the Chairman of the Board for year 2017 will be a fixed annual amount of €965 thousand. The Chairman of the Board will no longer receive variable remuneration. The remuneration of Mr. Grifols 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, 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.

It should be highlighted that Mr. Grifols has not received any compensation for the termination of his executive role and duties.

A new remuneration policy will be presented at the Company's next general shareholder's meeting for approval by the shareholders.

**Compensation of Senior Management**

In 2016, our senior management (excluding those who also served as members of the Board) was paid compensation amounting to €10,287,100 in the aggregate. This figure includes accruals for contingent or deferred compensation earned in respect of 2016 service. The breakdown of the aggregate amount paid to such senior management for discharging their duties in 2016 is set forth in the table below.

| Component | Amount Paid in 2016 |
|---|---|
| Salaries | €8,022,387 |
| Variable Compensation | €2,264,713 |
| Stock options and/or other securities | N/A |
| Other—e.g., life and health insurance | N/A |
| Other—e.g., pensions/savings | €50,284 |

Salaries paid in U.S. dollars have been calculated at the exchange rate between the U.S. dollar and the euro as of December 31, 2016 of U.S. $1.054 to €1.00.

For the bonus of 2015, payable in 2016, we established a Restricted Share Unit Retention Plan, or RSU Plan, for eligible employees. Under the RSU Plan, an employee can elect to receive up to 50% of their yearly bonus in non-voting Class B shares or ADSs, and we will match their RSUs with an additional 50% of such employee's election of RSUs, or Additional RSUs. Our Class B shares and ADSs are valued at the date of payment of the 2015 bonus such employee has elected to receive and no cash dividends will be paid with respect to these shares. These RSUs will have a vesting period of two years and one day and will subsequently be exchanged for Class B shares or ADSs representing Class B shares. If an eligible employee leaves the company, or is terminated before the end of the vesting period, they will not be

entitled to the Additional RSUs. This commitment is treated as equity-settled and the total amount was €10,594 thousand.

**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 the Company undergoes a change of control. In addition to this, nine 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 Note 29(c) and Note 31(a) to our audited consolidated financial statements included in this offering memorandum for further details of payments received by employees.

**Equity and Other Incentive Programs**

In 2016, 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 2016 was €50,284 ($53,000). In 2016, 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

The following table sets forth certain information, including information regarding beneficial ownership of our Class A (voting) shares as of December 31, 2016, 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, (ii) each of our directors and (iii) each member of our senior management. As of that date, there were a total of 426,129,798 Class A shares issued and outstanding.

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 Ordinary Shares | Percentage of Ordinary Shares |
|---|---|---|
| *Major Shareholders* | | |
| Deria S.A.[(1)] | 37,970,661 | 8.91 |
| Scranton Enterprises B.V.[(2)] | 36,953,048 | 8.67 |
| Thorthol Holdings B.V.[(3)] | 30,085,532 | 7.06 |
| Núria Roura Carreras[(4)] | 26,224,374 | 6.15 |
| Capital Research and Management Company[(5)] | 21,092,024 | 4.95 |
| Oppenheimerfunds Inc.[(6)] | 13,064,750 | 3.07 |
| Fidelity International Limited[(7)] | 8,466,387 | 1.99 |
| *Directors* | | |
| Víctor Grifols Roura | 880,900 | * |
| Ramón Riera Roca | 338,170 | * |
| Thomas H. Glanzmann[(8)] | 167,122 | * |
| Tomás Dagá Gelabert | 103,796 | * |
| Anna Veiga Lluch | 200 | * |
| Luís Isasi Fernández de Bobadilla | 200 | * |
| Victor Grifols Deu | 14,620 | * |
| Steven F. Mayer | — | — |
| Belén Villalonga Morenés | — | — |
| Marla E. Salmon | — | — |
| Iñigo Sánchez-Asiaín Mardones | — | — |
| Raimon Grifols Roura | 2,780 | * |
| Carina Szpilka Lázaro | — | |
| *Senior Management* | | |
| Gregory Gene Rich | 71,598 | * |
| Carlos Roura Fernández | 48,314 | * |
| Francisco Javier Jorba Ribes | 47,364 | * |
| Montserrat Lloveras Calvo | 34,459 | * |
| Vicente Blanquer Torre | 22,377 | * |
| David Ian Bell | 10,000 | * |
| Nuria Pascual Lapeña | 9,796 | * |
| Mateo Florencio Borrás Humbert | 491 | * |
| Alfredo Arroyo Guerra | — | — |
| Lafmin Morgan | — | — |
| Juan Ignacio Twose Roura | — | — |
| Carsten Schroede | — | — |
| Shinji Wada | — | — |

* 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 Grifols family members 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) Capital Research and Management Company has indirect voting rights over 21,092,024 of our Class A shares.

(6) Oppenheimerfunds Inc. has indirect voting rights over 13,064,750 of our Class A shares.

(7) Fidelity International Limited has indirect voting rights over 48,466,387 of our Class A shares.

(8) 24,000 Class A shares are held indirectly through Glanzmann Enterprises AG, and 106,000 Class A shares are held indirectly through Opulenta 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.

**Significant Changes in Ownership**

In accordance with Spanish reporting requirements, the following transfers of shares were reported to the Spanish National Securities Market Commission (*Spanish Comisión Nacional del Mercado de Valores*), or CNMV, as of December 31, 2016: Blackrock Inc. communicated to the Spanish National Securities Market Commission that on August 18, 2016 its holding of Class A shares fell below 3%.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Charitable Contributions

In 2016, we contributed 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 € 0.4 million, €0.4 million and €0.3 million to the Víctor Grifols i Lucas Foundation in 2016, 2015 and 2014, 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. Messrs. Raimon Grifols Roura, our Chief Executive Officer, and Tomás Dagá Gelabert, one of our directors, are patrons of the Probitas Private Foundation. We contributed €4.9 million, €4.8 million and €3.9 million to the Probitas Private Foundation in 2016, 2015 and 2014, respectively. We contribute to the Probitas Private Foundation an amount equal to 0.7% of our profits before tax each year.

The Jose Antonio Grifols Lucas Foundation provides grants for education and research into the science of plasmapheresis. Additionally, the foundation assists plasma donors who may be unable to care for themselves. We did not contribute to the Jose Antonio Grifols Lucas Foundation in 2014, 2015 and 2016.

### Consultant Agreement

In 2011, subsequent to the Talecris acquisition, one of our directors entered into a consulting services contract for a term of three years, pursuant to which he received compensation in the amount of $1.0 million per year with an additional $2.0 million payable upon the fulfillment of certain conditions. In 2015, we extended this contract for a term of two years. In each of 2016, 2015 and 2014, we paid such director $1.0 million pursuant to this agreement.

### 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

### New Credit Facilities

On January 31, 2017 we entered into the New Credit Facilities with a syndicate led by Nomura Securities International, Inc., Bank of America Merrill Lynch International Limited, Bank of America, N.A., Goldman Sachs Bank USA and HSBC Bank plc, as the arrangers, which consists of the "Senior Term Loans" and the "Revolving Loans". The initial Senior Term Loans were fully drawn down on January 31, 2017, and the incremental Senior Term Loans in an aggregate principal amount of $175 million were further drawn down on February 14, 2017. The tranche A term loans, which amount to $2,350 million and €607 million, will mature six years from January 31, 2017 and have a repayment schedule with quarterly amortization equal to (i) 5.0%, 10.0% and 10.0% per annum of the original principal amount in years three, four and five, respectively, and (ii) 75% per annum of the original principal amount in the first three quarters of year six, with the balance due on the sixth anniversary of January 31, 2017. The tranche B term loans, which amount to $3.0 billion, will mature eight years from January 31, 2017 and will have a repayment schedule with quarterly amortization equal to 1.0% per annum of the original principal amount, with the remainder to be paid at maturity. The Revolving Loans, which amount to $300 million equivalent in multicurrencies, are available during the period commencing from January 31, 2017 and ending on the sixth anniversary of the closing of January 31, 2017.

The interest rates on the Senior Term Loans and the Revolving Loans are based on (a) in the case of dollar denominated loans, the base rate (the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) the applicable LIBOR rate plus 1.00%) plus an applicable margin or (b) the applicable LIBOR rate, plus an applicable margin. The applicable margin for loans at the LIBOR rate is (a) 1.75% for the multicurrency revolving loans and the tranche A term loan and (b) 2.25% for the tranche B term loan, which are subject to customary market flex.

Borrowings under the New 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 New Credit Facilities are subject to mandatory prepayment in the event we have excess cash flow, as defined therein. Both the Senior Term Loans and the Revolving Loans are guaranteed by Grifols, S.A. and certain 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, and are secured by a perfected first priority security interest (subject to permitted liens, as defined in the credit and guaranty agreement) in all of the tangible and intangible assets of the U.S. credit parties and plasma inventory of the Foreign Borrower, as defined therein and pledges of equity of certain subsidiaries of Grifols, S.A. (subject to certain exclusions and limitations). The New Credit Facilities require the borrowers to ensure that (i) the aggregate EBITDA attributable to the guarantors of the New Credit Facilities as a group is no less than 80% of the consolidated EBITDA of Grifols, S.A. and its subsidiaries, (ii) the aggregate total assets of the guarantors of the New Credit Facilities as a group are no less than 80% of the consolidated total assets of Grifols, S.A. and its subsidiaries, and (iii) any subsidiary of Grifols, S.A. that has EBITDA or total assets representing 10% or more of the consolidated EBITDA or consolidated total assets, respectively, of Grifols, S.A. and its subsidiaries, is a guarantor.

The New 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 terms of the New Credit Facilities contain limitations on our ability to pay ordinary dividends. We may pay dividends (a) in the ordinary course of business consistent with past practices in an amount not to exceed in respect of any fiscal year, 40% of the consolidated net income of Grifols, S.A. 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 3.5x.

The borrower under the U.S. dollar tranche A facility and the revolving facility is Grifols Worldwide Operations Limited, an Irish entity and our wholly owned direct subsidiary. The borrower under the Euro-denominated tranche A facility is Grifols, S.A. The borrower under the tranche B facility is Grifols Worldwide Operations USA, Inc., a Delaware corporation and a direct wholly owned subsidiary of Grifols Worldwide Operations Limited. The New Credit Facilities are governed by New York law, however, certain collateral documents are governed under the local law of other jurisdictions.

***European Investment Bank Term Loan***

On October 28, 2015, Grifols Worldwide Operations Limited entered into a loan agreement with the European Investment Bank for a term loan of € 100 million under the European Fund for Strategic Investments, or the European Investment Bank Term Loan. The financial terms of the loan agreement include a fixed interest rate for a tenor of ten years from October 28, 2015 and a repayment schedule with amortization in years three through ten. The loan will be 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. The loan represents 20% of our total outstanding debt in euros.

**Other Debt**

Certain other credit facilities and capital lease obligations are in place with various lenders and consist of long-term and short-term indebtedness of both us and Grifols, S.A. subsidiaries. As of December 31, 2016, we have $29.1 million of aggregate Other Credit Facilities and Financial Liabilities, as defined in the Capitalization table on page 58. The short-term credit facilities have maturity dates occurring in the next 12 months.

## DESCRIPTION OF NOTES

Grifols, S.A. (the "*Company*"), a company organized under the laws of Spain, will issue the notes under an indenture (the "*indenture*") between itself and BNY Mellon Corporate Trust 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 (the "*trustee*"), in a private transaction that is not subject to the registration requirements of the Securities Act. Holders of the notes will not be entitled to any registration rights. See "Notice to Investors." 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.

Certain terms used in this description are defined under the subheading "—Certain Definitions." In this description, the word "*Company*" refers only to Grifols, S.A. and not to any of its subsidiaries. The words "*we*," "*us*" and "*our*" each refer to the Company and its consolidated subsidiaries.

The following description is only a summary of the material provisions of the indenture. We urge you to read the indenture because it, not this description, defines your rights as Holders of these notes. You may request copies of the indenture at our address set forth under the heading "Where You Can Find More Information."

### Brief Description of the Notes and the Guarantees

#### *The Notes*

The notes will be:

- general unsecured obligations of the Company;
- senior in right of payment to all of the Company's existing and any future Subordinated Indebtedness;
- *pari passu* in right of payment with all of the Company'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 the Company's existing and future secured Indebtedness, including the Company's Obligations under the Credit Agreement, to the extent of the value of the collateral securing such Indebtedness;
- unconditionally guaranteed by the Company's Restricted Subsidiaries that Guarantee the Obligations under the Credit Agreement (other than any Immaterial Subsidiary of the Company), and Grifols Worldwide Operations USA, Inc., the co-borrower under the Credit Agreement and a wholly-owned Subsidiary of the Company ("*Grifols Worldwide Operations USA*"); and
- structurally subordinated to Indebtedness of Subsidiaries of the Company that are not Guarantors.

#### *The Guarantees*

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 Credit Agreement, to the extent of the value of the collateral securing such Indebtedness; and

- structurally subordinated to Indebtedness of any Subsidiaries of that Guarantor that are not Guarantors.

As of December 31, 2016, on an as adjusted basis after giving effect to the Transactions, the Company and its subsidiaries on a consolidated basis would have had approximately $7.1 billion of indebtedness outstanding (including the notes offered hereby), of which approximately $6.0 billion would have been secured indebtedness (excluding approximately $300 million of undrawn revolving commitments under the Credit Agreement).

**Principal, Maturity and Interest**

The Company will issue the notes initially in the aggregate principal amount of €1.0 billion. The Company may issue additional notes under the indenture from time to time. Any offering of additional notes 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." Any additional notes will be identical in all respects to the notes offered hereby, except that additional notes will have different issuance dates and may have different issuance prices. The notes and any additional notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Company will issue notes in denominations of €100,000 and integral multiples of €1,000. The notes will mature on May 1, 2025.

Interest on the notes will accrue at the rate of 3.200% per annum and will be payable semi-annually in arrears on May 1 and November 1, commencing on November 1, 2017. The Company will make each interest payment to the Holders of record on the immediately preceding April 15 and October 15.

Interest on the 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**

If a Holder has given wire transfer instructions to us, we will pay all principal, interest, premium, if any, on that Holder's notes in accordance with those instructions. All other payments on notes will be made at the office or agency of the paying agent and registrar in London unless the Company elects to make interest payments by check mailed to the Holders at their address set forth in the register of Holders.

**Paying Agent and Registrar for the Notes**

The Bank of New York Mellon, London Branch will initially act as paying agent and The Bank of New York Mellon, SA/NV, Luxembourg Branch will initially act as registrar. The Company may change the paying agent or registrar without prior notice to the Holders of the notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

**Guarantees**

The notes will be Guaranteed by the Company's Restricted Subsidiaries that guarantee the obligations under the Credit Agreement (other than any Immaterial Subsidiary) and Grifols Worldwide Operations USA. 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, 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 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 us or another 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 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 shall 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).

**Optional Redemption**

Except as set forth below, the notes will not be redeemable at the Company's option prior to May 1, 2020.

On or prior to May 1, 2020, the Company may on one or more occasions redeem up to 40% of the aggregate principal amount of notes issued (including additional notes) under the indenture at a

redemption price of 103.200% of the principal amount thereof, plus accrued and unpaid interest , if any, to the redemption date, with the net cash proceeds of any Qualified Equity Offering; *provided* that:

(1) at least 60% of the aggregate principal amount of notes originally issued under the indenture remains outstanding immediately after the occurrence of such redemption (excluding notes held by the Company and its Subsidiaries); and

(2) the redemption occurs within 90 days of the date of the closing of such Qualified Equity Offering.

On or prior to May 1, 2020, the Company may redeem all or a part of the notes, upon not less than 30 nor more than 60 days' prior notice sent to the registered address of each Holder of notes or otherwise in accordance with the procedures of Euroclear and Clearstream, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the redemption date, subject to the rights of Holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the prior paragraphs, the notes will not be redeemable at the Company's option prior to May 1, 2020. The Company is not prohibited by the terms of the indenture, however, from acquiring the notes by means other than a redemption, whether pursuant to a tender offer, open market purchases, negotiated transactions or otherwise, assuming such acquisition does not otherwise violate the terms of the indenture.

On or after May 1, 2020, the Company may redeem all or a part of the notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, on the 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 |
|---|---|
| 2020 | 101.600% |
| 2021 | 100.800% |
| 2022 and thereafter | 100.000% |

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the notes or portions thereof called for redemption on the applicable redemption date.

**Redemption for Taxation Reasons**

The notes may be redeemed, at the option of the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to 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 Company 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 Company 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 Company 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 Company 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 notes pursuant to the foregoing, the Company 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 Company or 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**

The Company is not required to make sinking fund payments with respect to the notes. However, under certain circumstances, the Company 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**

All payments made by the Company or any 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 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 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 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 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 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 (i) made a declaration of non-residence, or any other claim or filing for exemption, to which it is entitled or (ii) 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 Company 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 that would not have been so imposed, deducted or withheld if (i) the notes had been regarded as listed debt securities issued under Law 10/2014 and had been initially registered with foreign clearing and settlement entities recognized by Spanish law or by the laws of any other country member of the Organisation for Economic Co-operation and Development; (ii) the Holder or beneficial owner of a note or beneficial owner of any payment on the note or the Guarantee of such note had provided to the Company, the non-U.S. Guarantors or any agent acting on behalf of the Company or the non-U.S. Guarantors all the information required under Section 44 of Royal Decree 1065/2007, of July 27; or (iii) the paying agent acting on behalf of the Company or the non-U.S. Guarantors, had submitted in a timely manner, a statement to the Company or the non-U.S. Guarantors, the form of which complies with the Annex to Royal Decree 1065/2007, of July 27 or any implementing legislation or regulation, and containing all the information required by Section 44 of Royal Decree 1065/2007, or any implementing legislation or regulation;

(7) any Taxes that would not have been so imposed, deducted or withheld if the notes had complied with exemption requirements specified in the Ruling dated July 27, 2004 issued by the Spanish General Directorate of Taxes (*Dirección General de Tributos*);

(8) 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);

(9) 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;

(10) any withholding or deduction in respect of any Tax, duty, assessment or other governmental charge where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives; or

(11) any combination of items (1) through (10) 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 Company or a non-U.S. Guarantor.

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 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 Company and such non-U.S. Guarantor, such other documentation that provides reasonable evidence of such payment by 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 Company or any non-U.S. Guarantor will be obligated to pay Additional Amounts with respect to such payment, 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 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

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 Company or a non-U.S. Guarantor.

**Repurchase at the Option of Holders**

***Change of Control***

Upon the occurrence of a Change of Control, 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) 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 30 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 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 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, and 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 each new note will be in a principal amount of €100,000 or an 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 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 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 validly tender and do not withdraw such notes 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 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), 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 our 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, another 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, we may temporarily reduce revolving credit borrowings under our Credit Agreement 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, we 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 would, in turn, constitute a default under the Company's existing Indebtedness and may constitute a default under future Indebtedness as well. 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**

If less than all of the notes are to be redeemed or purchased at any time, the notes shall be selected for redemption or purchase in accordance with the operating procedures of Euroclear and Clearstream.

No notes of €100,000 or less can be redeemed in part. Notices of purchase or redemption will be sent at least 30 but not more than 60 days before the redemption date to each Holder of notes to be redeemed at its registered address, except that redemption notices may be sent 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 selected for redemption will not impair or affect the validity of the redemption of any other note redeemed in accordance with the provisions of the indenture. Notices of redemption may not be conditional.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the Holder of notes upon cancellation of the original note. 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.

In connection with any redemption of notes, any such redemption may, at the Company's discretion, be subject to one or more conditions precedent.

So long as the notes are held by Euroclear or Clearstream, the trustee shall not be responsible or liable for any actions taken or not taken by Euroclear or Clearstream.

**Certain Covenants**

Set forth below are summaries of certain covenants that will be contained in the indenture. If on any date following the Issue Date (i) the notes have an Investment Grade Rating from either Rating Agency, 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 the Company and the Restricted Subsidiaries will not be subject to the following covenants (collectively, the "*Suspended Covenants*"):

(1) "Repurchase at the Option of Holders—Asset Sales";

(2) "—Restricted Payments";

(3) "—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock";

(4) clause (d) of the first paragraph of "—Merger, Consolidation or Sale of Assets";

(5) "—Transactions with Affiliates";

(6) "—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries"; and

(7) "—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 both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the notes below an Investment Grade Rating, 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 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 with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of Fixed Charge Coverage Ratio after giving 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 March 12, 2014 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 March 12, 2014 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 March 12, 2014 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 March 12, 2014, 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 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 Issue 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;

(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 3.5 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); and

(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.

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 and Preferred 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 or preferred stock, and any of the Guarantors may incur Indebtedness (including Acquired Debt) or issue preferred 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 or such preferred 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 and any Qualified Securitization Financing, including the Credit Agreement, in an amount outstanding at any time not to exceed the sum of (x) $6,500.0 million plus (y) €640.0 million;

(2) the incurrence by the Company and the Restricted Subsidiaries of the Existing Indebtedness;

(3) the incurrence by the Company and any Guarantor of Indebtedness represented by the notes to be 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 Issue Date exceeds $300 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 $60 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 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 $100 million; and

(21) the incurrence by the Company or any Restricted Subsidiary of additional Indebtedness or the issuance by the Company of Disqualified Stock or preferred 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.

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 (21) 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. 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.

***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.

***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 Credit Agreement) 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 Issue 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; and

(16) agreements pursuant to any tax sharing arrangement between the Company and any one or more of its direct or indirect Subsidiaries.

***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.

***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 $100 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:

(1) 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;

(2) transactions between or among the Company and/or the Restricted Subsidiaries;

(3) 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;

(4) Permitted Investments or Restricted Payments that are permitted by the "—Restricted Payments" covenant;

(5) 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;

(6) the granting or performance of customary registration rights in respect of restricted Equity Interests held or acquired by Affiliates;

(7) 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;

(8) 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;

(9) 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;

(10) the issuance or repurchase of Equity Interests (other than Disqualified Stock) of the Company to any Affiliate of the Company;

(11) 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

(12) 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 Issue 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.

**Maintenance of Listing**

The Company will use its commercially reasonable efforts to maintain the listing of the 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 notes from the official list of the Irish Stock Exchange, and thereafter use its commercially reasonable efforts to maintain, a listing of such 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.

***Reports***

Whether or not required by rules and regulations of the SEC, so long as any notes are outstanding, the Company will furnish to the Holders of notes:

(1) 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 the Company 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 the Company's consolidated annual financial statements by the Company's certified independent accountants; and

(2) within 45 days of the first three fiscal quarters of each fiscal year of the Company, 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 the Company and its Subsidiaries in the form prepared for presentation to senior management thereof for such fiscal quarter.

The Company will be deemed to have furnished such reports to the trustee and the Holders if the Company 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 Company'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).

The Company and the Guarantors have agreed that, for so long as any notes remain outstanding, if at any time the Company is not required to file with the SEC the information and reports required by clauses (1) and (2) above, the Company 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 Company 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*":

(1) default for 30 days in the payment when due of interest on the notes;

(2) default in payment when due of the principal of or premium, if any, on the notes;

(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 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 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; and

(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.

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 may declare all the notes 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 may direct the trustee in its exercise of any trust or power. The trustee may withhold from Holders of the notes notice of any continuing Default or Event of Default 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 unless such Holders have offered to the trustee reasonable indemnity or security 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 may pursue any remedy with respect to the indenture or the notes 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 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 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 then outstanding by notice to the trustee may on behalf of the Holders of all of the notes rescind an acceleration or waive any existing Default or Event of Default and its consequences under the indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the notes.

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**

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 and all obligations of the Guarantors discharged with respect to their Guarantees ("*Legal Defeasance*") except for:

(1) the rights of Holders of outstanding notes to receive payments in respect of the principal of, or interest or premium on, such notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the notes concerning issuing temporary notes, mutilated, destroyed, lost or stolen notes 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 in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the indenture.

In addition, 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 the 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 the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the trustee, in trust, for the benefit of the Holders of the notes, cash in United States dollars, non-callable Government Securities, or a combination of cash in United States dollars and non-callable Government Securities, 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 on the Stated Maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the notes 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 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 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 confirming that the Holders of the outstanding notes 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 (including, without limitation, the Credit Agreement, but excluding the indenture) 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 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 an opinion of U.S. counsel, 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).

Without the consent of each Holder 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 whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any note or alter the provisions with respect to the redemption of the notes (other than provisions relating to the covenants described above under the caption "Repurchase at the Option of Holders" or 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 any note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium on the notes (except a rescission of acceleration of the notes by the Holders of at least a majority in aggregate principal amount of the then outstanding notes and a waiver of the Payment Default that resulted from such acceleration);

(5) make any note payable in currency other than that stated in the notes;

(6) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of Holders of notes to receive payments of principal of, or interest or premium on the notes;

(7) waive a redemption payment with respect to any note (other than a payment required by one of the covenants);

(8) make any change in the preceding amendment and waiver provisions; or

(9) release all or substantially all of the Guarantors from their Guarantees, in each case, except in accordance with the indenture.

Notwithstanding the preceding, without the consent of any Holder of notes, the Company, the Guarantors and the trustee may amend or supplement the indenture, the notes or the Guarantees:

(1) to cure any ambiguity, mistake, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption by a successor corporation of the Company's or a 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 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 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 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 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, the determination of whether any amendment, supplement or waiver has been consented to shall, where applicable, include any additional notes 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.

**Satisfaction and Discharge**

The indenture will be discharged and will cease to be of further effect as to all notes issued thereunder, when:

(1) either:

(a) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust, have been delivered to the trustee for cancellation; or

(b) all notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the mailing 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 for the benefit of the Holders, cash in United States dollars, non-callable Government Securities, or a combination of cash and non-callable Government Securities, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the notes 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 sums payable by the Company under the indenture; 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 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 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 Company or of any 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**

Euro is the sole currency of account and payment for all sums payable by the Company or any Guarantor under the notes, any Guarantee thereof and the indenture. Any payment on account of an amount that is payable in Euro, in respect of the 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 Company or any Guarantor, shall constitute a discharge of the Company or the 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 which such Holder or the trustee, as the case may be, could purchase 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 that could be so purchased is less than the amount of Euro originally due to such Holder or the trustee, as the case may be, the Company and the 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 this 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 the notes on the official list of the Irish Stock Exchange and to admit the notes to trading on the Global Exchange Market of the Irish Stock Exchange. There can be no assurance that the application to list the notes on the official list of the Irish Stock Exchange and to admit the notes on the Global Exchange Market of the Irish Stock Exchange will be approved and settlement of the notes is not conditioned on obtaining this listing.

**Governing Law**

The indenture and the notes will be governed by the laws of the State of New York, without regard to the principles of conflicts of law.

**Consent to Jurisdiction and Service of Process**

The indenture will provide that the Company and each 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 Company and the Guarantors are outside of the United States, any judgment obtained in the United States against the Company or any 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:

(1) 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

(2) 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 Asset Purchase Agreement, dated as of December 14, 2016, by and among the Company, Grifols Diagnostic Solutions Inc. and Hologic, Inc.

"*Additional Amounts*" has the meaning set forth under "—Additional Amounts."

"*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 note at May 1, 2020 (such redemption price being set forth in the tables appearing above under the fourth paragraph under the caption "Optional Redemption"), plus (ii) all required interest payments due on such note through May 1, 2020 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date (or, if greater than such Bund Rate, zero) plus 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; and

(17) any sale or disposition of the Equity Interests in TiGenix NV and any Equity Interests in other joint ventures with respect to research and development companies in an aggregate amount for all such transactions not to exceed $100 million.

"*Asset Sale Offer*" has the meaning assigned to that term in the indenture governing the notes.

"*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.

"*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:

(1) "*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 May 1, 2020, 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 notes and of a maturity most nearly equal to May 1, 2020; *provided*, *however*, that, if the period from such redemption date to May 1, 2020 is less than one year, a fixed maturity of one year shall be used;

(2) "*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;

(3) "*Reference German Bund Dealer*" means any dealer of German Bundesanleihe securities appointed by the Company in good faith; and

(4) "*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 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 by the Company 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.

"*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 of any of the following:

(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 our issued and outstanding Capital Stock.

"*Change of Control Offer*" has the meaning set forth under "—Change of Control."

"*Clearstream*" means Clearstream Banking, *société anonyme*.

"*Company*" means Grifols, S.A.

"*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 *pro forma* for 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 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 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 Agreement*" 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 on or about January 31, 2017, 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; *provided* that such increase is permitted under "Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock."

"*Credit Facilities*" means one or more debt facilities or agreements (including, without limitation, the Credit Agreement) 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.

"*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.

"*Euroclear*" means Euroclear Bank S.A./N.V.

"*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 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 under the Credit Agreement or in respect of the notes), until such amounts are repaid.

"*Existing Notes*" means Grifols Worldwide Operations Limited's $1.0 billion aggregate principal amount of 5.25% senior notes due 2022.

"*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* 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).

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(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.

"*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.

"*GAAP*" means generally accepted accounting principles in the United States or Spain, as applicable, which are in effect from time to time.

"*Government Securities*" means securities that are:

(1) 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

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the government of such 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, 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.

"*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 each Person that Guarantees the notes in accordance with the terms of the indenture governing the notes.

"*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.

"*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 whose total assets, as of that date, are less than $150 million and 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.

"*Investment Grade Rating*" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB− (or the equivalent) by S&P, 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 April 26, 2017.

"*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."

"*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 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);

(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 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 $250 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 the 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 we deem 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 Issue 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 pre-payments 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; and

(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.

"*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 "—Limitation on 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) Liens existing on the date of the Indenture and 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 nondelinquent 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 under the indenture, secured by the same property securing the Hedging Obligations;

(12) Liens securing Permitted Refinancing Indebtedness, *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 or securing the notes and the 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; *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.

"*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 Moody's and S&P or if Moody's or S&P or both shall not make a rating on the notes publicly available, an internationally recognized statistical rating agency or agencies, as the case may be, selected by the Company which shall be substituted for Moody's or S&P or both, as the case may be.

"*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 the Company 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."

"*S&P*" means S&P Global Ratings and any successor to its rating agency business.

"*SEC*" means the Securities and Exchange Commission.

"*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.

"*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.

"*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.

"*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.

"*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 (i) the Acquisition, (ii) the entry into the Credit Agreement and the incurrence of loans thereunder and the repayment of certain of the Company's and the Restricted Subsidiaries' existing Indebtedness in connection therewith and (iii) the issuance and sale of the notes offered hereby, the repayment of the Existing Notes and the other transactions in connection therewith described in this offering memorandum under "Use of Proceeds."

"*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 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 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.

"*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.

"*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 shall not resell or otherwise transfer any of such Notes, prior to the expiration of the applicable holding period with respect to restricted securities set forth in Rule 144 under the Securities Act, except (A) to Grifols, S.A. or any of its subsidiaries, (B) inside the United States to a QIB in a transaction complying with Rule 144A, (C) inside the United States to institutional "accredited investors" (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act), an Accredited Investor, that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to the trustee a signed letter containing certain representations and agreements relating to the restrictions on transfer of the Notes (the form of which letter can be obtained from such trustee), (D) outside the United States in compliance with Rule 904 under the Securities Act, (E) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (F) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the trustee so requests), or (G) pursuant to an effective registration statement under the Securities Act.

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;

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. ACCORDINGLY, THIS SECURITY 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. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL ACCREDITED INVESTOR (WITHIN THE MEANING OF RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT, AS AMENDED, (AN "ACCREDITED INVESTOR"), (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY, PRIOR TO THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT, EXCEPT (A) TO GRIFOLS, S.A. OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS SECURITY), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE TRUSTEE SO REQUESTS), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY, PRIOR TO THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE ISSUER SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

7. 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) 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 and 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.

8. 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.

9. It acknowledges that we, the initial purchaser 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, S.A. and the initial purchaser. 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

The Notes issued to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A (the "Rule 144A Global Notes") will in each case initially be represented by one or more global Notes in registered form without interest coupons attached and the Notes issued to non-U.S. persons outside the Unites States in reliance on Regulation S under the Securities Act (the "Regulation S Global Notes") will in each case initially be represented by one or more global Notes in registered form without interest coupons attached. The Rule 144A Global Notes together with the Regulation S Global Notes are collectively referred to as the "Global Notes". The Global Notes will be deposited with a common depositary, and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes (the "Restricted Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Unrestricted Book-Entry Interests" and, together with the Restricted Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear or Clearstream or persons that hold interests through such participants.

Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Notes will not be issued in definitive form.

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 some 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 Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear or Clearstream, as applicable, will be considered the sole holder(s) of the Global Notes for all purposes under the Indenture governing the Notes. In addition, participants must rely on the procedures of Euroclear or Clearstream, as applicable, and indirect participants must rely on the procedures of the participants through which they own Book-Entry Interests to transfer their interests or to exercise any rights of holders under the Indenture governing the Notes. Neither we nor the trustee under the indenture, BNY Mellon Corporate Trustee Services Limited, or the Trustee, will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) will be made by us to the common depositary or its nominee for Euroclear and Clearstream. The common depositary or its nominee will distribute such payments to participants in accordance with their procedures. Payments of all such amounts will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made by any applicable law or regulation of Spain or otherwise as described under "Description of Notes—Additional Amounts", then, to the extent described under "Description of Notes—Additional Amounts", such Additional Amounts will be paid as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such

withholding or deduction. We expect that payments by participants to owners of Book-Entry Interests held through those participants will be governed by standing customer instructions and customary practices. Under the terms of the Indenture governing the Notes, we and the Trustee will treat the registered holder of the 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, neither we, the Trustee nor any of our or the Trustee's agents have or will have any responsibility or liability for:

(1) any aspect of the records of Euroclear or Clearstream or of any participant or indirect participant relating to or payments made on account of a 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 Book-Entry Interest;

(2) Euroclear or Clearstream or any participant or indirect participant; or

(3) the records of the common depositary.

**Currency of payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of the Global Notes will be paid to holders of interest in such Notes through Euroclear or Clearstream in euros.

**Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of 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, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Notes, Euroclear and Clearstream reserve the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to its participants.

**Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interest in the 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 Notes.

The Global Notes will bear a legend to the effect set forth in "Notice to Investors." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Notice to Investors."

Transfer of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to such transfer restrictions.

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of any Unrestricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture governing the Notes) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note,

and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

**Definitive Registered Notes**

Under the terms of the Indenture governing the Notes, owners of the Book-Entry Interests will receive Definitive Registered Notes only:

(1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act and a successor is not appointed by us within 90 days; or

(2) if Euroclear or Clearstream so requests following an Event of Default under the Indenture governing the Notes.

**Information concerning Euroclear and Clearstream**

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. 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 or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with Euroclear or Clearstream participants, either directly or indirectly.

**Trustee's Powers**

In considering the interests of the holders of the Notes, while title to the Notes is registered in the name of a nominee for a clearing system, the Trustee may have regard to any information provided to it by that clearing system as to the identity (either individually or by category) of its accountholders with entitlements to Notes and may consider such interests as if such accountholders were the holders of the Notes.

**Enforcement**

For the purposes of enforcement of the provisions of the Indenture governing the Notes against the Trustee, the persons named in a certificate of the holder of the Notes in respect of which a Global Note is issued shall be recognized as the beneficiaries of the trusts set out in the Indenture governing the Notes to the extent of the principal amounts of their interests in Notes set out in the certificate of the holder, as if they were themselves the holders of Notes in such principal amounts.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement, or the Purchase Agreement, among Grifols, S.A., the Guarantors and the initial purchaser, Grifols, S.A. has agreed to sell to the initial purchaser, and the initial purchaser has agreed to purchase from Grifols, S.A. the entire principal amount of the Notes.

The Purchase Agreement provides that the obligations of the initial purchaser to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The initial purchaser has agreed to resell the Notes (a) to QIBs in reliance on Rule 144A and (b) to non-U.S. persons outside the United States in compliance with Regulation S. See "Notice to Investors". The Notes will initially be offered at the price indicated on the cover page hereof. Depending on market conditions, the initial purchaser may decide to initially purchase and hold a portion of the Notes for its own account. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the initial purchaser.

The Purchase Agreement provides that we will indemnify the initial purchaser against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the initial purchaser may be required to make in respect thereof.

In addition, we have agreed for a period of 90 days following the issue date not to issue or sell any debt securities without the consent of Morgan Stanley & Co. International plc.

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive, each, a Relevant Member State, an offer of Notes to the public may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of Notes to the public may be made in that Relevant Member State at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall require us or the initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any Notes in any Relevant Member State 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, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Each initial purchaser has represented and agreed that:

- 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 Financial Services and Markets Act 2000, or FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The initial purchaser may make offers and sales in the United States through certain affiliates of the initial purchaser. The initial purchaser may sell through affiliates or other entities appropriately licensed to sell the Notes in jurisdictions in which sales by such initial purchaser are not otherwise permitted.

Prior to the offering, there has been no active market for the Notes. The initial purchaser has advised us that they presently intend to make a market in the Notes as permitted by applicable laws and regulations. The initial purchaser is not obligated, however, to make a market in the Notes and any such market making may be discontinued at any time at the sole discretion of the initial purchaser. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes nor that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

In connection with the offering, certain persons participating in the offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the initial purchaser may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The initial purchaser may also overallot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the initial purchaser may bid for and purchase Notes in market making transactions and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The initial purchaser is not required to engage in these activities, and may end these activities at any time.

The initial purchaser and its respective affiliates from time to time have provided in the past, currently are and may provide in the future investment banking, commercial lending, consulting and financial advisory services to Grifols and its subsidiaries and affiliates in the ordinary course of business and the initial purchaser or its respective affiliates from time to time have been involved in the past and may be involved in the future in derivative and hedging transactions with Grifols and its subsidiaries and affiliates where the initial purchaser or its respective affiliates may be counterparties. In addition, Luís Isasi Fernández de Bobadilla, who is a member of our Board, is an employee of the initial purchaser.

Morgan Stanley & Co. International plc is acting as offeror in a Tender Offer in respect of any and all outstanding Existing Notes, pursuant to which all validly tendered (and not properly withdrawn) Existing Notes that are accepted for purchase will be exchanged for a decrease in the proceeds of the Notes to be paid to the Issuer by the initial purchaser in this offering subject to certain terms and conditions of the Tender Offer. See “Summary—Recent Developments—Tender Offer”.

We expect delivery of the Notes will be made against payment therefor on or about April 26, 2017, which is the ninth business day following the date of the pricing of the Notes (such settlement date being referred to as “T+9”). Under Rule 15(c)6-1 of the Exchange Act, trades in the secondary market are generally required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing of the Notes or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle on a T+9 basis to specify an alternative settlement cycle at the time of any such trade to prevent failed settlement and should consult their own advisors.

## 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, S.A. 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, S.A. is advised by its Spanish legal counsel, Osborne Clarke, (i) that there is doubt as to the enforceability in Spain in original actions or in actions, for enforcement of judgments of U.S. courts, of liabilities predicated solely upon the securities laws of the United States and (ii) 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)* were obtainable, 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, to be recognized.

Pursuant to article 44 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 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; or (3) where the judgment was given in default of appearance, 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 (4) 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 (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.

**Ireland**

As the United States is not a party to a convention with Ireland in respect of the enforcement of judgments, common law rules apply in order to determine whether a judgment of the courts of the State of New York is enforceable in Ireland. A judgment of the courts of the State of New York will be enforced by the courts of Ireland if the following general requirements are met:

(i) the courts of the State of New York must have had jurisdiction in relation to the particular defendant according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule); and

(ii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. However, where the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that, in the meantime, the judgment should not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive.

However, Irish courts may refuse to enforce a judgment of the courts of the State of New York which meets the above requirements for one of the following reasons:

(i) if the judgment is not for a definite sum of money;

(ii) if the judgment was obtained by fraud;

(iii) the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice;

(iv) the judgment is contrary to Irish public policy or involves certain United States laws which will not be enforced in Ireland;

(v) jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Superior Courts Rules;

(vi) if the judgment is irreconcilable with an earlier judgment of the courts of the State of New York; or

(vii) if enforcement proceedings are not instituted in Ireland within six years of the date of the judgment of the courts of the State of New York.

## 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 or U.S Holders (defined below) whose functional currency is not the U.S. dollar).

We cannot assure you that the Internal Revenue Service ("IRS") will not disagree with any of the conclusions discussed herein, and we have not obtained, and do not 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.**

*Characterization of the Notes*

In certain circumstances (see, "Description of Notes—Optional Redemption", "Description of Notes—Repurchase at the Option of Holders—Change of Control"), we 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, we intend 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. Our 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, our 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.

*Payments of Interest*

Payments of stated interest on the 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 it is 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 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 you elect the second method, you must apply it consistently to all debt instruments held by you at the beginning of the first taxable year to which the election applies and any debt instruments thereafter acquired by you, and you 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.

*Sale, Retirement, Redemption or other Disposition of the Notes*

A U.S. Holder will generally recognize taxable gain or loss on the sale, retirement, redemption or other disposition of a 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 your 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. Any gain or loss that a U.S. Holder recognizes upon the taxable disposition of a 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 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 Notes generally will be treated as U.S. source income for foreign tax credit purposes.

Your U.S. dollar cost of a note purchased with euros generally will be the U.S. dollar value of such euros on the date you purchase the note or, if the notes are treated as traded on an established securities market and you are a U.S. Holder that 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 note. Your amount realized on a sale, exchange, redemption, retirement or other taxable disposition of a 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 notes are treated as traded on an established securities market and you are a U.S. holder that 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, exchange, redemption, retirement or other taxable disposition. If you are a U.S. Holder that uses the accrual basis method of accounting that makes the election described in this paragraph, you must apply it consistently to all debt instruments held by you at the beginning of the first taxable year to which the election applies and any debt instruments thereafter acquired by you, and you cannot revoke the election without the consent of the IRS. If the notes are not treated as traded on an established securities market for these purposes (or, if a note is so traded but you are a U.S. Holder that uses the accrual basis method of accounting that has not made the settlement date election described above), you 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 taxable disposition.

*Disposition of Foreign Currency*

If you receive euros as interest on a note, or on the sale, exchange, redemption, retirement or other disposition of a note, your 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 note. If you exchange such euros received into U.S. dollars, or sell or otherwise dispose of such euros received in a taxable transaction, including the use of such euros to purchase other property (including notes or other securities denominated in euros), any gain or loss recognized generally will be ordinary gain or loss.

*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. Recently proposed legislation would repeal this additional 3.8% tax, although whether and when such legislation might be enacted, in what form, and with what effective date is not certain. U.S. Holders should

consult their own tax advisers as to the applicability of this additional 3.8% tax, including the possibility of its repeal.

*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 U.S. Internal Revenue Service.

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.

*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.

*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 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).

*Impact of Potential U.S. Federal Tax Reform*

Reform proposals have been recently put forth by members of Congress and the president. In 2016, the speaker of the House of Representatives and the chairman of the House Ways and Means Committee published "A Better Way." Separately, the then-candidate, now-president published a one-page document on tax reform. Each of these proposals sets forth a variety of principles to guide potential tax reform legislation. As of the date of this offering memorandum, no legislation in respect of either of these proposals has been introduced in the Congress. However, the principles set forth in both "A Better Way" and the president's one-page proposal, if ultimately reduced to legislation enacted by the Congress and signed into law by the president in a form that is consistent with those principles, could change dramatically the U.S. federal taxation of the U.S. Holders and Non-U.S. Holders. While it is impossible to predict whether and to what extent any tax reform legislation (or other legislative, regulatory or administrative change to the U.S. federal tax laws) will be proposed or enacted, any such change in the U.S. federal tax laws could affect materially the value of any investment in the Notes. Prospective investors should consult their tax advisors regarding possible legislative and regulatory changes and the potential effect of such changes on an investment in the Notes.

**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, under the general taxation regime, consequences of 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 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 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 the Irish Stock Exchange.

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. Likewise, 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, along with 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, along with Law 19/1991, of 6 June on Wealth Tax and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax.

Whatever the nature and residence of the beneficial owner, the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December 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 obtained 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 transfer 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 a rate of 19 per cent. on the first €6,000, 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000.

As a general rule, both types of income are subject to a withholding tax on account at the rate of 19 per cent. However, according to Section 44.5 of Royal Decree 1065/2007, of 27 July, 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 that certain formalities to be complied with by the paying agent described below (see section "—Disclosure of Information in Connection with the Notes") are met

in a timely manner. 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 tax amount for interest paid on the Notes corresponding to the holders of Notes who are individuals with tax residency in Spain provided that 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. Though for the years 2011 to 2017 the Spanish Central Government has repealed the 100% relief of this tax, the actual collection of this tax depends on the regulations of each Autonomous Community. Thus, investors should consult their tax advisers according to 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 €700,000. Therefore, they should take into account the value of the Notes which they hold as at 31 December each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

In accordance with Article 4 of the Royal Decree-Law 3/2016, of 2 December, on the approval of tax measures designed to strengthen public finance and other urgent social measures (the "Royal Decree-Law 3/2016"), from the year 2018, a full exemption on Net Wealth Tax will apply (*bonificación del 100%*).

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 applicable effective tax rates currently range between 0 per cent. and 81.6 per cent. depending on relevant factors.

*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 per cent) 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 organised 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 at the current rate of 19 per cent. Such withholding may be made by the depositary or custodian if the Notes do not comply with the exemption requirements specified in the ruling issued by the Spanish General Directorate of Taxes (*Dirección General de Tributos*) (the "DGT") dated 27 July 2004 (that is, placement of the Notes outside of Spain in another OECD country and admission to listing of the Notes on an organised market in an OECD

country other than Spain). The amounts withheld, if any, may be credited by the relevant investors against its 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 Spanish CIT taxpayers, provided that certain formalities to be complied with by the paying agent described in section "—Disclosure of Information in Connection with the Notes" below are met in a timely manner.

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 that 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 with no tax residency in Spain, as Non-Resident Income Tax payers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from Public Debt.

In order for such exemption to apply, it is necessary to comply with the information procedures, in the manner detailed 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).

Net Wealth Tax *(Impuesto sobre el Patrimonio*)

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. Otherwise, non-Spanish resident individuals whose properties and rights are located in Spain, or can be exercised in Spain and are in excess of €700,000 would be subject to Net Wealth Tax. In such event, they should take into account the value of the Notes

which they hold as at 31 December each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

Holders of Notes that are tax resident in a State of the European Union or of the European Economic Area are entitled to apply the specific regulation of the autonomous community where their most valuable assets are located and which trigger this Spanish Net Wealth Tax due to the fact that they are located or are to be exercised within the Spanish territory.

In accordance with Article 4 of the Royal Decree-Law 3/2016, of 2 December, on the approval of tax measures designed to strengthen public finance and other urgent social measures (the "Royal Decree-Law 3/2016"), from the year 2018, a full exemption on Net Wealth Tax would apply (*bonificación del 100%*).

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, the latter may be levied in Spain on non-resident individuals only on those assets and rights that are located or that may be exercised or fulfilled within the Spanish territory. The effective tax rate, after applying all relevant factors, ranges 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 or the donee be resident in an EU or European Economic Area 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 1 January 2013, Law 7/2012, of 29 October, as implemented by Royal Decree 1558/2012, of 15 November, 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 1 January and 31 March every year, declaring the ownership of the Notes held on 31 December of the immediately preceding year (e.g. the Notes held on 31 December 2015 should be included in a filing made between 1 January 2016 and 31 March 2016).

This obligation would only need to be complied with where certain thresholds are met: 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 31 December 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 31 December 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 declaration (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 declaration will have to be provided to the Issuer on the business day immediately preceding each Interest Payment Date. If this requirement is complied with, the Issuer will pay gross (without deduction of any withholding tax) all interest 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 interest payments at the general withholding tax rate (currently, 19 per cent). If on or before the 10th day of the month following that in which the interest is payable, 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".

In the event that the current applicable procedures were to be modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, the Issuer would inform the holders of Notes of such changes to the information procedures and of their implications, as the Issuer may be required to apply withholding tax on interest payments under the Notes, should the holders of Notes not comply with such information procedures.

*The Proposed Financial Transactions Tax*

On February 14, 2013, the European Commission published a proposal, or the Commission's Proposal, for a Directive for a common Proposed Financial Transactions Tax, or FTT, in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, or 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. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## LISTING AND GENERAL INFORMATION

### Listing on the Irish Stock Exchange

This offering memorandum comprises "Listing Particulars" for the purpose of the application to the Irish Stock Exchange for the listing of the Notes. Application has been made to the Irish Stock Exchange for the approval of these "Listing Particulars". Application has also been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to be traded on the Global Exchange Market of the Irish Stock Exchange. There can be no assurance that we will be able to effect such admission of the Notes to trading on the Global Exchange Market of the Irish Stock Exchange.

As long as any of the Notes remain outstanding and listed on the official list of the Irish Stock Exchange, 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, Clandalkin, Dublin 22, Ireland.

In addition, for as long as the Notes remain listed on the official list of the Irish Stock Exchange, 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, Clandalkin, Dublin 22, Ireland:

- the memorandum and articles of association of the Issuer and the incorporation documentation of each of the Guarantors;
- the Indenture;
- 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 Irish Stock Exchange are expected to be approximately €5,000.

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, 2016. 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 condition or trading position since December 31, 2016. Except as disclosed in this offering memorandum, as of the date of this offering memorandum, there has been no material adverse change in our prospects since December 31, 2016. There has been no material adverse change in the prospects of the Guarantors since December 31, 2016, except as otherwise stated in this offering memorandum.

### Clearing Information

The Notes have been, or will be, accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below.

| | ISIN | Common Code |
|---|---|---|
| Rule 144A Global Notes | XS1598758578 | 159875857 |
| Regulation S Global Notes | XS1598757760 | 159875776 |

## Issuer and Guarantor Information

### *The Issuer*

The Issuer was incorporated in Spain in 1987 under the name Grupo Grifols, S.A. and changed its name to Grifols, S.A. in 2005. Its registration number is Registro Mercantil de Barcelona folio 87, tomo 11,561, hoja n° B-92.799. The Issuer's principal executive offices are located at Avinguda de la Generalitat, 152 158, Parc de Negocis Can Sant Joan, Sant Cugat del Vallès, 08174, Barcelona, Spain. The Issuer carries on the business of manufacturing and selling plasma derivative products.

The directors and secretary of the Issuer are as follows:

| Name | Title |
|---|---|
| Víctor Grifols Roura | Director, non-executive Chairman of the Board |
| Víctor Grifols Deu | Director and Chief Executive Officer |
| Raimon Grifols Roura | Director and Chief Executive Officer |
| Ramón Riera Roca | Director |
| Tomás Dagá Gelabert | Director |
| Thomas H. Glanzmann | Director, Vice-chairman of the Board of Directors |
| Anna Veiga Lluch | Director |
| Luís Isasi Fernández de Bobadilla | Director |
| Steven Francis Mayer | Director |
| Belén Villalonga Morenés | Director |
| Marla E. Salmon | Director |
| Carina Szpilka Lázaro | Director |
| Iñigo Sánchez-Asiaín Mardones | Director and Lead Independent Director |
| Nuria Martín Barnés | Secretary non-member |

The business address of the board of directors is the registered address of the Issuer.

### *Guarantors*

The Notes are guaranteed on a senior unsecured basis by the wholly-owned subsidiaries of Grifols, S.A. that are guarantors and co-borrowers under the New Credit Facilities. As of the date of this offering memorandum, the Notes are guaranteed by Grifols Worldwide Operations Limited, Biomat USA, Inc., Grifols Biologicals Inc., Grifols Shared Services North America, Inc., Grifols Diagnostic Solutions Inc., Grifols Therapeutics Inc., Instituto Grifols, S.A., Grifols Worldwide Operations USA, Inc. and Grifols USA, LLC.

The registered office and principal address for Grifols Worldwide Operations Limited (formerly known as Grifols Worldwide Warehouse and Operations Limited) is Grange Castle Business Park, Grange Castle, Clondalkin, Dublin 22, Ireland. Grifols Worldwide Operations Limited is a company incorporated under the laws of Ireland on November 8, 2012, with registration number 519799, and it is a private limited company that carries on the business of 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 Diagnostic Solutions Inc. (formerly known as Grifols-Chiron Diagnostics Corp.) is 4560 Horton Street, Everyville, California, United States. Grifols Diagnostic Solutions Inc. is a corporation incorporated under the laws of the State of Delaware on October 14, 2013, and it is a company that produces diagnostic products. The registered office and principal address of Biomat USA, Inc. is 2410 Lillyvale Avenue, Los Angeles, California, United States. Biomat USA, Inc. is a corporation incorporated under the laws of the State of Delaware on March 1, 2002 and it is a company involved in the procurement of plasma and holds many of our plasma collection centers. The registered office and principal address of Grifols Biologicals Inc. is 5555 Valley Boulevard, Los Angeles, California, United States. Grifols Biologicals Inc. is a corporation

incorporated under the laws of State of Delaware on May 15, 2003, and it is involved in the production of plasma derived products. The registered office and principal address of Grifols Shared Services North America, Inc. (formerly known as Grifols 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, 2011, and it is a holding company of companies involved in the collection of plasma and the production of plasma-derived products. 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 socieded anónima incorporated under the laws of the Kingdom of Spain on September 21, 1987, and it is a company involved in the production of plasma derived products. The registered office and principal address of Grifols Worldwide Operations USA, Inc. is 1311 Temple Avenue, City of Industry, California, United States. Grifols Worldwide Operations USA, Inc. is a corporation incorporated under the laws of the State of Delaware on January 27, 2014, and it is a company that is involved with the manufacture, warehousing and logistical support for biological products. The registered office and principal address for Grifols Therapeutics Inc. is 4101 Research Commons, 79 T.W. Alexander Drive, Research Triangle Park, North Carolina, United States. Grifols Therapeutics Inc. is a corporation incorporated under the laws of the State of Delaware on December 9, 2011, with registration number 3893562 and it is a company that is involved in the production of plasma derived products. 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 Florida on December 8, 1990, and it is a company that is involved with the commercial sales operations for the Grifols entities in the United States.

Neither the 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 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 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 Issuer or any Guarantor and their private interests or other duties.

**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 Grifols Worldwide Operations Limited.

**Risk Factors in respect of Grifols Therapeutics Inc.**

Other than the risk factors outlined in "Risk Factors", there are no material risk factors specific to Grifols Therapeutics Inc.

**Encumbrances on the assets of Grifols Worldwide Operations Limited**

Grifols Worldwide Operations Limited has, pursuant to a U.S. law governed pledge and security agreement dated January 31, 2017, 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, Inc. owned by Grifols Worldwide Operations Limited, 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. Grifols Worldwide Operations Limited has also granted, pursuant to a Spanish law governed deed of non-possessory pledge dated January 31, 2017, a first ranking real right of non-possessory pledge over certain blood plasma finished goods.

**Encumbrances on the assets of Grifols Therapeutics Inc.**

Grifols Therapeutics Inc. has, pursuant to a U.S. law governed pledge and security agreement dated January 31, 2017, granted certain security interests over (i) substantially all of its personal property and (ii) all proceeds, products, accessions, rents and profits of or in respect of any of the foregoing.

**Resolutions, Authorizations and Approvals by Virtue of Which the Notes Have Been Issued**

The 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 board of directors of the Issuer passed on December 31, 2016.

## 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 purchaser by Milbank, Tweed, Hadley & McCloy LLP as to matters of U.S. law.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements of Grifols, S.A. as of December 31, 2016 and 2015 and for each of the years in the three-year period ended December 31, 2016, and as of December 31, 2015 and 2014 and for each of the years in the three-year period ended December 31, 2015 and management's assessment of effectiveness of internal control over financial reporting as of December 31, 2016 and December 31, 2015, all included herein, have been audited by KPMG Auditores, S.L., an independent registered public accounting firm, as stated in their reports 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.

## MANAGEMENT INTERNAL CONTROL OVER FINANCIAL REPORTING

***Management's Report on Internal Control over Financial Reporting***

Grifols management, under our supervision, 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, S.A., "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 IASB. 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.

Grifols management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016 and 2015. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). Based on the assessment under these criteria, we believe that, at December 31, 2016 and 2015, our internal control over financial reporting is effective.

## WHERE YOU CAN FIND MORE INFORMATION

Our Class B ADSs are listed on The NASDAQ Global Select Market under the symbol "GRFS". You may read and copy any document we file with or furnish to the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings are also available to the public over the Internet at the SEC's website at *www.sec.gov*.

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 Alpha-1 Anti-Trypsin, a blood plasma protein. Its deficiency may cause lung and liver damage.

"**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.

"**A1PI**" means alpha 1 proteinase inhibitor.

"**BLA**" is a biological license application issued by the FDA, and serves as a U.S. marketing authorization for certain biological drug products.

"**BP**" means the best price, 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.

"**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.

"**COPD**" means chronic obstructive pulmonary disease.

"**CMS**" refers to the U.S. Centers for Medicare & Medicaid Services.

"**CNMV**" means the Comisión Nacional del Mercado de Valores.

"**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.

"**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.

"**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 glue or 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.

"**GPO"** means group purchasing organization.

"**HBV"** refers to the hepatitis B virus.

"**HCV"** refers to the hepatitis C virus.

"**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.

"**HIV"** refers to the human immunodeficiency virus.

"**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.

"**ITT"** means immune tolerance therapy.

"**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 three 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.

"**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.

"**NCD"** refers to national coverage determination, the determination in the United States of whether Medicare will pay for an item or service.

"**NAT"** means nucleic acid testing.

"**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 José 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.

"**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.

"**WHO"** refers to the world health organization.

"**2010 Healthcare Reform Law"** means the U.S. Patient Protection and Affordable Care Act and the companion Healthcare and Education Reconciliation Act, enacted in March 2010.

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**
**GRIFOLS, S.A. AND SUBSIDIARIES**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Grifols, S.A.

We have audited the accompanying consolidated balance sheets of Grifols, S.A. and subsidiaries as of 31 December 2016 and 2015, and the related consolidated statements of profit or loss, comprehensive income, changes in consolidated equity and cash flows for each of the years in the three-year period ended 31 December 2016. We have also audited Grifols, S.A.'s internal control over financial reporting as of 31 December 2016, based on criteria established in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Grifols, S.A.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on Grifols, S.A.'s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grifols, S.A. and subsidiaries as of 31 December 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended 31 December 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, Grifols, S.A. maintained, in all material respects, effective internal control over financial reporting as of 31 December 2016, based on criteria

established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG Auditores, S.L.

Barcelona, Spain

31 March 2017

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Consolidated Balance Sheets**
**at 31 December 2016 and 2015**

**(Expressed in thousands of Euros)**

| **Assets** | **31/12/16** | **31/12/15** |
|---|---|---|
| Goodwill (note 7) | 3.643.995 | 3.532.359 |
| Other intangible assets (note 8) | 1.195.302 | 1.161.572 |
| Property, plant and equipment (note 9) | 1.809.852 | 1.644.402 |
| Investments in equity-accounted investees (note 10) | 201.345 | 76.728 |
| Non-current financial assets | | |
| Non-current financial assets measured at fair value | 58.864 | 0 |
| Non-current financial assets not measured at fair value | 30.681 | 30.388 |
| Total non-current financial assets (note 11) | 89.545 | 30.388 |
| Deferred tax assets (note 27) | 67.219 | 66.794 |
| **Total non-current assets** | **7.007.258** | **6.512.243** |
| Inventories (note 12) | 1.642.931 | 1.431.391 |
| Trade and other receivables | | |
| Trade receivables | 413.656 | 362.406 |
| Other receivables | 42.299 | 60.520 |
| Current income tax assets | 77.713 | 60.270 |
| Trade and other receivables (note 13) | 533.668 | 483.196 |
| Other current financial assets (note 11) | 2.582 | 1.294 |
| Other current assets | 48.324 | 31.091 |
| Cash and cash equivalents (note 14) | 895.009 | 1.142.500 |
| **Total current assets** | **3.122.514** | **3.089.472** |
| **Total assets** | **10.129.772** | **9.601.715** |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Consolidated Balance Sheets (Continued)**
**at 31 December 2016 and 2015**

**(Expressed in thousands of Euros)**

| Equity and liabilities | 31/12/16 | 31/12/15 |
|---|---|---|
| Share capital | 119.604 | 119.604 |
| Share premium | 910.728 | 910.728 |
| Reserves | 1.694.245 | 1.371.061 |
| Treasury stock | (68.710) | (58.575) |
| Interim dividend | (122.908) | (119.615) |
| Profit for the year attributable to the Parent | 545.456 | 532.145 |
| **Total share capital and accumulated results** | 3.078.415 | 2.755.348 |
| Available for sale financial assets | (5.219) | 0 |
| Cash flow hedges | 0 | 3.329 |
| Other | (642) | 3.035 |
| Translation differences | 648.927 | 534.491 |
| Other comprehensive expenses | 643.066 | 540.855 |
| **Equity attributable to the Parent (note 15)** | **3.721.481** | **3.296.203** |
| Non-controlling interests (note 17) | 6.497 | 5.187 |
| **Total equity** | **3.727.978** | **3.301.390** |
| **Liabilities** | | |
| Grants (note 18) | 12.196 | 13.120 |
| Provisions (note 19) | 5.118 | 4.980 |
| Non-current financial liabilities (note 20) | 4.712.071 | 4.597.654 |
| Deferred tax liabilities (note 27) | 600.646 | 631.565 |
| **Total non-current liabilities** | **5.330.031** | **5.247.319** |
| Provisions (note 19) | 89.588 | 123.049 |
| Current financial liabilities (note 20) | 230.065 | 262.497 |
| Debts with associates (note 31) | 0 | 443 |
| Trade and other payables | | |
| Suppliers | 461.073 | 409.986 |
| Other payables | 142.894 | 106.171 |
| Current income tax liabilities | 7.957 | 16.196 |
| Total trade and other payables (note 21) | 611.924 | 532.353 |
| Other current liabilities (note 22) | 140.186 | 134.664 |
| **Total current liabilities** | **1.071.763** | **1.053.006** |
| **Total liabilities** | **6.401.794** | **6.300.325** |
| **Total equity and liabilities** | **10.129.772** | **9.601.715** |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Consolidated Statements of Profit and Loss**
**for the years ended 31 December 2016, 2015 and 2014**

**(Expressed in thousands of Euros)**

| | 31/12/16 | 31/12/15 | 31/12/14 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Net revenue (notes 6 and 23) | 4.049.830 | 3.934.563 | 3.355.384 |
| Cost of sales | (2.137.539) | (2.003.565) | (1.656.170) |
| **Gross Profit** | **1.912.291** | **1.930.998** | **1.699.214** |
| Research and Development | (197.617) | (224.193) | (180.753) |
| Selling, General and Administration expenses | (775.266) | (736.435) | (660.772) |
| **Operating Expenses** | **(972.883)** | **(960.628)** | **(841.525)** |
| **Operating Result** | **939.408** | **970.370** | **857.689** |
| Finance income | 9.934 | 5.841 | 3.069 |
| Finance costs | (244.829) | (240.335) | (225.035) |
| Change in fair value of financial instruments | (7.610) | (25.206) | (20.984) |
| Impairment and gains /(losses) on disposal of financial instruments | — | — | (5) |
| Exchange differences | 8.916 | (12.140) | (18.472) |
| **Finance result** (note 26) | **(233.589)** | **(271.840)** | **(261.427)** |
| Share of losses of equity accounted investees (note 10) | 6.933 | (8.280) | (6.582) |
| **Profit before income tax from continuing operations** | **712.752** | **690.250** | **589.680** |
| Income tax expense (note 27) | (168.209) | (158.809) | (122.597) |
| **Profit after income tax from continuing operations** | **544.543** | **531.441** | **467.083** |
| **Consolidated profit for the year** | **544.543** | **531.441** | **467.083** |
| Profit attributable to the Parent | 545.456 | 532.145 | 470.253 |
| Loss attributable to non-controlling interest (note 17) | (913) | (704) | (3.170) |
| **Basic earnings per share (Euros) (see note 16)** | 0,80 | 0,78 | 0,69 |
| **Diluted earnings per share (Euros) (see note 16)** | 0,80 | 0,78 | 0,69 |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**
**for the years ended 31 December 2016, 2015 and 2014**

**(Expressed in thousands of Euros)**

| | 31/12/16 | 31/12/15 | 31/12/14 |
|---|---|---|---|
| **Consolidated profit for the year** | 544.543 | 531.441 | 467.083 |
| **Items for reclassification to profit or loss** | | | |
| Translation differences | 103.833 | 290.635 | 303.077 |
| Translation differences / Cash Flow Hedge | (6.809) | — | — |
| Available for sale financial Assets | (5.219) | — | — |
| Equity accounted investees (note 10) / Translation differences | 10.671 | 2.673 | 1.287 |
| Cash flow hedges—effective part of changes in fair value | 14.501 | 55.305 | 34.556 |
| Cash flow hedges—amounts taken to profit or loss | (7.426) | (25.206) | (20.711) |
| Other comprehensive income | (4.810) | 4.575 | (406) |
| Tax effect | (2.462) | (12.093) | (3.865) |
| **Other comprehensive income for the year, after tax** | **102.279** | **315.889** | **313.938** |
| **Total comprehensive income for the year** | **646.822** | **847.330** | **781.021** |
| Total comprehensive income attributable to the Parent | 647.667 | 848.603 | 783.931 |
| Total comprehensive expense attributable to the non-controlling interests | (845) | (1.273) | (2.910) |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**
**for the years ended 31 December 2016, 2015 and 2014**

**(Expressed in thousands of Euros)**

| | 31/12/2016 | 31/12/15 | 31/12/14 |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| **Profit before tax** | **712.752** | **690.250** | **589.680** |
| **Adjustments for:** | **391.986** | **460.564** | **501.233** |
| Amortization and depreciation (note 25) | 201.869 | 189.755 | 189.472 |
| Other adjustments: | 190.117 | 270.809 | 311.761 |
| (Profit) / losses on equity accounted investments (note 10) | (6.933) | 8.280 | 6.582 |
| Impairment of assets and net provision charges | (23.079) | (564) | (21.388) |
| (Profit) / losses on disposal of fixed assets | (2.987) | 6.721 | 8.711 |
| Government grants taken to income | (1.681) | (1.854) | (704) |
| Finance cost / (income) | 236.034 | 256.129 | 233.954 |
| Other adjustments | (11.237) | 2.097 | 84.606 |
| **Change in operating assets and liabilities** | **(164.319)** | **(77.058)** | **95.281** |
| Change in inventories | (173.003) | (120.641) | (97.023) |
| Change in trade and other receivables | (25.180) | 144.405 | 26.900 |
| Change in current financial assets and other current assets | (2.610) | (5.565) | (2.506) |
| Change in current trade and other payables | 36.474 | (95.257) | 167.910 |
| **Other cash flows used in operating activities** | **(387.141)** | **(330.978)** | **(207.266)** |
| Interest paid | (180.497) | (171.380) | (175.524) |
| Interest recovered | 8.685 | 4.316 | 3.401 |
| Income tax (paid) / received | (215.329) | (163.914) | (35.143) |
| **Net cash from operating activities** | **553.278** | **742.778** | **978.928** |
| ***Cash flows from investing activities*** | | | |
| Payments for investments | **(509.078)** | **(647.417)** | **(1.535.527)** |
| Group companies, associates and business units (notes 3, 2 (c) and 11) | (202.727) | (58.609) | (1.234.952) |
| Property, plant and equipment and intangible assets | (292.690) | (567.020) | (287.039) |
| Property, plant and equipment | (249.416) | (522.587) | (235.894) |
| Intangible assets | (43.274) | (44.433) | (51.145) |
| Other financial assets | (13.661) | (21.788) | (13.536) |
| Proceeds from the sale of investments | **2.426** | **14.307** | **14.423** |
| Property, plant and equipment | 2.426 | 14.307 | 14.423 |
| **Net cash used in investing activities** | **(506.652)** | **(633.110)** | **(1.521.104)** |
| ***Cash flows from financing activities*** | | | |
| Proceeds from and payments for equity instruments | (11.766) | 12.695 | (69.252) |
| Payments for treasury stock (note 15 (d)) | (12.686) | (58.457) | (69.252) |
| Sales of treasury stock (note 15 (d)) | 920 | 71.152 | — |
| Proceeds from and payments for financial liability instruments | (80.149) | 28.953 | 1.226.339 |
| Issue | 81.513 | 178.686 | 5.197.142 |
| Redemption and repayment | (161.662) | (149.733) | (3.970.803) |
| Dividends and interest on other equity instruments | (216.151) | (216.772) | (156.007) |
| Dividends paid | (216.151) | (221.772) | (156.007) |
| Dividends received | — | 5.000 | — |
| Other cash flows from / (used in) financing activities | (21.492) | 17.086 | (159.962) |
| Financing costs included on the amortised costs of the debt | — | — | (183.252) |
| Other amounts from / (used in) financing activities | (21.492) | 17.086 | 23.290 |
| **Net cash from/(used in) financing activities** | **(329.558)** | **(158.038)** | **841.118** |
| **Effect of exchange rate fluctuations on cash** | **35.441** | **111.724** | **71.427** |
| **Net increase in cash and cash equivalents** | **(247.491)** | **63.354** | **370.369** |
| **Cash and cash equivalents at beginning of the year** | **1.142.500** | **1.079.146** | **708.777** |
| **Cash and cash equivalents at year end** | **895.009** | **1.142.500** | **1.079.146** |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**
**Statement of Changes in Consolidated Equity**
**for the years ended 31 December 2016, 2015 and 2014**
**(Expressed in thousands of Euros)**

| | 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 | Cash flow hedges | Equity attributable to Parent | Non-controlling interests | Equity |
| **Balance at 31 December 2013** | 119.604 | 910.728 | 883.415 | 345.551 | (68.755) | — | (63.490) | — | — | (25.791) | 2.101.262 | 5.942 | 2.107.204 |
| Translation differences | — | — | — | — | — | — | 304.104 | — | — | — | 304.104 | 260 | 304.364 |
| Cash flow hedges | — | — | — | — | — | — | — | — | — | 9.980 | 9.980 | — | 9.980 |
| Other comprehensive income | — | — | — | — | — | — | — | — | (406) | — | (406) | — | (406) |
| **Other comprehensive expense for the year** | — | — | — | — | — | — | 304.104 | — | (406) | 9.980 | 313.678 | 260 | 313.938 |
| Profit/(loss) for the year | — | — | — | 470.253 | — | — | — | — | — | — | 470.253 | (3.170) | 467.083 |
| **Total comprehensive income / (expense) for the year** | — | — | — | 470.253 | — | — | 304.104 | — | (406) | 9.980 | 783.931 | (2.910) | 781.021 |
| Net change in treasury stock (note 15 (d)) | — | — | — | — | — | (69.252) | — | — | — | — | (69.252) | — | (69.252) |
| Acquisition of non-controlling interests (note 15 (c)) | — | — | (1.706) | — | — | — | — | — | — | — | (1.706) | 1.740 | 34 |
| Other changes | — | — | (105) | — | — | — | — | — | — | — | (105) | (7) | (112) |
| Interim dividend | — | — | — | — | (85.944) | — | — | — | — | — | (85.944) | — | (85.944) |
| Distribution of 2013 profit | | | | | | | | | | | | | |
| Reserves | — | — | 275.488 | (275.488) | — | — | — | — | — | — | — | — | — |
| Dividends | — | — | — | (70.063) | — | — | — | — | — | — | (70.063) | — | (70.063) |
| Interim dividend | — | — | (68.755) | — | 68.755 | — | — | — | — | — | — | | — |
| **Operations with shareholders or owners** | — | — | 204.922 | (345.551) | (17.189) | (69.252) | — | — | — | — | (227.070) | 1.733 | (225.337) |
| **Balance at 31 December 2014** | 119.604 | 910.728 | 1.088.337 | 470.253 | (85.944) | (69.252) | 240.614 | — | (406) | (15.811) | 2.658.123 | 4.765 | 2.662.888 |
| Translation differences | — | — | — | — | — | — | 293.877 | — | — | — | 293.877 | (569) | 293.308 |
| Cash flow hedges (note 15 (f)) | — | — | — | — | — | — | — | — | — | 19.140 | 19.140 | — | 19.140 |
| Other comprehensive income | — | — | — | — | — | — | — | — | 3.441 | — | 3.441 | — | 3.441 |
| **Other comprehensive income / (expense) for the year** | — | — | — | — | — | — | 293.877 | — | 3.441 | 19.140 | 316.458 | (569) | 315.889 |
| Profit/(loss) for the year | — | — | — | 532.145 | — | — | — | — | — | — | 532.145 | (704) | 531.441 |
| **Total comprehensive income / (expense) for the year** | — | — | — | 532.145 | — | — | 293.877 | — | 3.441 | 19.140 | 848.603 | (1.273) | 847.330 |
| Net change in treasury stock (note 15 (d)) | — | — | 2.018 | — | — | 10.677 | — | — | — | — | 12.695 | — | 12.695 |
| Acquisition of non-controlling interests (note 15 (c)) | — | — | (1.770) | — | — | — | — | — | — | — | (1.770) | 1.767 | (3) |
| Other changes | — | — | 324 | — | — | — | — | — | — | — | 324 | (72) | 252 |
| Interim dividend | — | — | — | — | (119.615) | — | — | — | — | — | (119.615) | — | (119.615) |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**
**Statement of Changes in Consolidated Equity (Continued)**
**for the years ended 31 December 2016, 2015 and 2014**
**(Expressed in thousands of Euros)**

| | 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 | Cash flow hedges | Equity attributable to Parent | Non-controlling interests | Equity |
| Distribution of 2014 profit | | | | | | | | | | | | | — |
| Reserves | — | — | 368.096 | (368.096) | — | — | — | — | — | — | — | — | — |
| Dividends | — | — | — | (102.157) | — | — | — | — | — | — | (102.157) | — | (102.157) |
| Interim dividend | — | — | (85.944) | — | 85.944 | — | — | — | — | — | — | — | — |
| **Operations with shareholders or owners** | — | — | 282.724 | (470.253) | (33.671) | 10.677 | — | — | — | — | (210.523) | 1.695 | (208.828) |
| **Balance at 31 December 2015** | 119.604 | 910.728 | 1.371.061 | 532.145 | (119.615) | (58.575) | 534.491 | — | 3.035 | 3.329 | 3.296.203 | 5.187 | 3.301.390 |
| Translation differences | — | — | — | — | — | — | 114.436 | — | — | — | 114.436 | 68 | 114.504 |
| Available for sale financial assets | — | — | — | — | — | — | — | (5.219) | — | — | (5.219) | — | (5.219) |
| Cash flow hedges (note 15 (f)) | — | — | — | — | — | — | — | — | — | (3.329) | (3.329) | — | (3.329) |
| Other comprehensive income | — | — | — | — | — | — | — | — | (3.677) | — | (3.677) | — | (3.677) |
| **Other comprehensive income / (expense) for the year** | — | — | — | — | — | — | 114.436 | (5.219) | (3.677) | (3.329) | 102.211 | 68 | 102.279 |
| Profit/(loss) for the year | — | — | — | 545.456 | — | — | — | — | — | — | 545.456 | (913) | 544.543 |
| **Total comprehensive income / (expense) for the year** | — | — | — | 545.456 | — | — | 114.436 | (5.219) | (3.677) | (3.329) | 647.667 | (845) | 646.822 |
| Net change in treasury stock (note 15 (d)) | — | — | (182) | — | — | (10.135) | — | — | — | — | (10.317) | — | (10.317) |
| Acquisition of non-controlling interests (note 15 (c)) | — | — | (2.737) | — | — | — | — | — | — | — | (2.737) | 2.737 | — |
| Other changes | — | — | 6.816 | — | — | — | — | — | — | — | 6.816 | (582) | 6.234 |
| Interim dividend | — | — | — | — | (122.908) | — | — | — | — | — | (122.908) | — | (122.908) |
| Distribution of 2015 profit | | | | | | | | | | | | | |
| Reserves | — | — | 319.287 | (319.287) | — | — | — | — | — | — | — | — | — |
| Dividends | — | — | — | (93.243) | — | — | — | — | — | — | (93.243) | — | (93.243) |
| Interim dividend | — | — | — | (119.615) | 119.615 | — | — | — | — | — | — | — | — |
| **Operations with shareholders or owners** | — | — | 323.184 | (532.145) | (3.293) | (10.135) | — | — | — | — | (222.389) | 2.155 | (220.234) |
| **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 |

The accompanying notes form an integral part of the consolidated financial statements.

**(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 financial statements.

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 haemoderivatives.

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, USA), Clayton (North Carolina, USA) and Emeryville (San Francisco, USA).

**(2) Basis of Presentation**

The consolidated financial statements have been prepared on the basis of the accounting records of Grifols, S.A. and of the Group companies. The consolidated financial statements for 2016 have been prepared under International Financial Reporting Standards as issued by International Accounting Standard Board (IFRS—IASB) which for Grifols Group purposes, are identical to the standards as endorsed by the European Union (IFRS-EU) to present fairly the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2016, as well as the consolidated results from their operations, consolidated cash flows and consolidated changes in equity for the year then ended.

The Group adopted IFRS-EU for the first time on 1 January 2004 and has been preparing its financial statements under IFRS-EU as required by 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. authorized these consolidated financial statements for issue at their meeting held on 31 March 2017 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 2016 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 financial statements in Ireland.

**(a) Relevant accounting estimates, assumptions and judgments used when applying accounting principles**

The preparation of the consolidated financial statements in conformity with IFRS-IASB 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 financial statements.

- The assumptions used for calculation of the fair value of financial instruments, in particular, financial derivatives. Financial derivatives are measured based on observable market data (level 2 of fair value hierarchy) (see notes 4(k) and 30). Regarding the valuation of derivative instruments, the selection of the appropriate data within the alternatives requires the use of judgment in qualitative factors such as, which methodology and valuation models are used, and in quantitative factors, data required to be included within the chosen models.

- The 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.

- Useful lives of property, plant and equipment and intangible assets. The estimated useful lives of each category of property, plant and equipment and intangible assets are set out in notes 4(g) and 4(h). Although estimates are calculated by the Company's management based on the best information available at 31 December 2016, future events may require changes to these estimates in subsequent years. Given the large number of individual items of property, plant and equipment it is not considered likely that a reasonably possible change in the assumptions would lead to a material adverse effect. Potential changes to the useful lives of intangible assets are mainly related to the currently marketed products and the useful lives will depend on the life cycle of the same. No significant changes to useful lives are expected. Adjustments made in subsequent years are recognized prospectively.

- Evaluation of the effectiveness of hedging derivatives. The key assumption relates to the measurement of the effectiveness of the hedge. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and, in subsequent years, in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis) (see notes 4(l), 15(f) and 30).

- Evaluation of the nature of leases (operating or finance). The Group analyses the conditions of the lease contracts at their inception in order to conclude if the risks and rewards have been transferred (see note 4(j) and 9(c)). If the lease contract is renewed or amended the Group conducts a new evaluation.
- Assumptions used to determine 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.
- Evaluation of the recoverability of tax credits, including tax loss carryforwards and rights for deductions. Deferred tax assets are recognized to the extent that future taxable profits will be available against which the temporary differences can be utilized, based on management's assumptions relating to the amount and timing of future taxable profits (see notes 4(t) and 27).

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.

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.

**(b) Basis of consolidation**

Appendix I shows details of the percentages of direct or indirect ownership of subsidiaries by the Company at 31 December 2016, 2015 and 2014, as well as the consolidation method used in each case for preparation of the accompanying consolidated financial statements.

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 subsidiaries**

In 2016 Grifols incorporated the following companies:

- PBS Acquisition Corp. (USA)
- Grifols Diagnostics Equipment Taiwan Limited (Taiwan)
- Grifols Innovation and New Technologies Limited (Ireland)

On 12 December 2016, the Group company Grifols Innovation and New Technologies Limited has subscribed a share capital increase in the capital of VCN Bioscience, S.L. of Euros 5 million. After this capital increase, Grifols interest has risen to 81.34% in 2016. Grifols subscribed another two capital increases on 14 February 2014 and 16 November 2015 with the Group company Gri-Cel, S.A. of Euros 700 thousand and Euros 2,549 thousand, respectively (see note 3(a)).

With effect as of 1November 2016, Grifols Brasil, Lda. and Gri-Cei, S.A Produtos para Trasfusao entered into a merger agreement. The surviving company was Grifols Brasil, Lda.

In August 2016, July 2015 and May 2014 Araclon Biotech , S.L carried out three share capital increases of Euros 6.7 million, Euros 6 million and Euros 7 million, respectively. After these capital increases Grifols interest rises to 73.22% in 2016 (see note 15 (c)).

In July 2016 the Group acquired an additional 20% of the assets of Medion Diagnostics AG in exchange for 59,951 treasury stocks (Class B Shares) from its non-controlling interests. After these capital increases, Grifols' interest has risen to 100% in 2016.

On 3 March, 2016 the Group announced the acquisition of a further 32.93% stake in Progenika for Euros 25 million following the exercise of call and put options agreed in February 2013. Grifols has paid 50% of this investment in Grifols B shares (876,777 shares) and the remaining 50% in cash. The Group granted to the selling shareholders the option to resell the Class B shares during the first five days following the acquisition date. As a result, Grifols owns 89.25% of Progenika's share capital at 31 December 2016.

With effect as of 1 January 2016, Progenika Biopharma, S.A and Brainco Biopharma, S.L entered into a merger agreement. The surviving company being Progenika Biopharma, S.A.

On 9 February 2015 the Group acquired 100% of the assets of Gripdan Invest, S.L for Euros 46 million in the form of a cash payment.

Effective 1 January 2015:

- Plasmacare, Inc and Biomat USA, Inc entered into a merger agreement, the surviving company being Biomat USA, Inc.
- Proteomika, S.L.U. and Progenika Biopharma, S.A entered into a merger agreement, the surviving company being Progenika Biopharma, S.A.
- Arrahona Optimus, S.L and Grifols, S.A entered into a merger agreement, the surviving company being Grifols, S.A.

In 2014 Grifols incorporated the following companies:

- Grifols Worldwide Operations USA, Inc. (USA)

- Grifols Japan K.K. (Japan)
- Grifols India Healthcare Private Ltd. (India)

On 9 January 2014 the Group acquired the transfusion medicine and immunology Diagnostic unit of the Swiss company Novartis International AG for approximately US Dollars 1,653 million (Euros 1,215 million) (see note 3(b)).

**Changes in associates and joint control**

Changes in associates and joint control are detailed in note 10.

**(c) Amendments to IFRS in 2016, 2015 and 2014**

In accordance with IFRS, the following should be noted in connection with the scope of application of IFRS and the preparation of these consolidated financial statements of the Group.

**Effective date in 2014**

| | | Mandatory application for annual periods beginning on or after : | |
|---|---|---|---|
| **Standards** | | **IASB effective date** | **EU effective date** |
| IAS 32 | Amendments to IAS: Offsetting financial assets and financial liabilities | 1 January 2014 | 1 January 2014 |
| IAS 36 | Recoverable amount disclosures for non-financial assets (amendments to IAS 36) (issued on 29 May 2013) | 1 January 2014 | 1 January 2014 |
| IAS 39 | Novation of Derivatives and Continuation of hedge Accounting (Amendments to IAS 39))issued on 27 June 2013) | 1 January 2014 | 1 January 2014 |
| IFRIC 21 | Interpretation 21 Levies (issued on 20 May 2013) | 1 January 2014 | 17 June 2014(*) |
| IFRS 10<br>IFRS 12<br>IAS 27 | Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27) (issued on 31 October 2012) | 1 January 2014 | 1 January 2014 |

(*) early adopted

**Effective date in 2015**

| | | Mandatory application for annual periods beginning on or after: | |
|---|---|---|---|
| **Standards** | | **IASB effective date** | **EU effective date** |
| IAS 19 | Defined Benefit Plans: employee contributions (amendments to IAS 19) | 1 July 2014 | 1 February 2015(*) |
| Various | Annual improvements to IFRSs 2010-2012 cycle | 1 July 2014 | 1 February 2015(*) |
| Various | Annual improvements to IFRSs 2011-2013 cycle | 1 July 2014 | 1 January 2015(*) |

(*) early adopted

**Effective date in 2016**

| Standards | | Mandatory application for annual periods beginning on or after: IASB effective date | EU effective date |
|---|---|---|---|
| IAS 16<br>IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014) | 1 January 2016 | 1 January 2016 |
| IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014) | 1 January 2016 | 1 January 2016 |
| IAS 27 | Equity Method in Separate Financial Statements (issued on 12 August 2014) | 1 January 2016 | 1 January 2016 |
| Various | Annual Improvements to IFRSs 2012-2014 cycle (issued on 25 September 2014) | 1 January 2016 | 1 January 2016 |
| IAS 1 | Disclosure Initiative (issued on 18 December 2014) | 1 January 2016 | 1 January 2016 |

The application of these standards and interpretations has had no material impact on these consolidated financial statements.

**Standards issued but not effective in 2016**

| Standards | | Mandatory application for annual periods beginning on or after: IASB effective date | EU effective date |
|---|---|---|---|
| IAS 12 | Recognition of Deferred Tax Assets for Unrealized Losses (issued on 19 January 2016) | 1 January 2017 | pending |
| IAS 7 | Disclosure Initiative (issued on 29 January 2016) | 1 January 2017 | pending |
| Various | Annual improvements to IFRSs 2014 - 2016 cycle (issued on 8 December 2016)—IFRS 12 | 1 January 2017 | pending |
| 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 | pending |
| 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 | pending |
| IFRS 4<br>IFRS 9 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) | 1 January 2018 | pending |
| IFRIC 22 | IFRIC 22 Interpretation: Foreign currency translations and Advance Consideration | 1 January 2018 | pending |
| IAS 40 | Amendments to IAS 40: Transfers of Investment Property | 1 January 2018 | pending |
| Various | Annual improvements to IFRSs 2014 - 2016 cycle (issued on 8 December 2016)—IFRS 1, IAS 28 | 1 January 2018 | pending |
| IFRS 16 | Leases (Issued on 13 January 2016) | 1 January 2019 | pending |
| IFRS 10<br>IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014) | deferred indefinitely | deferred indefinitely |

At the date of issue of these consolidated financial statements, the Group is analyzing the impact of the application of the above standards or interpretations published by the International Accounting Standards Board (IASB). For IFRS 9 and 15, based on preliminary analysis, the Group does not expect that their application would have a material impact on the consolidated financial statements.

**(3) Business Combinations**

**2015**

**(a) VCN**

On 14 February 2014 and 16 November 2015, the Group company Gri-Cel, S.A, that centralises the Group's investments in R&D projects in fields of medicine other than its core business, subscribed both share capital increases in the capital of VCN Bioscience, S.L for Euros 700 thousand and Euros 2,549 thousand, respectively. After this capital increase, Grifols' interest rises to 68.01% in 2015 and the company is fully consolidated at year end. Since 2016, the Group company GIANT centralize the Group's investments in R&D projects in fields of medicine other than its core business.

**2014**

**(b) Novartis' Diagnostic unit**

On 9 January 2014 the Group acquired the transfusion medicine and immunology Diagnostic unit of the Swiss company Novartis International AG for approximately US Dollars 1,653 million (Euros 1,215 million).

This transaction was structured through a newly-created 100% Grifols-owned subsidiary, Grifols Diagnostics Solutions, Inc. (formerly G-C Diagnostics Corp.) (USA) and this transaction was initially financed through a US Dollars 1,500 million bridge loan.

Grifols has expanded its portfolio by including Novartis' diagnostic products for transfusion medicine and immunology, including its highly innovative, market-leading NAT technology (Nucleic Acid Amplification Techniques), instrumentation and equipment for blood screening, specific software and reagents. The assets acquired include patents, brands and licenses, 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.

Novartis' Diagnostic business did not operate as a separate legal entity or segment, so the acquired business was structured as an asset deal, with the exception of the Hong Kong subsidiary, which was acquired via a share deal.

This strategic operation strengthened Grifols' Diagnostic division, particularly in the US, with a very strong and specialised commercial organization. It will also diversify Grifols' business by promoting an activity area that complements the Bioscience division. The diagnostic business being purchased from Novartis, focused on guaranteeing the safety of blood donations for transfusions or to be used in the production of plasma derivatives, complements and expands Grifols' existing product range. Grifols will become a vertically integrated company able to provide solutions for blood and plasma donor centers, with the most complete product portfolio in the immunohematology field, including reagents using gel technology, multicard and the new genotyping technologies from Progenika acquired in 2013.

After taking on the employees of Novartis, Grifols' workforce increased by approximately 550 employees.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date (or the amount by which the business combination cost exceeds the fair value of the net assets acquired) are provided below.

| | Thousands of Euros | Thousands of US Dollars |
|---|---|---|
| Cost of the business combination | 1,214,527 | 1,652,728 |
| Total business combination cost | 1,214,527 | 1,652,728 |
| Fair value of net assets acquired | 226,123 | 307,707 |
| Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 7) | 988,404 | 1,345,021 |
| Payment in cash | 1,214,527 | 1,652,728 |
| Cash and cash equivalents of the acquired company | (3,900) | (5,307) |
| Net cash outflow for the acquisition | 1,210,627 | 1,647,421 |

Goodwill generated in the acquisition was attributed to the workforce and other expected benefits from the business combination of the assets and activities of the Group. Goodwill has been allocated to the "Diagnostic" segment and is tax deductible in the United States.

Royalties relate to several license agreements entered into with pharmaceutical companies to manufacture and sell the licensed products using certain NAT technology-based patents and are presented in the "Raw materials and Other" Segment. Revenues relating to royalties amounted to Euros 76.5 million.

Expenses incurred in this transaction for the year ended 31 December 2014 amount to Euros 8.9 million (Euros 19 million for the fiscal year 2013).

Had the acquisition taken place at 1 January 2014, the Group's revenue and consolidated profit would not have varied significantly. The revenue and operating profit between the acquisition date and 31 December 2014 amounted to Euros 561 million and Euros 117 million, respectively.

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities acquired were as follows:

| | Fair Value | |
|---|---|---|
| | Thousands of Euros | Thousands of US Dollars |
| Intangible assets (note 8) | 50,705 | 69,000 |
| Property, plant and equipment (note 9) | 78,841 | 107,286 |
| Inventories | 63,852 | 86,891 |
| Trade and other receivables | 113,978 | 155,102 |
| Deferred tax assets (note 27) | 34,899 | 47,491 |
| Other assets | 2,884 | 3,926 |
| Cash and cash equivalents | 3,900 | 5,307 |
| Total assets | 349,059 | 475,003 |
| Current provisions (note 19) | 66,138 | 90,000 |
| Trade and other payables | 30,652 | 41,711 |
| Other current liabilities | 26,146 | 35,585 |
| Total liabilities and contingent liabilities | 122,936 | 167,296 |
| Total net assets acquired | 226,123 | 307,707 |

Fair values were determined using the following methods:

- Intangible assets: the fair value of intangible assets was calculated using the “royalty relief method” based on existing royalty agreements.
- Property, plant and equipment: the fair value of property, plant and equipment was determined using the “cost approach”, whereby the value of an asset is measured at the cost of rebuilding or replacing that asset with other similar assets. Fair values were obtained from an independent valuation.
- Contingent liabilities: the fair value of contingent liabilities was determined under different scenarios using the forecast payments and a probability scenario.

**(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 financial statements 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 financial statements of consolidated subsidiaries have been prepared as of the same date and for the same reporting period as the financial statements 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 accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases.

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.

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.

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.

Assets and liabilities assumed 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.

Investments in joint arrangements are accounted for using the equity method.

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 financial statements 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.

**(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. 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.

At 1 January 2004 the Group opted to apply the exemption regarding fair value and revaluation as deemed cost as permitted by IFRS 1 First time Adoption of International Financial Reporting Standards.

(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.

(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.

(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 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 business combination of the Progenika Group includes the fair value of the currently marketed products sold and which are classified under "Other intangible assets" and "Development costs".

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 | 20% - 33% |
| Concessions, patents, licences, trademarks and similar..... | Straight line | 7% - 20% |
| Computer software ..... | Straight line | 16% - 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) 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.

**(j) Leases**

(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.

- 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.

**(k) Financial instruments**

(i) *Classification of financial instruments*

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument set out in IAS 32, Financial Instruments: Presentation.

Financial instruments are classified into the following categories for valuation purposes: financial assets and financial liabilities at fair value through profit and loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. Financial instruments are classified into different categories based on the nature of the instruments and the Group's intentions on initial recognition.

Regular way purchases and sales of financial assets are recognized using trade date accounting, i.e. when the Group commits itself to purchase or sell an asset.

a) Financial assets and liabilities at fair value through profit and loss

Financial assets and financial liabilities at fair value through profit and loss are those which are classified as held for trading or which the Group designated as such on initial recognition.

A financial asset or financial liability is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- It forms 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 financial liabilities at fair value through profit and loss are initially recognized at fair value. Transaction costs directly attributable to the acquisition or issue are recognized as an expense when incurred.

After initial recognition, they are recognized at fair value through profit and loss.

The Group does not reclassify any financial assets or liabilities from or to this category while they are recognized in the consolidated balance sheet.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other financial asset categories. These assets are recognized initially at fair value, including transaction costs, and subsequently measured at amortized cost using the effective interest method.

c) Financial assets and financial liabilities carried at cost

Investments in equity instruments whose fair value cannot be reliably measured and derivative instruments that are linked to these instruments and that must be settled by delivery of such unquoted equity instruments, are measured at cost. Nonetheless, if the financial assets or liabilities can be reliably measured subsequently on an ongoing basis, they are accounted for at fair value and any gain or loss is recognized in accordance with their classification.

(ii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iii) *Fair value*

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized within different levels of a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than prices included in Level 1 that are observable for the asset or liability, either directly (i.e. derived from prices) or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorized within different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(iv) *Amortized cost*

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

(v) *Impairment of financial assets carried at cost*

The amount of the impairment loss on assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed and are therefore recognized directly against the value of the asset and not as an allowance account.

(vi) *Impairment of financial assets carried at amortized cost*

In the case of financial assets carried at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used.

The Group recognizes impairment losses and unrecoverable loans and receivables and debt instruments by recognizing an allowance account for financial assets. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the allowance account.

The impairment loss is recognized in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognized. The loss can only be reversed to the limit of the amortized cost of the assets had the impairment loss not been recognized. The impairment loss is reversed against the allowance account.

(vii) *Available for sale financial assets*

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss.

A financial asset that the Group pretends to held to maturity or that it is a loan or receivable can also be designated as available for sale in the initial recognition. This category usually includes all debt securities traded on active markets that have not been designated as held-to-maturity, as well as equity investments that have not been classified as fair value through profit and loss.

A gain or loss on an available for sale financial asset shall be recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized.

When a decline in the fair value of an available for sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit and loss as a reclassification adjustment even though the financial asset has not been derecognized.

(viii) *Financial liabilities*

Financial liabilities, including trade and other payables, which are not classified at fair value through profit and loss, are initially recognized at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortized cost using the effective interest method.

(ix) *Derecognition of financial assets*

The Group applies the criteria for derecognition of financial assets to part of a financial asset or part of a group of similar financial assets or to a financial asset or group of similar financial assets.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Where the Group retains the contractual rights to receive cash flows, it only derecognizes financial assets when it has assumed a contractual obligation to pay the cash flows to one or more recipients and if the following requirements are met:

- Payment of the cash flows is conditional on their prior collection;
- The Group is unable to sell or pledge the financial asset, and

- The cash flows collected on behalf of the eventual recipients are remitted without material delay and the Group is not entitled to reinvest the cash flows. This criterion is not applicable to investments in cash or cash equivalents made by the Group during the settlement period from the collection date to the date of required remittance to the eventual recipients, provided that interest earned on such investments is passed on to the eventual recipients.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case:

- If the Group has not retained control, it derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer.

- If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. The associated liability is measured in such a way that the carrying amount of the transferred asset and the associated liability is equal to the amortized cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortized cost, or to the fair value of the rights and obligations retained by the Group, if the transferred asset is measured at fair value. The Group continues to recognise any income arising on the transferred asset to the extent of its continuing involvement and recognizes any expense incurred on the associated liability. Recognized changes in the fair value of the transferred asset and the associated liability are accounted for consistently with each other in profit and loss or equity, following the general recognition criteria described previously, and are not offset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognized in liabilities. Transaction costs are recognized in profit and loss using the effective interest method.

(x) *Derecognition and modifications of financial liabilities*

A financial liability, or part of it, is derecognized when the Group either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognized liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit and loss.

**(l) Hedge accounting**

Derivative financial instruments are initially recognized using the same criteria as those described for financial assets and financial liabilities. Derivative financial instruments that do not meet the hedge accounting requirements are classified and measured as financial assets and financial liabilities at fair value through profit and loss. Derivative financial instruments which qualify for hedge accounting are initially measured at fair value.

At the inception of the hedge the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

(i) *Cash flow hedges*

The Group recognizes the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in other comprehensive income. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognized with a debit or credit to finance costs or finance income.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit and loss in the same period or periods during which the asset acquired or liability assumed affects profit and loss and under the same caption of the consolidated statement of profit and loss (consolidated statement of comprehensive income).

**(m) 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.

**(n) 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 haemoderivatives 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 "Changes in inventories of finished goods and work in progress" and "Supplies".

**(o) 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.

**(p) 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.

**(q) 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 income statement 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

**(r) 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.

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 is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

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.

**(s) Revenue recognition**

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. Revenue is presented net of VAT and any other amounts or taxes which are effectively collected on the behalf of third parties. Volume or other types of discounts for prompt payment are recognized as a reduction in revenues if considered probable at the time of revenue recognition.

(i) *Sale of goods*

The Group recognizes revenue from the sale of goods when:

- It has transferred to the buyer the significant risks and rewards of ownership of the goods;
- It retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue and the costs incurred or to be incurred can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

(iii) *Interest income*

Until June 2012 the Group has been recognizing interest receivable from the different Social Security affiliated bodies in Spain, to which it provides goods or services, on an accrual basis, and only for those bodies to which historically claims have been made and from which interest has been collected. As a result of the terms imposed by the Spanish Government in 2012 regarding the waiver of late payment interest on overdue receivables, the Group modified its estimate regarding late payment interest. Since June 2012 the Group has only been recognizing late payment interest on receivables from Social Security affiliated bodies on the date on which

delayed invoices are collected, as it is highly likely that they will be collected as of that date provided that the Spanish Government has not imposed the waiver of late payment interest.

**(t) Income taxes**

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.

(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.

**(u) 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.

**(v) 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 financial statements are authorized for issue.

**(w) 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 financial statements.

The Group's risk management policies are established to identify and analyse 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 losses incurred 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 17 March 2014 the Group concluded its debt refinancing process. The total debt refinanced amounts to US Dollars 5,500 million (Euros 4,075 million) and represents the Group's entire debt, including the US Dollars 1,500 million bridge loan obtained for the acquisition of Novartis' transfusional diagnostic unit. Following the refinancing process, the Group's debt structure consists of a US Dollars 4,500 million non-current loan with institutional investors and banks segmented in two tranches (Term Loan A and Term Loan B), and a US Dollars 1,000 million bond issuance (Senior Unsecured Notes).

On 28 October 2015 the Group received an additional loan from the European Investment Bank of up to Euros 100 million to mainly support investment in R&D. The financial conditions include a fixed interest rate for a period of ten years with a grace period of two years

At 31 December 2016 the Group has total cash and cash equivalents of Euros 895 million (1,143 million at 31 December 2015). The Group also has approximately Euros 484 million in unused credit facilities, including Euros 284 million on the revolving credit facility.

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 in those countries with long collection periods.

**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 optimising 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 2016 and 2015 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 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.

With the objective of managing interest-rate risks in cash flows, the Group manages cash flow interest rate risks through variable to fixed interest rate swaps.

A significant part of the financing obtained accrues interest at fixed rates. This fixed interest debt (Senior Unsecured Notes) amounts to US Dollars 1,000 million, which represents approximately 21% of the Group's total debt in US Dollars. The additional loan of Euros 100 million received from the European Investment Bank represents approximately 20% of the Group's total debt in Euros.

For the remaining senior debt in US Dollars, which totals US Dollars 3,769 million, the Group partially contracted a variable to fixed interest rate swap. At 30 June 2016 this US Dollars hedging expired and, as a consequence this hedging is not in place at 31 December 2016. At 31 December 2015 the notional amount of the swap contracted by the Group hedged 18% of the senior variable interest rate debt denominated in US Dollars. This nominal part decreased over the term of the debt, based on the scheduled repayments of the principal. The purpose of these swaps was to convert borrowings at variable interest rates into fixed interest rate debt. Through these swaps the Group undertook to exchange the difference between fixed interest and variable interest with other parties periodically. The difference was calculated based on the contracted notional amount (see notes 15 (f) and 30).

Senior debt in Euros represents approximately 10% of the Group's total Senior debt at 31 December 2016 and 31 December 2015. The Group partially contracted a variable to fixed interest rate swap. At 31 March 2016 this Euros hedging expired and, as a consequence this hedging is not in place at 31 December 2016. The nominal part of this hedging instrument

amounted to Euros 100 million, representing hedging of 25% of the senior variable interest rate debt denominated in Euros at 31 December 2015 (see notes 15 (f) and 30).

At 31 December 2016 there is no hedging in Euros or US 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) was accounted for on a monthly basis. These derivative financial instruments comply with hedge accounting requirements.

Total fixed-interest debt represents a total of 21% of debt at 31 December 2016 (36% at 31 December 2015 considering total fixed-interest debt plus interest rate hedging).

(iii) Market price risk

Price risk affecting raw materials is mitigated by the vertical integration of the haemoderivatives 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 2016, the ROE stood at 15% (16% in December 2015). The ROE is calculated by dividing profit attributable to the Parent by the equity attributable to the Parent.

- In accordance with the senior secured debt contract, at 31 December 2016 the net financial debt should be less than 5.00 times adjusted EBITDA. In 2016 the leverage ratio is 3.55 times adjusted EBITDA (3.19 times adjusted EBITDA at 31 December 2015). Adjusted EBITDA is calculated by excluding to the EBITDA the non-recurring costs and associated with recent acquisitions.

- Consideration of the Company's credit rating (see note 20).

The Parent held Class A and B treasury stock equivalent to 0.2% of its capital at 31 December 2016 (0.17% at 31 December 2015). 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 financial statements.

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: cash and cash equivalents, public entities, deferred tax assets and liabilities and loans and borrowings.
- Statement of profit and loss: finance result and income tax.

There have been no significant inter-segment sales.

**(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.
- Raw materials: including sales of intermediate biological products and the rendering of manufacturing services to third party companies.

Details of net sales by groups of products for 2016, 2015 and 2014 as a percentage of net sales are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Bioscience | | | |
| Haemoderivatives | 3,228,269 | 3,032,110 | 2,512,705 |
| Other haemoderivatives | 6 | 1 | 805 |
| Diagnostic | | | |
| Transfusional medicine | 640,443 | 667,886 | 595,686 |
| In vitro diagnosis | 23,540 | 23,566 | 24,336 |
| Hospital | | | |
| Fluid therapy and nutrition | 46,210 | 45,621 | 53,771 |
| Hospital supplies | 52,373 | 50,624 | 41,029 |
| Raw materials and others | 58,989 | 114,755 | 127,052 |
| Total | 4,049,830 | 3,934,563 | 3,355,384 |

The Group has concluded that the haemoderivative 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 the Group 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.

For management purposes, the Group excludes the Raw Material and Others segment from the geographical details as it relates to operations which do not form part of the Group's core business. Sales and assets of the Raw Material and Others segment correspond mainly to the United States.

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 customer**

Revenues from a Bioscience segment customer represent approximately 10.7% of the Group's total revenues (10.1% in 2015 and 10.9% in 2014).

**(7) Goodwill**

Details of and movement in this caption of the consolidated balance sheet at 31 December 2015 are as follows:

| | | Thousands of Euros | | | | |
|---|---|---|---|---|---|---|
| | Segment | Balance at 31/12/2014 | Business Combination | Impairment | Translation differences | Balance at 31/12/2015 |
| **Net value** | | | | | | |
| Grifols UK.Ltd. (UK) | Bioscience | 8,822 | — | — | 540 | 9,362 |
| Grifols Italia.S.p.A. (Italy) | Bioscience | 6,118 | — | — | — | 6,118 |
| Biomat USA, Inc. and Plasmacare, Inc. (USA) | Bioscience | 167,602 | — | — | 19,305 | 186,907 |
| Grifols Australia Pty Ltd. (Australia) / Medion Diagnostics AG (Switzerland) | Diagnostic | 9,713 | — | — | 248 | 9,961 |
| Grifols Therapeutics, Inc. (USA) | Bioscience | 1,830,315 | — | — | 210,822 | 2,041,137 |
| Araclon Biotech, S.L. (Spain) | Diagnostic | 6,000 | — | — | — | 6,000 |
| Progenika Biopharma, S.A. (Spain) | Diagnostic | 40,516 | — | — | — | 40,516 |
| Grifols Diagnostic (Novartis) (USA, Switzerland and Hong Kong) | Diagnostic | 1,105,646 | — | — | 126,712 | 1,232,358 |
| VCN Bioscience, S.L. (Spain) | Bioscience | — | 2,590 | (2,590) | — | — |
| | | 3,174,732 | 2,590 | (2,590) | 357,627 | 3,532,359 |
| | | | (note 3(a)) | | | |

Details of and movement in this caption of the consolidated balance sheet at 31 December 2016 are as follows:

| | | Thousands of Euros | | |
|---|---|---|---|---|
| | Segment | Balance at 31/12/2015 | Translation differences | Balance at 31/12/2016 |
| **Net value** | | | | |
| Grifols UK.Ltd. (UK) | Bioscience | 9,362 | (1,337) | 8,025 |
| Grifols Italia.S.p.A. (Italy) | Bioscience | 6,118 | — | 6,118 |
| Biomat USA, Inc.(USA) | Bioscience | 186,907 | 6,132 | 193,039 |
| Grifols Australia Pty Ltd. (Australia) / Medion Diagnostics AG (Switzerland) | Diagnostic | 9,961 | 173 | 10,134 |
| Grifols Therapeutics, Inc. (USA) | Bioscience | 2,041,137 | 67,002 | 2,108,139 |
| Araclon Biotech, S.L. (Spain) | Diagnostic | 6,000 | — | 6,000 |
| Progenika Biopharma, S.A. (Spain) | Diagnostic | 40,516 | — | 40,516 |
| Grifols Diagnostic (Novartis) (USA, Switzerland and Hong Kong) | Diagnostic | 1,232,358 | 39,666 | 1,272,024 |
| | | 3,532,359 | 111,636 | 3,643,995 |

**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.

Due to the acquisition of Novartis' Diagnostic business unit in 2014, the Group has decided to group Araclon, Progenika and Australia into a single CGU for the Diagnostic business since the recent acquisition will support 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.

The CGUs established by Management are:

- Bioscience
- Diagnostic

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 calculated as the present value of the future cash flows discounted at a discount rate considering the related inherent risk.

This value in use and fair value less costs of disposal 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 of the CGUs for 2015 were as follows:

| | Perpetual Growth rate | Pre-tax discount rate |
|---|---|---|
| Bioscience | 2% | 9.10% |
| Diagnostic | 2% | 10.80% |

The key assumptions used in calculating impairment of the CGUs for 2016 have been as follows:

| | Perpetual Growth rate | Pre-tax discount rate |
|---|---|---|
| Bioscience | 2% | 8.60% |
| Diagnostic | 2% | 10.30% |

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 coherent with the forecasts included in industry reports. The discount rate used reflects specific risks related to the CGU.

As the acquisition of Novartis diagnostic unit is a recent transaction and as the recoverable amount of the Bioscience CGU is much higher than the carrying amount of the Bioscience segment's net assets, specific information from the impairment test sensitivity analysis is not included.

At 31 December 2016 Grifols' stock market capitalization totals Euros 12,020 million (Euros 12,993 million at 31 December 2015).

**(8) Other Intangible Assets**

Details of other intangible assets and movement during the years ended 31 December 2016 and 2015 are included in Appendix III, which forms an integral part of these notes to the consolidated financial statements.

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 31 December 2015 is as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Balance at 31/12/2014 | Additions | Translation differences | Balance at 31/12/2015 |
| Cost of currently marketed products—Gamunex | 988,386 | — | 113,846 | 1,102,232 |
| Cost of currently marketed products—Progenika | 23,792 | — | — | 23,792 |
| Accumulated amortisation of currently marketed products—Gamunex | (118,057) | (35,697) | (14,643) | (168,397) |
| Accumulated amortisation of currently marketed products—Progenika | (4,359) | (2,379) | — | (6,738) |
| Carrying amount of currently marketed products | 889,762 | (38,076) | 99,203 | 950,889 |

The cost and accumulated amortization of currently marketed products acquired from Talecris and Progenika at 31 December 2016 is as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Balance at 31/12/2015 | Additions | Translation differences | Balance at 31/12/2016 |
| Cost of currently marketed products—Gamunex | 1,102,232 | — | 36,180 | 1,138,412 |
| Cost of currently marketed products—Progenika | 23,792 | — | — | 23,792 |
| Accumulated amortisation of currently marketed products—Gamunex | (168,397) | (36,062) | (7,412) | (211,871) |
| Accumulated amortisation of currently marketed products—Progenika | (6,738) | (2,379) | — | (9,117) |
| Carrying amount of currently marketed products | 950,889 | (38,441) | 28,768 | 941,216 |

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 2016 the residual useful life of currently marketed products is 24 years and 5 months (25 years and 5 months at 31 December 2015).

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 2016 the residual useful life of currently marketed products acquired from Progenika is 6 years and 2 months (7 years and 2 months at 31 December 2015).

**(a) Self—constructed intangible assets**

At 31 December 2016 the Group has recognized Euros 29,034 thousand as self-constructed intangible assets (Euros 10,497 thousand at 31 December 2015).

**(b) Purchase commitments**

At 31 December 2016 the Group has intangible asset purchase commitments amounting to Euros 639 thousand (Euros 709 thousand at 31 December 2015).

**(c) Intangible assets with indefinite useful lives and other intangible in progress**

At 31 December 2016 the Group has plasma center licenses with indefinite useful lives under intangible assets for a carrying amount of Euros 30,075 thousand (Euros 29,119 thousand at 31 December 2015).

The Group has also an amount of Euros 52,272 thousand as development costs in progress (Euros 24,499 thousand at 31 December 2015).

The Group has not recognized any amount corresponding to payments relating to license rights due to the Aradigm acquisition at 31 December 2016 (Euros 64,060 thousand at 31 December 2015).

**(d) Result on disposal of intangible assets**

Total profit incurred on disposals of intangible assets in 2016 amounts to Euros 7,198 thousand (losses of 265 thousand in 2015).

**(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) Property, Plant and Equipment**

Details of property, plant and equipment and movement in the consolidated balance sheet at 31 December 2016 and 2015 are included in Appendix IV, which forms an integral part of this note to the consolidated financial statements.

Property, plant and development under construction at 31 December 2016 and 2015 mainly comprise investments made to extend the companies' equipment and to increase their productive capacity.

Additions to property, plant and equipment in 2015 related mainly to the repurchase from related parties of industrial assets in the United States and Spain for a total amount of Euros 232 million (US Dollars 263 million) and Euros 45 million, respectively (see note 31). The Group exercised the options to purchase some of the assets at fair value included in the corresponding sale and leaseback agreements.

In 2015, the Group sold a building acquired in 2014 to a related party for an amount of Euros 12 million, which corresponds to its acquisition price (see note 31).

In 2016, the Group has capitalized interests for a total amount of Euros 13,019 thousand (Euros 9,795 thousand in 2015)

**a) Insurance**

Group policy is to contract sufficient insurance coverage for the risk of damage to property, plant and equipment. At 31 December 2016 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 2016 amount to Euros 4,021 million (Euros 6,529 million in 2015).

**c) Assets under finance lease**

The Group had contracted the following types of property, plant and equipment under finance leases at 31 December 2015:

| | Thousands of Euros | | |
|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying amount |
| Land and buildings | 2,089 | (1,102) | 987 |
| Plant and machinery | 34,314 | (15,971) | 18,343 |
| | 36,403 | (17,073) | 19,330 |

The Group has contracted the following types of property, plant and equipment under finance leases at 31 December 2016:

| | Thousands of Euros | | |
|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying amount |
| Land and buildings | 2,213 | (1,421) | 792 |
| Plant and machinery | 13,336 | (4,784) | 8,552 |
| | 15,549 | (6,205) | 9,344 |

Details of minimum lease payments and the present value of finance lease liabilities, disclosed by maturity date, are detailed in note 20 (c).

**d) Self—constructed property, plant and equipment**

At 31 December 2016 the Group has recognized Euros 68,529 thousand as self -constructed property, plant and equipment (Euros 61,721 thousand at 31 December 2015).

**e) Purchase commitments**

At 31 December 2016 the Group has property, plant and equipment purchase commitments amounting to Euros 39,773 thousand (Euros 48,649 thousand at 31 December 2015).

**f) Impairment**

A group of assets forming part of the Hospital segment has been tested for impairment due to the decrease in 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 six-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 fiscal year 2015).

**(10) Equity Accounted Investees**

Details of this caption in the consolidated balance sheet at 31 December 2016 and 2015 are as follows:

| | | Thousands of Euros | | Thousands of Euros |
|---|---|---|---|---|
| | % ownership | 31/12/2016 | % ownership | 31/12/2015 |
| Aradigm Corporation | 35.13% | 9,291 | 35.00% | 19,799 |
| TiGenix N.V. | — | — | 19.28% | 7,199 |
| Kiro Grifols, S.L | 50.00% | 13,888 | 50.00% | 15,608 |
| Alkahest, Inc. | 47.58% | 35,955 | 47.58% | 34,122 |
| Albajuna Therapeutics, S.L | 30.00% | 3,177 | — | — |
| Interstate Blood Bank, Inc. | 49.19% | 31,090 | — | — |
| Bio Blood Components Inc. | 48.97% | 38,725 | — | — |
| Plasma Biological Services, LL | 48.90% | 25,890 | — | — |
| Singulex, Inc. | 20.00% | 43,329 | — | — |
| | | 201,345 | | 76,728 |

The Group has determined that it has significant influence or joint control over these investments except for TiGenix, N.V.

Movement in the investments in equity-accounted investees for the years ended at 31 December 2016, 2015 and 2014 have been as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Balance at 1 January | 76,728 | 54,296 | 35,765 |
| Acquisitions | 136,072 | 33,039 | 24,325 |
| Transfers | (29,059) | — | (499) |
| Share of profit / (losses) | 6,933 | (8,280) | (6,582) |
| Share of other comprehensive income / translation differences | 10,671 | 2,673 | 1,287 |
| Collected dividends | — | (5,000) | — |
| Balance at 31 December | 201,345 | 76,728 | 54,296 |

**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 holds a 20% common stock interest in Singulex on a fully diluted basis at a pre-money valuation of US Dollars 200 million. Grifols will be 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 to further ensure the safety of blood and plasma products. At the date of publication of these consolidated financial statements, the Group did not have all the necessary information to determine the fair value of the assets, liabilities and contingent liabilities acquires.

The summarized financial information of Singulex, Inc. corresponding to the last available financial statements is included below with the carrying amount of the Group's interest. The information related to the statement of profit and loss is included only from the acquisition date.

| | Thousand of Euros |
|---|---|
| Non-current assets | 6,730 |
| Current assets | 14,774 |
| Non-current liabilities | (14,095) |
| Current liabilities | (10,553) |
| Total net assets (100%) | (3,144) |
| Group's share of net assets (20%) | (629) |
| Net revenue | 20,667 |
| Profit from continuing operations (100%) | (19,452) |
| Group's share of total comprehensive income (20%) | (3,890) |

A reconciliation of the summarized financial information with the carrying amount of the Group's interest is as follows:

| | Thousand of Euros |
|---|---|
| Group's share of net assets | (629) |
| Goodwill of equity method investment | 33,809 |
| Intangible assets | 16,239 |
| Deferred tax liabilities | (6,090) |
| Equity method accounted investment | 43,329 |

Movement in Singulex, Inc.'s equity-accounted investment for the year ended 31 December 2016 is as follows:

| | Thousand of Euros |
|---|---|
| | 2016 |
| Balance at 1 January | — |
| Acquisitions | 44,107 |
| Share of profit / (losses) | (3,890) |
| Share of other comprehensive income / translation differences | 3,112 |
| Balance at 31 December | 43,329 |

**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, Tennessee, 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 11 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. At the date of publication of these consolidated financial statements, the Group did not have all the necessary information to determine the fair value of the assets, liabilities and contingent liabilities acquires.

The summarized financial information of Interstate Blood Bank, Inc., Bio-blood Components, Inc. and Plasma Biological Services, LLC. corresponding to the last available financial statements is included below with the carrying amount of the Group's interest. The information related to the statement of profit and loss is included only from the acquisition date.

| | Thousands of Euros | | |
|---|---|---|---|
| | IBBI | Bio-Blood | PBS |
| Non-current assets | 10,870 | 5,523 | 6,640 |
| Current assets | 26,167 | 7,665 | 3,759 |
| Non-current liabilities | (4,176) | — | (3,228) |
| Current liabilities | (8,817) | (5,964) | (14,203) |
| Total net assets (100%) | 24,044 | 7,224 | (7,032) |
| Group's share of net assets | 11,827 | 3,538 | (3,439) |
| Net revenue | 31,106 | 37,999 | 16,160 |
| Profit from continuing operations (100%) | 1,413 | (339) | 532 |
| Group's share of total comprehensive income | 695 | (166) | 260 |

A reconciliation of the summarized financial information with the carrying amount of the Group's interest is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | IBBI | Bio-Blood | PBS |
| Group's share of net assets | 11,827 | 3,538 | (3,439) |
| Goodwill of equity method investment | 19,263 | 35,187 | 29,329 |
| Equity method accounted investment | 31,090 | 38,725 | 25,890 |

Movement in Interstate Blood Bank, Inc., Bio-blood Components, Inc. and Plasma Biological Services, LLC.'s equity-accounted investment for the year ended 31 December 2016 is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | IBBI | Bio-Blood | PBS |
| | 2016 | 2016 | 2016 |
| Balance at 1 January | — | — | — |
| Acquisitions | 28,229 | 36,168 | 23,818 |
| Share of profit / (losses) | 695 | (166) | 260 |
| Share of other comprehensive income / translation differences | 2,166 | 2,723 | 1,812 |
| Balance at 31 December | 31,090 | 38,725 | 25,890 |

**Albajuna Therapeutics, S.L**

In January 2016, Grifols acquired 30% of the equity of AlbaJuna Therapeutics, S.L. for Euros 3.75 million in the form of a cash payment to finance the development and production of therapeutic antibodies against HIV. The initial investment will be increased upon achievements of agreed development milestones through two payments for a total amount of Euros 7.25 million.

AlbaJuna Therapeutics is a spin-off from the AIDS Investigation Institute IrsiCaixa, jointly driven by Obra Social "la Caixa" and the Generalitat de Catalunya's Department of Health. It was founded to promote the preclinical and clinical development of monoclonal antibodies that both neutralize the HIV action in the human body and increase the activity of natural killer cells, which are responsible for the destruction of infected cells.

**Alkahest, Inc.**

On 4 March 2015, the Group acquired 47.58% of the equity of Alkahest, Inc. ("Alkahest") for Euros 33 million (US Dollars 37.5 million) in the form of a cash payment in exchange for 47.58% of Alkahest's shares following the closing of the transaction. In addition Grifols will provide a further payment of US Dollars 12.5 million as part of the collaboration agreement and fund the development of plasma-based products, which may be commercialized by the Group throughout the world. Alkahest will receive milestone payments and royalties on sales of such products by Grifols.

**Kiro Grifols, S.L.**

On 19 September 2014 the Group subscribed a capital increase in Kiro Grifols, S.L *(formerly Kiro Robotics*, S.L.) for an amount of Euros 21 million, which represents 50% of the voting and economic rights of Kiro Grifols. The capital increase was paid by means of a monetary contribution.

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.

The acquisition of Kiro Grifols gives rise to a joint control business which is accounted for as an "Investment in equity-accounted investee", as none of the shareholders control the decisions regarding relevant activities or the governing bodies of the company.

During 2015, the Group collected an amount of Euros 5 million related to comprising dividends from Kiro Grifols.

**TiGenix N.V.**

In 2016 the Group's directors concluded that the significant influence over its TiGenix investment had ceased. The facts that lead to this conclusion are the resignation of its preferred rights to distribute the main drug under investigation by TiGenix and the fact that Grifols Group has no longer appointed board members and does not expect to appoint any more. Additionally it has been considered that the time needed for exercising its right of appointment of one board director is too long as to allow Grifols to participate in board decisions in due time. As a consequence the investment in TiGenix has been reclassified to Available for Sale Financial Assets. The effect of this reclassification resulted in a revaluation of the investment at fair value, determined based on the stock price of TiGenix as of 30 June 2016, and the related gain amounting to Euros 24 million has been accounted for under Share of income/losses of equity accounted investees in the consolidated statement of profit and loss.

**(11) Financial Assets**

Details of non-current financial assets on the consolidated balance sheet at 31 December 2016 and 2015 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Non-current loans (a) | 40,201 | 25,000 |
| Non-current derivatives (note 30) | 13,665 | — |
| Non-current investment in quoted shares (note 10) | 29,998 | 507 |
| Non-current guarantee deposits | 4,603 | 3,979 |
| Other non-current financial assets | 1,078 | 902 |
| Total non-current financial assets | 89,545 | 30,388 |

**(a) Non-current loans**

On 22 April 2016, the Group's subsidiary, Grifols Worldwide Operations Limited, subscribed convertible bonds for an amount of US Dollars 19,950 thousand (Euros 17,997 thousand) issued by Aradigm that bear at an interest rate of 9% and mature in 2021 (see notes 30 and 31). The Group indirectly owns 35.13% of the common stock of Aradigm. Interest on the convertible bonds is payable on 1 May and 1 November of each year. At the date of these consolidated financial statements Aradigm has paid the Group an amount of Euros 839 thousand on the convertible bonds. Upon the events described in the indenture governing the convertible bonds, the convertible bonds are convertible into common stock of Aradigm. At the date of these consolidated financial statements, the conversion rate is 191.94 shares of Aradigm common stock per US Dollar 1,000 principal amount of convertible bonds.

The conversion feature to convert the liability into equity of the issuer at a price that can be adjusted results in an embedded derivative measured at fair value (see note 30). All changes in fair value are recognized in the statement of profit and loss.

Aradigm intends to use the net proceeds from the offering to fund the current clinical development and regulatory submission for licensure of Pulmaquin and for general corporate purposes.

On 6 March 2015, the Group's subsidiary, Grifols Worldwide Operations Limited, subscribed Euros 25 million aggregate principal amount of 9% on convertible bonds due in 2018 issued by TiGenix. The Group indirectly owns 16.13% of the common stock of TiGenix. Interest on the convertible bonds is payable on 6 September and 6 March of each year, and at the date of these consolidated financial statements, TiGenix had paid the Group an amount of Euros 2,250 thousand of interest on the convertible bonds (Euros 1,125 thousand during year 2015).

Upon the events described in the indenture governing the convertible bonds, the convertible bonds are convertible into common stock of TiGenix. At the date of these consolidated financial statements, the conversion rate was 111,321.38 shares of TiGenix common stock per Euros 100,000 principal amount of convertible bonds.

In 2016 the Group directors concluded that the significant influence over the TiGenix investment has ceased (see note 10).

Details of other current financial assets on the consolidated balance sheet at 31 December 2016 and 2015 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Deposits and guarantees | 957 | 509 |
| Current loans to third parties | 832 | 30 |
| Current loans to associates (see note 31) | 793 | 755 |
| Total other current financial assets | 2,582 | 1,294 |

**(12) Inventories**

Details of inventories at 31 December 2016 and 2015 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Goods for resale | 176,439 | 180,516 |
| Raw materials and supplies | 428,728 | 366,627 |
| Work in progress and semi-finished goods | 584,316 | 610,592 |
| Finished goods | 486,517 | 296,270 |
| | 1,676,000 | 1,454,005 |
| Less, inventory provision | (33,069) | (22,614) |
| | 1,642,931 | 1,431,391 |

Movement in the inventory provision was as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Balance at 1 January | 22,614 | 15,888 | 31,919 |
| Net charge for the year | 8,878 | 6,099 | (15,016) |
| Business combinations | — | — | 2,201 |
| Cancellations for the year | (20) | (195) | (4,421) |
| Translation differences | 1,597 | 822 | 1,205 |
| Balance at 31 December | 33,069 | 22,614 | 15,888 |

**(13) Trade and Other Receivables**

Details at 31 December 2016 and 2015 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Trade receivables | 431,510 | 375,546 |
| Receivables from associates (note 31) | 133 | 70 |
| Bad debt provision (note 30) | (17,987) | (13,210) |
| **Trade receivables** | **413,656** | **362,406** |
| Other receivables | 13,705 | 25,880 |
| Personnel | 280 | 379 |
| Advances for fixed assets | 151 | — |
| Other advances | 6,624 | 6,178 |
| Taxation authorities, VAT recoverable | 17,768 | 25,112 |
| Other public entities | 3,771 | 2,971 |
| **Other receivables** | **42,299** | **60,520** |
| **Current income tax assets** | **77,713** | **60,270** |
| | **533,668** | **483,196** |

**Other receivables**

During 2016, 2015 and 2014 certain companies of the Grifols Group have sold receivables from several public entities, without recourse, to certain financial institutions. Under some of these contracts, the Group receives an initial payment which usually amounts to 90% of the nominal amount of the receivables sold less the associated sale and purchase costs. The deferred collection (equivalent to the rest of the nominal amount) will be made by the Group once the financial institution has collected the nominal amount of the receivables (or the interest, if the balances are received after more than 36 months, depending on the terms of each particular contract) and this amount is recognized in the consolidated balance sheet as a balance receivable from the financial institution. The deferred amount (equivalent to the continuing involvement) totals Euros 2,560 thousand at 31 December 2016 (Euros 4,520 thousand at 31 December 2015), which does not differ significantly from its fair value and coincides with the amount of maximum exposure to losses. The financial institution makes the initial payment when the sale is completed and therefore, the bad debt risk associated with this part of the nominal amount of the receivables is transferred. The Group has transferred the credit risk and control of the receivables to certain financial institutions and has therefore derecognized the asset transferred in the consolidated balance sheet, as the risks and rewards inherent to ownership have not been substantially retained.

Certain foreign Group companies have also entered into a contract to sell receivables without recourse to various financial institutions. Total balances receivable without recourse sold to financial institutions through the aforementioned contracts in 2016 amount to Euros 870 million (Euros 787 million in 2015).

The finance cost of these operations for the Group totals approximately Euros 4,885 thousand which has been recognized under finance result in the consolidated statement of profit and loss for 2016 (Euros 6,512 thousand in 2015 and Euros 6,271 thousand in 2014) (see note 26).

Details of balances with related parties are shown in note 31.

**(14) Cash and Cash Equivalents**

Details of this caption of the consolidated balance sheet at 31 December 2016 and 2015 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Current deposits | 470,298 | 404,301 |
| Cash in hand and at banks | 424,711 | 738,199 |
| Total cash and cash equivalents | 895,009 | 1,142,500 |

**(15) Equity**

Details of consolidated equity and movement are shown in the consolidated statement of changes in equity.

**(a) Share capital**

At 31 December 2016, 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.

On 4 January 2016 the Company's new shares resulting from the share split ruling on 3 December 2015 by the Company's board of directors started to be traded in accordance with the delegation of authorities by the shareholders at the general shareholders' meeting held on 29 May 2015.

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 2016 and 2015.

At 31 December 2016 and 2015, the number of outstanding shares is equal to the total number of Company shares, less treasury stock.

Movement in outstanding shares during 2015 is as follows:

| | Class A shares | Class B shares |
|---|---|---|
| Balance at 1 January 2015 | 211,097,634 | 130,706,902 |
| (Acquisition) / disposal of treasury stock (note 15 (d)) | 1,967,265 | (2,013,632) |
| Balance at 31 December 2015 | 213,064,899 | 128,693,270 |

Movement in outstanding shares during 2016 is as follows:

| | Class A shares | Class B shares |
|---|---|---|
| Balance at 1 January 2016 | 426,129,798 | 257,386,540 |
| (Acquisition) / disposal of treasury stock (note 15 (d)) | — | (692,165) |
| Balance at 31 December 2016 | 426,129,798 | 256,694,375 |

Balance at 1 January 2016 includes the share Split.

**(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 financial statements.

**(c) Reserves**

The drawdown of accumulated gains is subject to legislation applicable to each of the Group companies. At 31 December 2016, Euros 50,680 thousand equivalent to the carrying amount of development costs pending amortization of certain Spanish companies (Euros 42,762 thousand at 31 December 2015) (see note 8) are, in accordance with applicable legislation, restricted reserves which cannot be distributed until these development costs have been amortized.

In May 2014 Araclon Biotech, S.L. increased capital by an amount of Euros 5 million. As a result, the Group increased its investment from 61.12% to 66.15%. The difference between the share capital increase carried out by the Group and the non-controlling interest was recognized as a Euros 1.7 million decrease in reserves.

In June 2015 Araclon Biotech, S.L. increased capital by an amount of Euros 6 million. As a result, the Group has increased its investment from 66.15% to 70.83%. The difference between the share capital increase carried out by the Group and the non-controlling interest has been recognized as a Euros 1.77 million decrease in reserves.

In July 2016 the Group acquired an additional 20% of the assets of Medion Diagnostics AG in exchange for 59,951 treasury stocks (Class B Shares) from its non-controlling interests. After these capital increases, Grifols' interest has risen to 100% in 2016. The difference between the share capital increase carried out by the Group and the non-controlling interest has been recognized as a Euros 0.6 million decrease in reserves.

In August 2016 Araclon Biotech, S.L. increased capital by an amount of Euros 6.7 million. As a result, the Group has increased its investment from 70.83% to 73.22%. The difference between the share capital increase carried out by the Group and the non-controlling interest has been recognized as a Euros 1.7 million decrease in reserves.

On 12 December 2016, the Group subscribed a share capital increase in the capital of VCN Bioscience, S.L. of Euros 5 million. After this capital increase, Grifols interest has risen to 81.34% in 2016. The difference between the share capital increase carried out by the Group and the non-controlling interest has been recognized as a Euros 1 million decrease in reserves.

In May 2015 the company sold 1,967,265 treasury stocks (Class A Shares), generating a profit of Euros 2 million, recognized in reserves.

At 31 December 2016 and 2015 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 2016 and 2015 the legal reserve of the Company amounts to Euros 23,921 thousand.

Distribution of the legal reserves of Spanish companies is subject to the same restrictions as those of the Company and at 31 December 2016 the balance of the legal reserve of other Spanish companies amounts to Euros 1,485 thousand (Euros 1,521 thousand at 31 December 2015).

Other foreign Group companies have a legal reserve amounting to Euros 650 thousand at 31 December 2016 (Euros 578 thousand at 31 December 2015).

**(d) Treasury stock**

At 31 December 2016 and 31 December 2015 the Company does not have any Class A treasury stock.

Movement in Class A treasury stock during 2015 is as follows:

| | No. of Class A shares | Thousands of Euros |
|---|---|---|
| Balance at 1 January 2015 | 1,967,265 | 69,134 |
| Disposal of Class A shares | (1,967,265) | (69,134) |
| Balance at 31 December 2015 | — | — |

Movement in Class B treasury stock during 2015 is as follows:

| | No. of Class B shares | Thousands of Euros |
|---|---|---|
| Balance at 1 January 2015 | 5,653 | 118 |
| Acquisition of Class B shares | 2,014,285 | 58,457 |
| Disposal of Class B shares | (653) | — |
| Balance at 31 December 2015 | 2,019,285 | 58,575 |

Movement in Class B treasury stock during 2016 is as follows:

| | No. of Class B shares | Thousands of Euros |
|---|---|---|
| Balance at 1 January 2016 | 4,038,570 | 58,575 |
| Acquisition of Class B shares | 1,628,893 | 23,720 |
| Non Cash Disposal Class B shares | (936,728) | (13,585) |
| Balance at 31 December 2016 | 4,730,735 | 68,710 |

In July 2016 the Company delivered 59,951 treasury stocks (Class B Shares) to Medion's non-controlling interests in exchange for the 20% acquired from them.

In March 2016 the Company delivered 876,777 treasury stocks (Class B Shares) to Progenika's non-controlling interests in exchange for the 16.465% acquired from them (see note 3).

Class B share acquisitions include the purchase of the Class B shares from the vendor shareholders of Progenika for which Grifols exercised the cash option for an amount of Euros 11,035 thousand. This amount has been considered as cash used in investing activities in the statement of cash flows

The Parent held Class B treasury stock equivalent to 0.20% of its capital at 31 December 2016 (0.17% at 31 December 2015).

**(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 2016 and the distribution approved for 2015 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Legal Reserve | — | — |
| Voluntary reserve | 103,611 | 28,898 |
| Dividends | 218,182 | 212,858 |
| Profit of the Parent | 321,793 | 241,756 |

The following dividends were paid in 2015:

| | 31/12/2015 | | |
|---|---|---|---|
| | % of par value | Euros per share | Thousands of Euros |
| Ordinary shares | 59% | 0.30 | 62,873 |
| Non-voting shares | 295% | 0.30 | 37,977 |
| Non-voting shares (preferred dividend) | 10% | 0.10 | 1,307 |
| Total dividends paid | | | 102,157 |

| | 31/12/2015 | | |
|---|---|---|---|
| | % of par value | Euros per share | Thousands of Euros |
| Ordinary shares (interim dividend) | 70% | 0.35 | 74,573 |
| Non-voting shares (interim dividend) | 350% | 0.35 | 45,042 |
| Total interim dividends paid | | | 119,615 |

The following dividends were paid in 2016:

| | 31/12/2016 | | |
|---|---|---|---|
| | % of par value | Euros per share | Thousands of Euros |
| Ordinary shares | 53% | 0.13 | 56,493 |
| Non-voting shares | 265% | 0.13 | 34,136 |
| Non-voting shares (preferred dividend) | 20% | 0.01 | 2,614 |
| Total dividends paid | | | 93,243 |

| | 31/12/2016 | | |
|---|---|---|---|
| | % of par value | Euros per share | Thousands of Euros |
| Ordinary shares (interim dividend) | 72% | 0.18 | 76,703 |
| Non-voting shares (interim dividend) | 360% | 0.18 | 46,205 |
| Total interim dividends paid | | | 122,908 |

At the meeting held on 28 October 2016, the Board of Directors of Grifols approved the distribution of interim dividend for 2016 of Euros 0.18 for each Class A and B share, recognizing a total of Euros 122,908 thousand as interim dividend.

At the meeting held on 23 October 2015, the Board of Directors of Grifols approved the distribution of interim dividend for 2015 of Euros 0.35 for each Class A and B share, recognizing a total of Euros 119.615 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 V.

At a general meeting held on 27 May 2016 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 2015 and 2016 is presented in the consolidated statement of changes in equity.

**(f) Cash flow hedges**

In June and October 2011 Grifols contracted variable to fixed interest-rate swaps for initial nominal amounts of US Dollars 1,550 million and Euros 100 million, respectively, to hedge interest-rate risk on its senior debt. The Group recognized these financial derivatives as cash flow hedges. At 31 December 2016 the Group does not have any financial derivatives as cash flow hedges (see notes 5 (a) and 30).

Ineffective cash flow hedges recognized as finance income and cost in the consolidated statement of profit and loss (consolidated statement of comprehensive income) for 2015 amount to Euros 88 thousand. During 2016 the Group has not recognized any ineffective cash flow hedges.

**(g) Restricted Share Unit Compensation**

For the 2014 and 2015 bonus, 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 7,946 thousand, net of tax (Euros 3,399 thousand in 2015).

**(16) 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 | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Profit for the year attributable to shareholders of the Parent (thousands of Euros) | 545,456 | 532,145 | 470,253 |
| Weighted average number of ordinary shares outstanding | 683,225,815 | 683,549,316 | 685,344,936 |
| Basic earnings per share (Euros per share) | 0.80 | 0.78 | 0.69 |

The weighted average of the ordinary shares outstanding (basic) has been calculated taking into consideration the share split carried out on 4 January 2016 as follows:

| | Number of shares | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Issued shares outstanding at 1 January | 683,516,338 | 683,610,378 | 687,554,908 |
| Effect of shares issued | — | — | — |
| Effect of treasury stock | (290,523) | (61,062) | (2,209,972) |
| Average weighted number of ordinary shares outstanding (basic) at 31 December | 683,225,815 | 683,549,316 | 685,344,936 |

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. At 31 December 2014 basic and diluted earnings per share are the same, as no potential diluting effects exist.

The RSU Plan granted in March 2016 and 2015payable in shares, assumes the existence of dilutive potential shares. Diluted earnings per share have been calculated as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Profit for the year attributable to shareholders of the Parent (thousands of Euros) | 545,456 | 532,145 | 470,253 |
| Weighted average number of ordinary shares outstanding (diluted) | 684,170,887 | 683,924,426 | 685,344,936 |
| Diluted earnings per share (Euros per share) | 0.80 | 0.78 | 0.69 |

The weighted average number of ordinary shares outstanding (diluted) has been calculated as follows:

| | Number of shares | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Issued shares outstanding at 1 January | 683,988,460 | 683,610,378 | 687,554,908 |
| Effect of RSU shares | 472,950 | 375,110 | — |
| Effect of shares issued | — | — | — |
| Effect of treasury stock | (290,523) | (61,062) | (2,209,972) |
| Average weighted number of ordinary shares outstanding (diluted) at 31 December | 684,170,887 | 683,924,426 | 685,344,936 |

**(17) Non-Controlling Interests**

Details of non-controlling interests and movement at 31 December 2015 are as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 31/12/2014 | Additions | Business combinations/ Additions to consolidated Group | Capital increases | Translation differences | Balance at 31/12/2015 |
| Grifols (Thailand) Pte Ltd | 1,956 | 763 | — | — | (55) | 2,664 |
| Grifols Malaysia Sdn Bhd | 911 | 234 | — | — | (105) | 1,040 |
| Araclon Biotech, S.A. | 96 | (1,679) | — | 1,766 | — | 183 |
| Medion Grifols Diagnostic AG | (521) | 169 | — | — | (54) | (406) |
| GRI-CEI S/A Productos para transfusao | 1,722 | (165) | — | — | (411) | 1,146 |
| Progenika Biopharma, S.A. | 1,030 | 74 | — | — | (11) | 1,093 |
| Brainco Biopharma, S.L. | (344) | (29) | — | — | — | (373) |
| Abyntek Biopharma, S.L. | (85) | (8) | — | — | — | (93) |
| VCN Bioscience, S.L | — | (63) | (4) | | — | (67) |
| | 4,765 | (704) | (4) | 1,766 | (636) | 5,187 |
| | | | (note 3(a)) | | | |

Details of non-controlling interests and movement at 31 December 2016 are as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 31/12/2015 | Additions | Disposals | Capital increases | Translation differences | Balance at 31/12/2016 |
| Grifols (Thailand) Pte Ltd | 2,664 | 778 | (215) | — | 127 | 3,354 |
| Grifols Malaysia Sdn Bhd | 1,040 | 144 | — | — | (12) | 1,172 |
| Araclon Biotech, S.A. | 183 | (1,819) | — | 1,776 | — | 140 |
| Medion Grifols Diagnostic AG | (406) | — | 406 | — | — | — |
| GRI-CEI S/A Productos para transfusao | 1,146 | — | (1,146) | — | — | — |
| Progenika Biopharma, S.A. | 1,093 | 165 | — | — | (47) | 1,211 |
| Brainco Biopharma, S.L. | (373) | — | 373 | — | — | — |
| Abyntek Biopharma, S.L. | (93) | 20 | — | — | — | (73) |
| VCN Bioscience, S.L | (67) | (201) | — | 961 | — | 693 |
| | 5,187 | (913) | (582) | 2,737 | 68 | 6,497 |
| | | | (note 2(b)) | | | |

**(18) Grants**

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Capital grants | 11,311 | 12,269 |
| Interest rate grants (preference loans) | 885 | 851 |
| | 12,196 | 13,120 |

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 of Euros 1,154 thousand have been transferred to the consolidated statement of profit and loss during the year ended 31 December 2016 (Euros 1,227 thousand at 31 December 2015 and Euros 849 thousand at 31 December 2014).

**(19) Provisions**

Details of provisions at 31 December 2016 and 2015 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| **Non-current provisions (a)** | | |
| Provisions for pensions and similar obligations | 4,195 | 3,482 |
| Other provisions | 923 | 1,498 |
| Non-current provisions | 5,118 | 4,980 |

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| **Current provisions (b)** | | |
| Trade provisions | 89,588 | 123,049 |
| Current provisions | 89,588 | 123,049 |

**(a) Non-current provisions**

At 31 December 2016, 2015 and 2014 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 2014 is as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 31/12/2013 | Net Charge | Cancellations | Reclassifications | Translation differences | Balance at 31/12/2014 |
| Non-current provisions | 4,202 | 2,427 | (166) | 427 | 63 | 6,953 |
| | 4,202 | 2,427 | (166) | 427 | 63 | 6,953 |

Movement in provisions during 2015 is as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 31/12/2014 | Net Charge | Cancellations | Reclassifications | Translation differences | Balance at 31/12/2015 |
| Non-current provisions | 6,953 | 376 | (1,598) | (600) | (151) | 4,980 |
| | 6,953 | 376 | (1,598) | (600) | (151) | 4,980 |

Movement in provisions during 2016 is as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 31/12/2015 | Net Charge | Cancellations | Reclassifications | Translation differences | Balance at 31/12/2016 |
| Non-current provisions | 4,980 | (399) | (281) | 814 | 4 | 5,118 |
| | 4,980 | (399) | (281) | 814 | 4 | 5,118 |

**(b) Current provisions**

Movement in trade provisions during 2014 is as follows:

| | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance at 31/12/2013 | Business Combination | Net Charge | Cancellations | Reclassifications | Translation differences | Balance at 31/12/2014 |
| Trade provisions | 51,459 | 66,138 | (15,946) | (3,664) | 4,364 | 13,634 | 115,985 |
| | 51,459 | 66,138 | (15,946) | (3,664) | 4,364 | 13,634 | 115,985 |
| | | (Note 3(b)) | | | | | |

Movement in trade provisions during 2015 is as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 31/12/2014 | Net Charge | Cancellations | Reclassifications | Translation differences | Balance at 31/12/2015 |
| Trade provisions | 115,985 | (2,562) | (6,123) | 492 | 15,257 | 123,049 |
| | 115,985 | (2,562) | (6,123) | 492 | 15,257 | 123,049 |

Movement in trade provisions during 2016 is as follows:

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | Balance at 31/12/2015 | Net Charge | Cancellations | Translation differences | Balance at 31/12/2016 |
| Trade provisions | 123,049 | (28,481) | (6,417) | 1,437 | 89,588 |
| | 123,049 | (28,481) | (6,417) | 1,437 | 89,588 |

**(20) Financial Liabilities**

This note provides information on the contractual conditions of the loans obtained by the Group, which are measured at amortized cost, except the financial derivatives, which are measured at fair value. 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 2016 and 2015 are as follows:

| | Thousands of Euros | |
|---|---|---|
| **Financial liabilities** | **31/12/2016** | **31/12/2015** |
| Non-current obligations (a) | 831,417 | 781,416 |
| Senior secured debt (b) | 3,728,695 | 3,664,252 |
| Other loans (b) | 114,898 | 120,326 |
| Finance lease liabilities (c) | 6,086 | 5,852 |
| Other non-current financial liabilities (e) | 30,975 | 25,808 |
| Total non-current financial liabilities | 4,712,071 | 4,597,654 |
| Current obligations (a) | 95,524 | 79,531 |
| Senior secured debt (b) | 81,273 | 74,165 |
| Other loans (b) | 23,288 | 27,002 |
| Financial derivatives (note 30) | — | 7,375 |
| Finance lease liabilities (c) | 3,859 | 5,656 |
| Other current financial liabilities (e) | 26,121 | 68,768 |
| Total current financial liabilities | 230,065 | 262,497 |

On 17 March 2014 the Group concluded its debt refinancing process. The total debt refinanced amounts to US Dollars 5,500 million (Euros 4,075 million) and represents Grifols' entire debt, including the US Dollars 1,500 million bridge loan obtained for the acquisition of Novartis' transfusional diagnostic unit. Following the refinancing process, Grifols' debt structure consists of a US Dollars 4,500 million long-term loan with institutional investors and banks segmented in two tranches (Term Loan A and Term Loan B), and a US Dollars 1,000 million bond issuance (Senior Unsecured Notes).

On 28 October 2015 the Group received an additional loan from the European Investment Bank of up to Euros 100 million at a fixed interest rate for a period of ten years with a grace period of two years. The loan will be used to support certain investments in R&D which are mainly focused on searching for new applications for plasmatic proteins.

**(a) Senior Unsecured Notes**

On 5 March 2014, Grifols Worldwide Operations Limited, a 100% subsidiary of Grifols, S.A., issued US Dollars 1,000 million Senior Unsecured Notes (the "Notes") that will mature in 2022 and will bear annual interest at a rate of 5.25%. These notes replaced the Senior Unsecured Notes issued in 2011 amounting to US Dollars 1,100 million, with a maturity in 2018 and at interest rate of 8.25%. On 29 May 2014 the Notes have been admitted to listing in the Irish Stock Exchange.

The costs of refinancing Senior Unsecured Notes amounted to Euros 67.6 million, including the cost of cancellation. These costs were included as transaction costs together with other costs deriving from the debt issue and will be taken to profit and loss in accordance with the effective interest rate. Based on the

analysis of the quantitative and qualitative factors, the Group concluded that the renegotiation of conditions of the Senior Unsecured Notes did not trigger a derecognition of the liability. Unamortized financing costs from the Senior Unsecured Notes amount to Euros 117 million at 31 December 2016 (Euros 137 million at 31 December 2015).

Details of movement in the Senior Unsecured Notes at 31 December 2015 are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | Opening outstanding balance 01/01/15 | Translation differences | Closing outstanding balance 31/12/15 |
| Senior Unsecured Notes (nominal amount) | 823,655 | 94,872 | 918,527 |
| Total | 823,655 | 94,872 | 918,527 |

Details of movement in the Senior Unsecured Notes at 31 December 2016 are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | Opening outstanding balance 01/01/16 | Translation differences | Closing outstanding balance 31/12/16 |
| Senior Unsecured Notes (nominal amount) | 918,527 | 30,150 | 948,677 |
| Total | 918,527 | 30,150 | 948,677 |

At 31 December 2016 and 2015 the current obligations caption includes the issue of bearer promissory notes to Group employees, as follows:

| | 31/12/2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 05/05/15 | 04/05/16 | 3,000 | 4.00% | 68,778 | (390) | (912) |

| | 31/12/2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 05/05/16 | 04/05/17 | 3,000 | 4.00% | 84,966 | (789) | (1,104) |

### (b) Loans and borrowings

Details of loans and borrowings at 31 December 2016 and 2015 are as follows:

| | | | | | Thousands of Euros | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 31/12/2016 | | 31/12/2015 | |
| Credit | Currency | Interest rate | Date awarded | Maturity date | Amount extended | Carrying amount | Amount extended | Carrying amount |
| Senior debt—Tranche B | Euros | Euribor + 3% | 27/02/2014 | 28/02/2021 | 400,000 | 385,000 | 400,000 | 389,000 |
| Senior debt—Tranche A | US Dollars | Libor + 2.5% | 27/02/2014 | 29/02/2020 | 664,074 | 527,108 | 642,969 | 558,579 |
| Senior debt—Tranche B | US Dollars | Libor + 3% | 27/02/2014 | 28/02/2021 | 3,055,168 | 2,967,574 | 2,965,308 | 2,903,114 |
| Total senior debt | | | | | 4,119,242 | 3,879,682 | 4,008,277 | 3,850,693 |
| EIB Loan | Euros | 2.70% | 20/11/2015 | 20/11/2025 | 100,000 | 100,000 | 100,000 | 100,000 |
| Revolving Credit | US Dollars | Libor + 2.5% | 27/02/2014 | 27/02/2019 | 284,603 | — | 275,558 | — |
| Other non-current loans | Euros | Euribor-Euribor+4% | 10/07/2013 | 30/09/2024 | 33,000 | 14,898 | 33,000 | 20,326 |
| Loan transaction costs | | | | | — | (150,987) | — | (186,441) |
| **Non-current loans and borrowings** | | | | | **4,536,845** | **3,843,593** | **4,416,835** | **3,784,578** |
| Senior debt—Tranche B | Euros | Euribor + 3% | 27/02/2014 | 28/02/2021 | (*) | 4,000 | (*) | 4,000 |
| Senior debt—Tranche A | US Dollars | Libor + 2.5% | 27/02/2014 | 29/02/2020 | (*) | 49,806 | (*) | 44,204 |
| Senior debt—Tranche B | US Dollars | Libor + 3% | 27/02/2014 | 28/02/2021 | (*) | 30,832 | (*) | 29,852 |
| Total senior debt | | | | | — | 84,638 | — | 78,056 |
| Other current loans | | 1.25% - 14.50% | | | 208,105 | 23,288 | 205,260 | 27,002 |
| Loan transaction costs | | | | | — | (3,365) | — | (3,891) |
| **Current loans and borrowings** | | | | | **208,105** | **104,561** | **205,260** | **101,167** |

(*) See amount granted under non-current debt

Current loans and borrowings include accrued interest amounting to Euros 596 thousand as at 31 December 2016 (Euros 519 thousand at 31 December 2015).

On 17 March 2014 the Group refinanced its Senior Secured Debt. The new senior debt consists of a Term Loan A ("TLA"), which amounts to US Dollars 700 million with a 2.50% margin over US Libor and maturity in 2020 and a Term Loan B ("TLB") that amounts to US Dollars 3,250 million and Euros 400 million with a 3.00% margin over Libor and Euribor respectively and maturity in 2021. Furthermore, the embedded floor included in the former senior debt, was terminated.

The present value discounted from cash flows under the new agreement, including costs for fees paid and discounted using the original effective interest rate differs by less than 10% of the present value discounted from cash flows remaining in the original debt, whereby the new agreement is not substantially any different to the original agreement.

The costs of refinancing the senior debt amounted to Euros 115.6 million. The termination of the embedded derivatives of the senior debt formed part of the refinancing and the resulting change in the fair values amounting to Euros 23.8 million reduced the financing cost. Based on the analysis of the quantitative and qualitative factors, the Group concluded that the renegotiation of conditions of the senior debt did not trigger a derecognition of the liability. Therefore, the net amount of the financing cost reduced the previous amount recognized and will form part of the amortized cost over the duration of the debt. Unamortized financing costs from the senior secured debt amount to Euros 154 million at 31 December 2016 (Euros 190 million at 31 December 2015).

The terms and conditions of the senior secured debt are as follows:

- **Tranche A:** Senior Debt Loan repayable in six years
    - **US Tranche A** :
        - Original Principal Amount of US Dollars 700 million.
        - Applicable margin of 250 basis points (bp) linked to US Libor 1 month.
        - No floor over US Libor.

Details of Tranche A by maturity at 31 December 2016 are as follows:

| | US Tranche A | | |
|---|---|---|---|
| | **Currency** | **Principal in thousands of US Dollars** | **Principal in thousands of Euros** |
| Maturity | | | |
| 2017 | US Dollars | 52,500 | 49,806 |
| 2018 | US Dollars | 52,500 | 49,806 |
| 2019 | US Dollars | 380,625 | 361,090 |
| 2020 | US Dollars | 122,500 | 116,212 |
| Total | US Dollars | 608,125 | 576,914 |

- **Tranche B:** seven year loan divided into two tranches: US Tranche B and Tranche B in Euros.
    - **US Tranche B :**
        - Original Principal Amount of US Dollars 3,250 million.
        - Applicable margin of 300 basis points linked to US Libor 1 month
        - No floor over US Libor.
    - **Tranche B in Euros:**
        - Original Principal Amount of Euros 400 million.
        - Applicable margin of 300 basis points linked to Euribor 1 month.
        - No floor over Euribor

Details of Tranche B by maturity at 31 December 2016 are as follows:

| | US Tranche B | | | US Tranche B in Euros | |
|---|---|---|---|---|---|
| | Currency | Principal in thousands of US Dollars | Principal in thousands of Euros | Currency | Principal in thousands of Euros |
| Maturity | | | | | |
| 2017 | US Dollars | 32,500 | 30,831 | Euros | 4,000 |
| 2018 | US Dollars | 32,500 | 30,831 | Euros | 4,000 |
| 2019 | US Dollars | 32,500 | 30,831 | Euros | 4,000 |
| 2020 | US Dollars | 32,500 | 30,831 | Euros | 4,000 |
| 2021 | US Dollars | 3,030,625 | 2,875,082 | Euros | 373,000 |
| Total | US Dollars | 3,160,625 | 2,998,406 | Euros | 389,000 |

- **US Dollar 300 million committed credit revolving facility:** Amount maturing on 27 February 2019. At 31 December 2016 no amount has been drawn down on this facility.

The issue of senior unsecured notes and senior secured debt is subject to compliance with a leverage ratio covenant. At 31 December 2016 the Group complies with this covenant.

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 Worldwide Operations Limited and are guaranteed on a senior unsecured basis by Grifols, S.A. and the subsidiaries of Grifols, S.A. that are guarantors and co-borrower under the New Credit Facilities. The guarantors are Grifols, S.A., Biomat USA, Inc., Grifols Biologicals Inc., Grifols Shared Services North America, Inc., Grifols Diagnostic Solutions Inc., Grifols Therapeutics, Inc., Instituto Grifols, S.A. and Grifols Worldwide Operations USA, Inc.

**(c) Finance lease liabilities**

Details of minimum payments and the present value of finance lease liabilities, by maturity date, are as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2016 | | | 31/12/2015 | | |
| | Minimum payments | Interest | Present Value | Minimum payments | Interest | Present Value |
| Maturity at: | | | | | | |
| Less than one year | 4,267 | 408 | 3,859 | 6,158 | 502 | 5,656 |
| Two years | 3,636 | 263 | 3,373 | 2,914 | 336 | 2,578 |
| Three years | 1,792 | 88 | 1,704 | 2,271 | 220 | 2,051 |
| Four years | 672 | 16 | 656 | 897 | 72 | 825 |
| Five years | 306 | 5 | 301 | 305 | 9 | 296 |
| More than five years | 53 | 1 | 52 | 106 | 4 | 102 |
| Total | 10,726 | 781 | 9,945 | 12,651 | 1,143 | 11,508 |

**(d) Credit rating**

In December 2016 Moody's Investors Service has confirmed the 'Ba3' corporate family rating, 'Ba2' rating to the senior secured bank debt and 'B2' rating to the unsecured notes that were used to refinance the existing debt structure ('Ba2', 'Ba1' and 'B1' respectively in October 2015). The outlook is confirmed as stable.

In December 2016 and June 2015 Standard & Poor's has confirmed its 'BB' rating on Grifols and has assigned 'BB' and 'B+' issue ratings to Grifols' senior secured debt and senior unsecured notes that were used to refinance the existing debt structure. The outlook for the rating is stable.

**(e) Other financial liabilities**

At 31 December 2016 "other financial liabilities" include interest-free loans extended by governmental institutions amounting to Euros 20,543 thousand (Euros 22,432 thousand at 31 December 2015).The portion of the loans considered a grant and still to be taken to profit and loss amounts to Euros 885 thousand (Euros 851 thousand at 31 December 2015) (see note 18).

At 31 December 2015 "other current financial liabilities" included Euros 24,824 thousand relating to the put and call option extended by the Group and the shareholders of Progenika. On 3 March 2016 the Group announced the acquisition of a further 32.93% stake in Progenika following the exercise of call options agreed in February 2013 (see note 2). At 31 December 2016, "other financial liabilities" include an amount of Euros 5 million related to the remaining call option with maturity on 2018.

At 31 December 2016 and 2015 "other current financial liabilities" also include approximately Euros 17,578 thousand and Euros 39,232 thousand, respectively, which have been collected directly from Spanish Social Security affiliated bodies and transferred to financial institutions (see note 13).

Details of the maturity of other financial liabilities are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Maturity at: | | |
| Up to one year | 26,121 | 68,768 |
| Two years | 11,468 | 4,598 |
| Three years | 6,203 | 9,424 |
| Four years | 5,802 | 2,992 |
| Five years | 2,490 | 2,579 |
| Over five years | 5,012 | 6,215 |
| | 57,096 | 94,576 |

**(21) Trade and Other Payables**

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| **Suppliers** | **461,073** | **409,986** |
| VAT payable | 10,048 | 7,138 |
| Taxation authorities, withholdings payable | 23,700 | 23,135 |
| Social security payable | 11,422 | 10,375 |
| Other public entities | 97,724 | 65,523 |
| **Other payables** | **142,894** | **106,171** |
| **Current income tax liabilities** | **7,957** | **16,196** |
| | **611,924** | **532,353** |

**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.

**(22) Other Current Liabilities**

Details at 31 December are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Salaries payable | 132,755 | 124,433 |
| Other payables | 427 | 1,040 |
| Deferred income | 441 | 3,837 |
| Advances received | 6,563 | 5,354 |
| Other current liabilities | 140,186 | 134,664 |

**(23) Net Revenues**

Net revenues are mainly generated from the sale of goods.

The distribution of net consolidated revenues for 2016, 2015 and 2014 by segment is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Bioscience | 3,228,275 | 3,032,111 | 2,513,510 |
| Diagnostic | 663,983 | 691,452 | 620,022 |
| Hospital | 98,583 | 96,245 | 94,800 |
| Raw Material and others | 58,989 | 114,755 | 127,052 |
| | 4,049,830 | 3,934,563 | 3,355,384 |

The geographical distribution of net consolidated revenues is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| USA and Canada | 2,663,197 | 2,505,791 | 2,042,700 |
| Spain | 217,497 | 207,641 | 214,558 |
| European Union | 422,752 | 455,276 | 448,244 |
| Rest of the world | 687,395 | 651,100 | 522,830 |
| Subtotal | 3,990,841 | 3,819,808 | 3,228,332 |
| Raw Materials and others | 58,989 | 114,755 | 127,052 |
| Consolidated | 4,049,830 | 3,934,563 | 3,355,384 |

Details of discounts and other reductions in gross income are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Gross sales | 4,882,615 | 4,579,759 | 3,704,597 |
| Chargebacks | (652,564) | (488,072) | (221,129) |
| Cash discounts | (51,953) | (46,150) | (32,255) |
| Volume rebates | (51,242) | (49,458) | (38,409) |
| Medicare and Medicaid | (47,820) | (25,710) | (22,690) |
| Other discounts | (29,206) | (35,806) | (34,730) |
| Net sales | 4,049,830 | 3,934,563 | 3,355,384 |

Movement in discounts and other reductions in gross income during 2014 were as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Chargebacks | Cash discounts | Volume rebates | Medicare / Medicaid | Other discounts | Total |
| **Balance at 31 December 2013** | 16,978 | 3,267 | 18,297 | 7,557 | 210 | 46,309 |
| Current estimate related to sales made in current and prior year | 221,129 | 32,255 | 38,409 | 22,690 | 34,730 | 349,213[(1)] |
| (Actual returns or credits in current period related to sales made in current period) | (186,046) | (28,628) | (29,819) | (17,121) | (33,480) | (295,094)[(2)] |
| (Actual returns or credits in current period related to sales made in prior periods) | 1,626 | (2,137) | (5,167) | 1,596 | 3,002 | (1,080)[(3)] |
| Translation differences | 4,744 | (19) | (690) | 101 | (1,288) | 2,848 |
| **Balance at 31 December 2014** | **58,431** | **4,738** | **21,030** | **14,823** | **3,174** | **102,196** |

Movement in discounts and other reductions to gross income during 2015 were as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Chargebacks | Cash discounts | Volume rebates | Medicare / Medicaid | Other discounts | Total |
| **Balance at 31 December 2014** | 58,431 | 4,738 | 21,030 | 14,823 | 3,174 | 102,196 |
| Current estimate related to sales made in current and prior year | 488,072 | 46,150 | 49,458 | 25,710 | 35,806 | 645,196[(1)] |
| (Actual returns or credits in current period related to sales made in current period) | (428,041) | (44,867) | (18,211) | (18,402) | (34,059) | (543,580)[(2)] |
| (Actual returns or credits in current period related to sales made in prior periods) | — | (246) | (25,051) | (11,257) | (1,791) | (38,345)[(3)] |
| Translation differences | 7,716 | 127 | 2,454 | 1,594 | 2,237 | 14,128 |
| **Balance at 31 December 2015** | **126,178** | **5,902** | **29,680** | **12,468** | **5,367** | **179,595** |

Movement in discounts and other reductions to gross income during 2016 were as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Chargebacks | Cash discounts | Volume rebates | Medicare / Medicaid | Other discounts | Total |
| **Balance at 31 December 2015** | 126,178 | 5,902 | 29,680 | 12,468 | 5,367 | 179,595 |
| Current estimate related to sales made in current and prior year | 652,564 | 51,953 | 51,242 | 47,820 | 29,206 | 832,785[(1)] |
| (Actual returns or credits in current period related to sales made in current period) | (693,458) | (51,733) | (27,409) | (24,988) | (27,243) | (824,831)[(2)] |
| (Actual returns or credits in current period related to sales made in prior periods) | — | (248) | (27,732) | (14,401) | (2,986) | (45,367)[(3)] |
| Translation differences | 1,965 | 758 | 726 | 858 | 98 | 4,405 |
| **Balance at 31 December 2016** | **87,249** | **6,632** | **26,507** | **21,757** | **4,442** | **146,587** |

(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

**(24) Personnel Expenses**

Details of personnel expenses by function are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Cost of sales | 635,577 | 592,037 | 479,055 |
| Research and development | 77,988 | 76,780 | 66,857 |
| Selling, general & administration expenses | 314,348 | 269,718 | 253,489 |
| | 1,027,913 | 938,535 | 799,401 |

Details by nature are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Wages and salaries | 822,384 | 756,570 | 639,639 |
| Contributions to pension plans (note 29) | 18,486 | 14,587 | 15,589 |
| Other social charges | 25,074 | 22,071 | 17,279 |
| Social Security | 161,969 | 145,307 | 126,894 |
| | 1,027,913 | 938,535 | 799,401 |

**(25) Expenses by Nature**

**(a) Amortization and depreciation**

Expenses for the amortization and depreciation of intangible assets and property, plant and equipment, incurred during 2016, 2015 and 2014 classified by functions are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Cost of sales | 126,998 | 110,898 | 81,226 |
| Research and development | 13,050 | 13,654 | 13,053 |
| Selling, general & administration expenses | 61,821 | 65,203 | 95,193 |
| | 201,869 | 189,755 | 189,472 |

**(b) Other operating income and expenses**

Other operating income and expenses incurred during 2016, 2015 and 2014 by function are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Cost of sales | 454,097 | 426,531 | 315,483 |
| Research and development | 113,078 | 118,667 | 85,501 |
| Selling, general & administration expenses | 393,523 | 403,944 | 356,612 |
| | 960,698 | 949,142 | 757,596 |

Details by nature are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Changes in trade provisions | (22,069) | (763) | (18,032) |
| Professional services | 190,003 | 173,990 | 134,062 |
| Commissions | 20,147 | 20,474 | 20,002 |
| Supplies and auxiliary materials | 119,014 | 115,471 | 89,244 |
| Operating leases (note 28) | 74,945 | 70,496 | 87,504 |
| Freight | 96,680 | 83,352 | 70,760 |
| Repair and maintenance expenses | 89,797 | 81,087 | 62,054 |
| Advertising | 51,233 | 47,860 | 59,912 |
| Insurance | 20,008 | 19,501 | 17,842 |
| Royalties | 9,217 | 9,386 | 9,723 |
| Travel expenses | 53,239 | 52,606 | 45,014 |
| External services | 43,231 | 56,743 | 65,717 |
| R&D Expenses | 78,379 | 81,319 | 52,344 |
| Other | 136,874 | 137,620 | 61,450 |
| **Other operating income&expenses** | 960,698 | 949,142 | 757,596 |

**(26) Finance Result**

Details are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Finance income | 9,934 | 5,841 | 3,069 |
| Finance cost from Senior Unsecured Notes | (73,491) | (72,783) | (62,936) |
| Finance cost from senior debt | (168,332) | (161,624) | (145,438) |
| Finance cost from sale of receivables (note 13) | (4,885) | (6,512) | (6,271) |
| Capitalized interest | 13,019 | 9,795 | 5,152 |
| Other finance costs | (11,140) | (9,211) | (15,542) |
| Finance costs | (244,829) | (240,335) | (225,035) |
| Change in fair value of financial derivatives (note 30) | (7,610) | (25,206) | (20,984) |
| Impairment and gains / (losses) on disposal of financial instruments | — | — | (5) |
| Exchange differences | 8,916 | (12,140) | (18,472) |
| Finance result | (233,589) | (271,840) | (261,427) |

During 2016 the Group has capitalized interest at a rate of between 4.8% and 5.2% based on the financing received (between 5.2% and 5.26% during 2015) (see note 4 (f)).

**(27) Taxation**

Grifols, S.A. is authorized to file consolidated tax returns in Spain with Diagnostic Grifols, S.A., Movaco, S.A., Laboratorios Grifols, S.A., Instituto Grifols, S.A., Grifols Worldwide Operations Spain, S.A. (formerly Logister, S.A), Biomat, S.A., Grifols Viajes, S.A., Grifols International, S.A., Grifols Engineering, S.A., Gri-Cel, S.A. and Gripdan Invest, 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. and Talecris Plasma Resources, Inc. The profits of the companies domiciled in the USA, determined in accordance with prevailing tax legislation, are subject to tax of approximately 36.5% of taxable income, which may be reduced by certain deductions.

**(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 | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Profit before income tax from continuing operations | 712,752 | 690,250 | 589,680 |
| Tax at 25% (28% for 2015 and 30% for 2014) | 178,188 | 193,270 | 176,904 |
| Permanent differences | 8,019 | (2,709) | (9,026) |
| Effect of different tax rates | 14,509 | (24,524) | (29,253) |
| Tax credits (deductions) | (20,163) | (19,487) | (22,913) |
| Prior year income tax expense | 928 | 2,723 | (1,391) |
| Other income tax expenses/(income) | (13,272) | 9,536 | 8,276 |
| Total income tax expense | 168,209 | 158,809 | 122,597 |
| Deferred tax | (40,161) | 24,357 | 4,765 |
| Current tax | 208,370 | 134,452 | 117,832 |
| Total income tax expense | 168,209 | 158,809 | 122,597 |

The effect of the different tax rates is basically due to a change of country mix in profits

In accordance with tax legislation modifications issued in Spain for fiscal years 2016, 2015 and 2014, the Group has recalculated the impact of adjusting deferred tax assets and liabilities to tax rates of 28% and 25%, respectively. The impact recognised under "Total income tax expense" amounts to Euros 0.3 million in fiscal year 2015 (Euros 4.4 million in fiscal year 2014).

**(b) Deferred tax assets and liabilities**

Details of deferred tax assets and liabilities are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | Tax effect | | |
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Assets | | | |
| Provisions | 3,696 | 38,004 | 58,966 |
| Inventories | 39,297 | 37,141 | 35,110 |
| Tax credits (deductions) | 37,685 | 42,533 | 34,892 |
| Tax loss carryforwards | 10,717 | 30,668 | 18,240 |
| Other | 3,393 | 6,961 | 1,838 |
| Subtotal, assets | 94,788 | 155,307 | 149,046 |
| Goodwill | (19,136) | (77,755) | (56,615) |
| Fixed assets, amortisation and depreciation | (7,062) | (10,409) | (7,579) |
| Intangible assets | (1,371) | (349) | (2,407) |
| Subtotal, net liabilities | (27,569) | (88,513) | (66,601) |
| Deferred assets, net | 67,219 | 66,794 | 82,445 |
| Liabilities | | | |
| Goodwill | (131,039) | (35,877) | (29,706) |
| Intangible assets | (392,388) | (404,617) | (361,469) |
| Fixed assets | (158,060) | (119,858) | (110,929) |
| Debt cancellation costs | (64,762) | (77,514) | (83,315) |
| Inventories | (1,175) | (32,351) | (24,242) |
| Cash flow hedges | — | (982) | (821) |
| Subtotal, liabilities | (747,424) | (671,199) | (610,482) |
| Tax loss carryforwards | 40,358 | 7,097 | 6,268 |
| Provisions | 61,252 | 22,085 | 50,078 |
| Other | 45,168 | 10,452 | 15,350 |
| Subtotal, net assets | 146,778 | 39,634 | 71,696 |
| Net deferred Liabilities | (600,646) | (631,565) | (538,786) |

Movement in deferred tax assets and liabilities is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| **Deferred tax assets and liabilities** | **31/12/2016** | **31/12/2015** | **31/12/2014** |
| Balance at 1 January | (564,771) | (456,341) | (419,488) |
| Movements during the year | 40,161 | (24,357) | (4,766) |
| Movements in equity during the year | — | (10,960) | (3,864) |
| Business combination (note 3) | — | — | 34,899 |
| Translation differences | (8,817) | (73,113) | (63,122) |
| Balance at 31 December | (533,427) | (564,771) | (456,341) |

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.

Details of deferred tax assets and liabilities on items directly debited and credited to equity during the year are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | Tax effect | | |
| | **31/12/2016** | **31/12/2015** | **31/12/2014** |
| Cash flow hedges (note 15 (f)) | — | (10,960) | (3,864) |
| | — | (10,960) | (3,864) |

The remaining assets and liabilities recognized in 2016, 2015 and 2014 were recognized in the statement of profit and loss.

Estimated net deferred tax liabilities to be reversed in a period of less than 12 months amount to Euros 99.897 thousand at 31 December 2016 (Euros 53,747 thousand at 31 December 2015).

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 tax loss carryforwards of Group companies, which amount to Euros 67,043 thousand (Euros 67,955 thousand at 31 December 2015).

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 (tax years 2012 to 2014).

- Grifols Diagnostic Solutions, Corp.: notification of an inspection of the "federal tax return" for the fiscal year 2014.

- Grifols Brasil, Lda: notification of inspection of services tax for the years 2012 to 2016.

- Logística Grifols, S.A. de C.V.: notification of inspection of corporate tax and VAT for the year 2010.

- Grifols, S.A., Instituto Grifols, S.A., Movaco, S.A. and Biomat, S.A.: Income Tax audit, Withholdings and VAT Audit for the tax years ended 2010, 2011 and 2012 that were initiated as of July 2014. During tax year 2016 these inspections have been closed without any significant adjustment.

Group management does not expect any significant liability to derive from these inspections.

**(28) Operating Leases**

**(a) Operating leases (as lessee)**

At 31 December 2016, 2015 and 2014 the Group leases buildings and warehouses from third parties under operating leases.

Operating lease instalments of Euros 74,945 thousand have been recognized as an expense for the year ended at 31 December 2016 (Euros 70,496 thousand at 31 December 2015 and Euros 87,504 thousand at 31 December 2014) and comprise minimum lease payments.

Future minimum payments on non-cancellable operating leases at 31 December 2016, 2015 and 2014 are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Maturity at: | | | |
| Up to 1 year | 56,869 | 77,951 | 44,331 |
| Between 1 and 5 years | 181,076 | 126,644 | 109,531 |
| More than 5 years | 119,579 | 101,319 | 51,689 |
| Total future minimum payments | 357,524 | 305,914 | 205,551 |

**(b) Operating leases (as lessor)**

At 31 December 2016, 2015 and 2014 the Group has no lease contracts as lessor.

**(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.

**(c) Obligations with personnel**

The Group's annual contribution to defined contribution pension plans of Spanish Group companies for 2016 has amounted to Euros 674 thousand (Euros 647 thousand for 2015).

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 77 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 nine 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 bonuses for 2014 and 2015, payable in 2015 and 2016, 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 the date of payment of the bonus, and no cash dividends will be paid in respect of these shares.

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 RSUs.

This commitment is treated as equity-settled and the amount totals Euros 10,594 thousand at 31 December 2016 (Euros 4,532 thousand at 31 December 2015).

**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 3% of employee contributions and 50% of the next 2%. Group and employee contributions are fully vested when contributed. The plan assets are held in trust and invested as directed by the plan participants. The total cost of matching contributions to the savings plan was US Dollars

17 million for 2016 (US Dollars 12.7 million for 2015). Costs of contributions derived from the Defined Contribution Plan were included in the savings plan for the year 2014 since the acquisition of the Novartis Diagnostic Unit in January 2014. The recognition of the cost of these contributions was consistent with each participant's salary. In 2015 this cost has been terminated.

**Other plans**

The Group has a defined benefit pension plan for certain Talecris Biotherapeutics, GmbH employees in Germany as required by statutory law. The pension cost relating to this plan was not material for the periods presented.

**(d) Purchase commitments**

Details of the Group's commitments at 31 December 2016 are as follows:

| | Thousands of Euros |
|---|---|
| 2017 | 13,145 |
| 2018 | 12,811 |
| 2019 | 15,027 |
| 2020 | 12,129 |
| 2021 | 3,875 |
| 2022 | 939 |
| 2023 | 887 |
| 2024 | 887 |

**(e) Judicial procedures and arbitration**

Details of legal proceedings in which the Company or Group companies are involved are as follows:

- The Group carried out an internal investigation, already started prior to the acquisition of Talecris, in relation to possible breaches of the Foreign Corrupt Practices Act (FCPA) of which Talecris was aware in the context of a review unrelated to this matter. This FCPA investigation was carried out by an external legal advisor. In principle, the investigation was focused on sales to certain Central and Eastern European countries, specifically Belarus and Russia, although trading practices in Brazil, China, Georgia, Iran and Turkey are also being investigated, in addition to other countries considered necessary.

In July 2009, the Talecris Group voluntarily contacted the U.S. Department of Justice (DOJ) to inform them of an internal investigation that the Group was carrying out regarding possible breaches of the FCPA in certain sales to certain central and East European countries and to offer the Group's collaboration in any investigation that the DOJ wanted to carry out. As a result of this investigation the Group suspended shipments to some of these countries. In certain cases, the Group had safeguards in place which led to terminating collaboration with consultants and suspending or terminating relations with distributors in those countries under investigation as circumstances warranted.

As a consequence of the investigation, the agreement with Talecris' Turkish distributor was terminated and a settlement agreement was reached between the parties. In November 2012, the Group was notified

by the DOJ that the proceedings would be closed, without prejudice to the fact that they could be re-opened in the future should new information arise. The Group continues with the in-depth review of potential irregular practices.

Furthermore, an investigation was opened in Italy, in relation with the criminal prosecution in Naples against 5 employees of the Company, including the former General Manager.

From these 5 employees of the Company initially charged, the Naples Tribunal resolved discharging 3 of them, continuing the judicial process only against the remaining 2 employees. Additionally, the Company has finalized the internal investigation opened in Italy as a consequence of the indicated judicial proceedings, and in November 2015 a meeting took place with the DOJ to report on the conclusions derived from the investigation.

Additionally to the above and as part of the in-depth review of potential irregular practices that the Group is carrying out in relation to its recent acquisitions, the Company opened internal investigations in Mexico as well as in the Czech Republic to review the commercial practices in such countries. Both investigations have finalized, without having detected any significant practice that could imply a breach of the FCPA.

On September 2016, the United States Department of Justice (the "Department") notified the Group that the Department has closed its inquiry into Grifols, concerning possible violations of the U.S. Foreign Corrupt Practices Act. In its notice of declination to prosecute, the Department acknowledged the full cooperation of Grifols in the investigation.

- As a result of the acquisition of the transfusional Diagnostic unit, the Group considers that there could have existed inadequate commercial and contractual practices which could originate in potential contingencies.

## (30) Financial Instruments

### Classification

Disclosure of financial instruments by nature, category and fair value is as follows:

| | Thousand of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2015 | | | | | | | |
| | Carrying amount | | | | Fair Value | | | |
| | Loans and receivables | Financial instruments held for trading | Debts and payables | Total | Level 1 | Level 2 | Level 3 | Total |
| Non-current financial assets | 30,388 | — | — | 30,388 | | | | |
| Other current financial assets | 1,294 | — | — | 1,294 | | | | |
| Trade and other receivables | 394,464 | — | — | 394,464 | | | | |
| Cash and cash equivalents | 1,142,500 | — | — | 1,142,500 | | | | |
| **Financial assets not measured at fair value** | **1,568,646** | **—** | **—** | **1,568,646** | | | | |
| Financial derivatives | — | (7,375) | — | (7,375) | — | (7,375) | — | (7,375) |
| **Financial liabilities at fair value** | **—** | **(7,375)** | **—** | **(7,375)** | | | | |
| Senior Unsecured Notes | — | — | (793,472) | (793,472) | (927,712) | — | — | (927,712) |
| Promissory Notes | — | — | (67,475) | (67,475) | | | | |
| Senior secured debt | — | — | (3,738,417) | (3,738,417) | (3,929,517) | — | — | (3,929,517) |
| Other bank loans | — | — | (147,328) | (147,328) | | | | |
| Finance lease payables | — | — | (11,508) | (11,508) | | | | |
| Other financial liabilities | — | — | (94,576) | (94,576) | | | | |
| Trade and other payables | — | — | (409,986) | (409,986) | | | | |
| Debts with associates | — | — | (443) | (443) | | | | |
| Other current liabilities | — | — | (10,231) | (10,231) | | | | |
| **Financial liabilities not measured at fair value** | **—** | **—** | **(5,273,436)** | **(5,273,436)** | | | | |
| | **1,568,646** | **(7,375)** | **(5,273,436)** | **(3,712,165)** | | | | |

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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31/12/2016 | | | | | | | | |
| | Carrying amount | | | | | Fair Value | | | |
| | Loans and receivables | Financial instruments held for trading | Available for sale financial assets | Debts and payables | Total | Level 1 | Level 2 | Level 3 | Total |
| Non-current financial assets | 15,201 | — | 29,998 | — | 45,199 | 29,998 | 15,201 | — | 45,199 |
| Financial derivatives | — | 13,665 | — | — | 13,665 | — | 13,665 | — | 13,665 |
| **Financial assets measured at fair value** | **15,201** | **13,665** | **29,998** | **—** | **58,864** | | | | |
| Non-current financial assets | 30,681 | — | — | — | 30,681 | | | | |
| Other current financial assets | 2,582 | — | — | — | 2,582 | | | | |
| Trade and other receivables | 434,136 | — | — | — | 434,136 | | | | |
| Cash and cash equivalents | 895,009 | — | — | — | 895,009 | | | | |
| **Financial assets not measured at fair value** | **1,362,408** | **—** | **—** | **—** | **1,362,408** | | | | |
| Senior Unsecured Notes | — | — | — | (843,868) | (843,868) | (904,377) | — | — | (904,377) |
| Promissory Notes | — | — | — | (83,073) | (83,073) | | | | |
| Senior secured debt | — | — | — | (3,809,968) | (3,809,968) | (3,811,970) | — | — | (3,811,970) |
| Other bank loans | — | — | — | (138,186) | (138,186) | | | | |
| Finance lease payables | — | — | — | (9,945) | (9,945) | | | | |
| Other financial liabilities | — | — | — | (57,096) | (57,096) | | | | |
| Trade and other payables | — | — | — | (461,073) | (461,073) | | | | |
| Other current liabilities | — | — | — | (7,431) | (7,431) | | | | |
| **Financial liabilities not measured at fair value** | **—** | **—** | **—** | **(5,410,640)** | **(5,410,640)** | | | | |
| | **1,377,609** | **13,665** | **29,998** | **(5,410,640)** | **(3,989,368)** | | | | |

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 2016 and 2015 the Group has recognized the following derivatives:

| | | | | Thousands of Euros | | |
|---|---|---|---|---|---|---|
| **Financial derivatives** | **Currency** | **Notional amount at 31/12/2016** | **Notional amount at 31/12/2015** | **Value at 31/12/16** | **Value at 31/12/15** | **Maturity** |
| Interest rate swap (cash flow hedges) | US Dollar | — | 694,445,000 | — | (6,789) | 30/06/2016 |
| Interest rate swap (cash flow hedges) | Euros | — | 100,000,000 | — | (586) | 31/03/2016 |
| Swap Option | Euros | — | 100,000,000 | — | — | 31/03/2016 |
| Call Option (note 2) | US Dollar | N/A | N/A | 9,487 | — | 30/04/2019 |
| Embedded derivative (note 11) | US Dollar | N/A | N/A | 4,178 | — | 31/05/2021 |
| Total | | | | 13,665 | (7,375) | |
| Total Assets (notes 2 and 11) | | | | 13,665 | — | |
| Total Liabilities (note 20) | | | | — | (7,375) | |

On May 11, 2016 the Group has paid an aggregate amount equal to US Dollars 10 million (Euros 8,960 thousand) in respect of the call right for the Interstate Blood Bank, Inc. shares, Bio-Blood Components, Inc. shares and Plasma Biological Services, LLC. units that are not owned by the Group. The call right can be exercised by the Group by delivering written notice of its intention at any time on or after February 1, 2019 and on or before April 30, 2019 (see notes 2 and 11).

Financial derivatives are measured based on observable market data (level 2 of fair value hierarchy). Regarding the valuation of derivative instruments, the selection of the appropriate data within the alternatives requires the use of judgement in qualitative factors such as, which methodology and valuation models are used, and in quantitative factors, data required to be included within the chosen models.

**(a) Derivative financial instruments at fair value through profit and loss**

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.

**(b) Hedging derivative financial instruments**

See note 15(f).

In June 2011, the Group subscribed two derivatives in order to comply with the mandatory hedging according to the Credit Agreement: a step-up interest rate swap and a swap floor, which originally had notional amounts of US Dollars 1,550 million each. The amortizing step up interest rate swap was not changed due to the improvement of the new Credit Agreement and the notional amount at the end of December 2015 stood at US Dollars 694 million. The Swap had quarterly amortizations, in order to always remain below the amounts borrowed to avoid being over hedged. The interest rate swap complied with the criteria required for hedge accounting.

At 31 December 2016, the Company has no derivatives in place that qualify for hedge accounting.

**Credit risk**

**(a) Exposure to credit risk**

The carrying amount of financial assets represents the maximum exposure to credit risk. At 31 December 2016 and 2015 the maximum level of exposure to credit risk is as follows:

| | | Thousands of Euros | |
|---|---|---|---|
| **Carrying amount** | **Note** | **31/12/2016** | **31/12/2015** |
| Non-current financial assets | 11 | 89,545 | 30,388 |
| Other current financial assets | 11 | 2,582 | 1,294 |
| Trade receivables | 13 | 413,656 | 362,406 |
| Other receivables | 13 | 20,480 | 32,058 |
| Cash and cash equivalents | 14 | 895,009 | 1,142,500 |
| | | 1,421,272 | 1,568,646 |

The maximum level of exposure to risk associated with receivables at 31 December 2016 and 2015, by geographical area, is as follows.

| | Thousands of Euros | |
|---|---|---|
| **Carrying amount** | **31/12/2016** | **31/12/2015** |
| Spain | 56,104 | 56,160 |
| EU countries | 52,034 | 61,720 |
| United States of America | 196,885 | 134,872 |
| Other European countries | 13,428 | 6,329 |
| Other regions | 115,685 | 135,383 |
| | 434,136 | 394,464 |

Details of balances receivable by country such as Greece, Italy, Spain and Portugal at 31 December 2015 are as follows:

| | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balances with public entities | | | Balance with third parties | | | |
| | Balance (1) | Balance past due | Provision for doubtful receivables (2) | Balance (3) | Balance past due | Provision for doubtful receivables (4) | Net debt (1)+(2)+(3)+(4) |
| Greece | — | — | — | 1,815 | 854 | — | 1,815 |
| Italy | 11,918 | 7,294 | (144) | 12,332 | 5,308 | (2,777) | 21,329 |
| Spain | 33,937 | 4,079 | — | 11,431 | 6,978 | (707) | 44,661 |
| Portugal | 2,664 | 1,394 | (460) | 202 | 68 | (26) | 2,380 |
| | 48,519 | 12,767 | (604) | 25,780 | 13,208 | (3,510) | 70,185 |

Details of balances receivable by country such as Greece, Italy, Spain and Portugal at 31 December 2016 are as follows:

| | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balances with public entities | | | Balance with third parties | | | |
| | Balance(1) | Balance past due | Provision for doubtful receivables (2) | Balance (3) | Balance past due | Provision for doubtful receivables (4) | Net debt (1)+(2)+(3)+(4) |
| Greece | — | — | — | 425 | — | (137) | 288 |
| Italy | 7,188 | 2,077 | — | 12,196 | 7,375 | (3,098) | 16,286 |
| Spain | 23,281 | 3,287 | — | 27,316 | 9,595 | (249) | 50,348 |
| Portugal | 2,734 | 1,205 | (356) | 129 | 78 | (27) | 2,480 |
| | 33,203 | 6,569 | (356) | 40,066 | 17,048 | (3,511) | 69,402 |

Provision has been made for balances receivable from Portuguese public entities on the basis of the best estimate of their expected collection in view of the current situation regarding negotiations. The Group does not currently have any reason to consider that the receivables from public entities in Spain will not be recoverable.

**(b) Impairment losses**

Details of the maturity of trade receivables, net of impairment provisions are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Not matured | 360,018 | 321,450 |
| Less than 1 month | 24,650 | 21,610 |
| 1 to 4 months | 29,318 | 25,680 |
| 4 months to 1 year | 10,045 | 10,858 |
| More than one year | 10,105 | 14,866 |
| | 434,136 | 394,464 |

Unimpaired receivables that are past due mainly relate to public entities.

Movement in the bad debt provision was as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2014 |
| Opening balance | 13,210 | 14,092 | 16,073 |
| Business combination | — | — | 764 |
| Net charges for the year | 6,411 | 1,800 | (2,013) |
| Net cancellations for the year | (2,217) | (2,984) | (1,144) |
| Translation differences | 583 | 302 | 412 |
| Closing balance | 17,987 | 13,210 | 14,092 |

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 31/12/15 | Contractual flows | 6 months or less | 6 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
| **Financial liabilities** | | | | | | | | |
| Bank loans | 20 | 3,885,745 | 4,959,027 | 129,631 | 118,796 | 252,659 | 4,404,772 | 53,169 |
| Other financial liabilities | 20 | 94,576 | 94,576 | 40,294 | 28,474 | 3,932 | 19,620 | 2,256 |
| Bonds and other marketable securities | 20 | 860,947 | 1,311,506 | 103,643 | 24,111 | 48,223 | 192,891 | 942,638 |
| Finance lease payables | 20 | 11,508 | 12,650 | 4,450 | 1,708 | 2,918 | 3,571 | 3 |
| Payable to associates | 31 | 443 | 443 | 443 | — | — | — | — |
| Payable to suppliers | 21 | 409,986 | 409,986 | 409,381 | 605 | — | — | — |
| Other current liabilities | 22 | 10,231 | 10,231 | 9,606 | 625 | — | — | — |
| Financial liabilities for hedging derivatives | 20 | 7,375 | 7,375 | 7,375 | — | — | — | — |
| Total | | 5,280,811 | 6,805,794 | 704,823 | 174,319 | 307,732 | 4,620,854 | 998,066 |

| | | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Carrying amount | Note | Carrying amount at 31/12/16 | Contractual flows | 6 months or less | 6 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
| **Financial liabilities** | | | | | | | | |
| Bank loans | 20 | 3,948,154 | 4,669,325 | 134,918 | 119,476 | 192,059 | 4,183,259 | 39,613 |
| Other financial liabilities | 20 | 57,096 | 57,096 | 23,082 | 3,039 | 11,468 | 16,686 | 2,821 |
| Bonds and other marketable securities | 20 | 926,941 | 1,305,680 | 107,975 | 24,903 | 49,806 | 1,122,996 | — |
| Finance lease payables | 20 | 9,945 | 10,725 | 2,195 | 2,072 | 3,630 | 2,828 | — |
| Payable to suppliers | 21 | 461,073 | 461,073 | 461,029 | 44 | — | — | — |
| Other current liabilities | 22 | 7,431 | 7,431 | 7,118 | 313 | — | — | — |
| Total | | 5,410,640 | 6,511,330 | 736,317 | 149,847 | 256,963 | 5,325,769 | 42,434 |

**Currency risk**

The Group's exposure to currency risk is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | |
| | Euros(*) | Dollars(**) |
| Trade receivables | 12,234 | 9,762 |
| Receivables from Group companies | 38,650 | 289,754 |
| Loans to Group companies | 711,674 | 258,409 |
| Cash and cash equivalents | 98,983 | 13,780 |
| Trade payables | (9,003) | (7,760) |
| Payables to Group companies | (37,678) | (2,613) |
| Loans from Group companies | (373,102) | (3,971) |
| Bank loans | (493,000) | — |
| Balance sheet exposure | (51,242) | 557,361 |

(*) Balances in Euros in subsidiaries with US Dollars functional currency

(**) Balances in US Dollars in subsidiaries with Euros functional currency

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | |
| | Euros(*) | Dollars(**) |
| Trade receivables | 5,576 | 7,520 |
| Receivables from Group companies | 33,792 | 37,740 |
| Loans to Group companies | 597,897 | 1,854 |
| Cash and cash equivalents | 32,255 | 21,254 |
| Trade payables | (11,188) | (5,062) |
| Payables to Group companies | (42,395) | (32,159) |
| Loans from Group companies | (268,040) | (4,295) |
| Bank loans | (489,000) | — |
| Balance sheet exposure | (141,103) | 26,852 |

(*) 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 2016 and 2015 year ends are as follows:

| | Closing exchange rate | |
|---|---|---|
| Euros | 31/12/2016 | 31/12/2015 |
| US Dollars | 1.0541 | 1.0887 |

A sensitivity analysis for foreign exchange fluctuations is as follows:

Had the US Dollar strengthened by 10% against the Euro at 31 December 2016, equity would have increased by Euros 318,528 thousand (Euros 300,372 thousand at 31 December 2015) and profit due to foreign exchange differences would have decreased by Euros 11,425 thousand (would have increased by Euros 50,612 thousand at 31 December 2015). 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 2016 and 2015 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 | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Fixed-interest financial instruments | | |
| Financial liabilities | (1,048,676) | (1,756,393) |
| | (1,048,676) | (1,756,393) |
| Variable-interest financial instruments | | |
| Financial liabilities | (3,964,320) | (3,190,883) |
| | (3,964,320) | (3,190,883) |
| | (5,012,996) | (4,947,276) |

**(b) Sensitivity analysis**

If the interest rate had been 100 basis points higher during 2016, the interest expense would have increased by Euros 40.7 million and the finance cost due to changes in the value of derivatives would have been Euros 2.6 million lower. The impact on equity is not significant because of derivatives close to maturity on 31 March 2016 for Euro swaps and 30 June 2016 for US dollar swaps. Therefore, the net effect on cash interest payments should have been Euros 38.1 million.

If the interest rate had been 100 basis points higher during 2015, the interest expense would have increased by Euros 40.3 million, the finance cost due to changes in the value of derivatives would have been Euros 8.6 million lower and equity would have increased by Euros 2.2 million. Therefore, the net effect on cash interest payments should have been Euros 31.7 million.

Details of balances with related parties are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Receivables from associates (note 13) | 133 | 70 |
| Trade payables associates | (4,221) | — |
| Loans to associates (note 11) | 15,994 | 25,755 |
| Debts with associates | — | (443) |
| Debts with key management personnel | (6,662) | (3,962) |
| Payables to members of the board of directors | — | (475) |
| Payables to other related parties | (8,473) | (10,178) |
| | (3,229) | 10,767 |

Payables are included in suppliers and trade payables (see note 21).

**(a) Group transactions with related parties**

Group transactions with related parties during 2014 were as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Associates | Key management personnel | Other related parties | Board of directors of the Company |
| Net sales | 272 | — | — | — |
| Other service expenses | — | — | (7,733) | (1,094) |
| Operating lease expense | — | — | (24,030) | — |
| Remuneration | — | (9,369) | — | (4,631) |
| R&D agreements | (26,740) | — | — | — |
| Finance costs | (49) | — | — | — |
| | (26,517) | (9,369) | (31,763) | (5,725) |

Group transactions with related parties during 2015 were as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Associates | Key management personnel | Other related parties | Board of directors of the Company |
| Net sales | 317 | — | — | — |
| Other service expenses | (361) | — | (6,938) | (845) |
| Operating lease expense | — | — | (4,900) | — |
| Remuneration | — | (9,447) | — | (3,443) |
| R&D agreements | (18,400) | — | — | — |
| Purchase of Fixed Assets (note 9) | — | — | (276,457) | — |
| Sale of Fixed Assets (note 9) | — | — | 12,000 | — |
| Finance Income | 1,916 | — | — | — |
| | (16,528) | (9,447) | (276,295) | (4,288) |

Group transactions with related parties during 2016 are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Associates | Key management personnel | Other related parties | Board of directors of the Company |
| Net sales | 193 | — | — | — |
| Purchases | (35,569) | — | — | — |
| Other service expenses | (7,591) | — | (5,325) | (905) |
| Operating lease expense | — | — | (5,281) | — |
| Remuneration | — | (10,287) | — | (3,668) |
| R&D agreements | (10,188) | — | — | — |
| Finance Income | 1,946 | — | — | — |
| | (51,209) | (10,287) | (10,606) | (4,573) |

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 5,325 thousand in 2016 (Euros 5,224 thousand in 2015 and Euros 4,262 thousand in 2014).

During 2011 one of the Company's directors signed a three-year consulting services contract. The director will receive annual fees of US Dollars 1 million for these services and an additional bonus of US Dollars 2 million for complying with certain conditions. During 2014, this contract was renewed for an additional year for an amount of US Dollars 1 million. In 2015, this contract was extended for two years for an amount of US Dollars 1 million for each year.

Directors representing shareholders' interests received remuneration of Euros 50 thousand in 2015 and Euros 100 thousand in 2014. There have not been any directors representing shareholders' interests in 2016.

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) Events after the Reporting Period**

- Hologic acquisition

On 14 December 2016, Grifols has entered into an asset purchase agreement with Hologic pursuant to which:

- The parties would terminate their existing collaboration agreement in the blood screening business (NAT)

- Hologic would sell to Grifols substantially all of the assets used in the blood screening business (NAT) business
- Grifols would assume substantially all of the liabilities of the business

The aggregate purchase price of the transaction has been agreed for an amount of US Dollar 1,850 million plus any other purchase price adjustment. The assets acquired comprise a plant in San Diego, CA (United States) as well as development rights, licenses to patents, access to product manufacturers and research and development activities. 175 people, mainly in operations and research and development activities will transfer from Hologic to Grifols' workforce. The acquisition has been structured through Grifols Diagnostic Solutions, Inc., a U.S. incorporated and wholly-owned subsidiary of Grifols, S.A.

The transaction will transform Grifols Diagnostic into an integrated, higher margin business. It will strengthen the position of the Grifols Diagnostic Division in the transfusion medicine market, becoming one of the only vertically integrated providers capable of offering comprehensive solutions to blood and plasma donation centers, covering the entire value chain from donation to transfusion. It will vertically integrate the Nucleic Acid Testing (NAT) business across research and development, manufacturing, sales and marketing and corporate functions, bringing the NAT and Immunoassay blood donor screening under one leadership.

This acquisition strengthens cash flows and positively impacts the group's margins, capturing operational efficiencies across the NAT value chain and having a direct impact on the group's EBITDA margin, that is expected to increase above 350 basis points. The revenues of the Diagnostic Division will not change as a result of the acquisition due to the existing joint-business between Grifols and Hologic in place since 2014. Under the existing agreement, Grifols owns customer facing activities and records all revenues.

The transaction closed on 31 January 2017.

At the date of issue of these consolidated financial statements the Group did not have all the necessary information to determine the definitive fair value of intangible assets, liabilities and contingent liabilities acquired in the business combination.

Details of the aggregate business combination cost, the provisional fair value of the net assets acquired and provisional goodwill at the acquisition date (or the amount by which the business combination cost exceeds the fair value of the net assets acquired) are provided below. The values shown in the table below should be considered provisional.

For practical purposes, for the present transaction, the exchange rate Euro / Dollar 1.0543 was used for all purposes.

| | Thousands of Euros | Thousands of US Dollars |
|---|---|---|
| Cost of the business combination | | |
| Payment in cash | 1,769 | 1,865 |
| Total business combination cost | 1,769 | 1,865 |
| Fair value of net assets acquired | 30 | 32 |
| Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) | 1,739 | 1,833 |

Provisional goodwill generated in the acquisition is attributed to the synergies, workforce and other expected benefits from the business combination of the assets and activities of the Group.

The expenses incurred in this transaction in 2016 amount to approximately Euros 5.1 million.

- Kedplasma acquisition

On 27 December 2016 Grifols has entered into an agreement to acquire six new Plasma Donor Centers to the company Kedplasma, LLC, with a purchase price of US Dollar 47 million, for which the group has advanced the sum of US Dollar 15 million at the year end.

The date of delivery of the Donor Centers shall be no later than 28 February 2017.

- Access Biologic Acquisition

On 10 January 2017, the group has 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 Dollar 51 million. Grifols has entered into an option agreement to purchase the remaining 51% voting rights in five years, in 2022. Grifols has also signed a supply agreement to sell to Access Biologicals biological products not meant for human 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.

- Refinancing process

On 6 February 2017, Grifols has concluded the refinancing process of its financial debt for an amount of US Dollar 6,300 million, except for the US Dollar 1,000 million senior unsecured notes which will be refinanced shortly.

Grifols informs that Term Loan A (“TLA”) amounts to US Dollar 3,300 million issued at LIBOR+175bps with a 6 year tenor and quasi-bullet amortizing structure. Likewise, Term Loan B (“TLB”) amounts to US Dollar 3,000 million at LIBOR+225bps; in this case tenor is 8 years and bullet

amortization. With the refinancing of these senior loans, in addition to extending the tenor, the Company has reduced the margin by c.100bps.

The refinancing includes US Dollar 1,700 million devoted to the acquisition of Hologic's share of NAT donor screening unit that was closed last 31st January 2017.

- Redemption of Notes

On 20 March 2017, Grifols Worldwide Operations Ltd (the Issuer) has announced its intention to redeem the Notes on 19 April 2017 or such other date as the Issuer notifies to the holders of the Notes two business days in advance of the Redemption Date and at least 30 days but no more than 60 days following the release of the announcement.

The redemption price per $1,000 principal amount will be 103.938% plus accrued and unpaid interest to the Redemption Date.

**(33) Condensed Consolidating Financial Information**

On 5 March 2014, Grifols Worldwide Operations Limited, a wholly-owned subsidiary of Grifols, S.A., issued the Senior Unsecured Notes (the "Notes"). The Notes were issued by Grifols Worldwide Operations Limited and are guaranteed on a senior unsecured basis by Grifols, S.A. and the subsidiaries of Grifols, S.A. that are guarantors and co-borrower under the New Credit Facilities. Supplemental condensed consolidating financial information is presented in Appendix VI comprising the Group's income statement and cash flow statement, both consolidated, for Fiscal Year 2014, Fiscal Year 2015 and Fiscal Year 2016 and its consolidated balance sheet as at December 31, 2015 and December 31, 2016, showing the amounts attributable to Grifols, S.A., Grifols Worldwide Operations Limited and those of its other subsidiaries that were Guarantors as at December 31, 2015 and December 31, 2016 separately from the amounts attributable to those of its subsidiaries that were not Guarantors.

The condensed consolidated financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered", which is included in Appendix VI.

# APPENDIX I
# GRIFOLS, S.A. AND SUBSIDIARIES
## Information on Group Companies, Associates and others for the years ended 31 December 2016, 2015 and 2014

| Name | Registered Offices | Acquisition/ Incorporation date | Activity | Statutory Activity | 31/12/2016 % shares | | 31/12/2015 % shares | | 31/12/2014 % 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% | 99,998% | 0,002% | 99,998% | 0,002% |
| 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.) | 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% | — | 100,000% | 99,970% | 0,030% |
| 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. | 99,999% | 0,001% | 99,999% | 0,001% | 99,999% | 0,001% |
| 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, Inc. | 5555 Valley Boulevard Los Angeles (California) United States | 2003 | Industrial | Plasma fractioning and the production of haemoderivatives. | — | 100,000% | — | 100,000% | — | 100,000% |

| Name | Registered Offices | Acquisition/ Incorporation date | Activity | Statutory Activity | 31/12/2016 % shares | | 31/12/2015 % shares | | 31/12/2014 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| PlasmaCare, Inc. (merged with Biomat USA, Inc in 2015) | 1128 Main Street, Suite 300 Cincinnati (Ohio) United States | 2006 | Industrial | Procuring human plasma. | — | — | — | — | — | 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 Düngingen Switzerland | 2009 | Industrial | Development and manufacturing activities in the area of biotechnology and diagnostics. | — | 100,000% | 80,000% | — | 80,000% | — |
| Grifols Therapeutics, Inc. | 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 | Procuring human plasma. | — | 100,000% | — | 100,000% | — | 100,000% |
| GRI-CEI, S/A Produtos para transfusao (merged with Grifols Brasil, Lda. in 2016) | Rua Umuarama, 263 Condominio Portal da Serra Vila Perneta CEP 83.325-000 Pinhais Paraná, Brazil | 2012 | Industrial | Production of bags for the extraction, separation, conservation and transfusion of blood components. | — | — | 60,000% | — | 60,000% | — |
| 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. | — | 89,250% | 56,150% | — | 56,150% | — |
| Proteomika, S.L.U (merged with Progenika Biopharma, S.A. in 2015) | Parque Tecnológico de Vizcaya, Edificio 504 48160 Derio (Vizcaya) Spain | 2013 | Industrial | Development, production and commercialisation of biotechnological solutions. | — | — | — | — | — | 56,150% |

| Name | Registered Offices | Acquisition/ Incorporation date | Activity | Statutory Activity | 31/12/2016 % shares | | 31/12/2015 % shares | | 31/12/2014 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| Progenika Latina, S.A. de CV | Periferico Sur N° 4118 Int 8 Col. Jardines del Pedregal CP 01900 Alvaro Obregon DF Mexico | 2013 | Industrial | Development, production and commercialisation of biotechnological solutions. | — | 89,250% | — | 56,150% | — | 56,150% |
| Progenika Inc. | Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808 United States | 2013 | Industrial | Development, production and commercialisation of genetic tools, diagnostic equipment and therapeutic systems and products for personalised medicine and the highest quality healthcare in general. | — | 89,250% | — | 56,150% | — | 56,150% |
| Brainco Biopharma, S.L. (merged with Progenika Biopharma, S.A in 2016) | Parque Tecnológico de Vizcaya, Edificio 504 48160 Derio (Vizcaya) Spain | 2013 | Industrial | Development of products for the treatment and diagnosis of psychiatric illnesses | — | — | — | 28,423% | — | 28,423% |
| Abyntek Biopharma, S.L. | Parque Tecnológico de Vizcaya, Edificio 504 48160 Derio (Vizcaya) Spain | 2013 | Industrial | Research, development and transfer of biotechnological products and processes, as well as the commercialiation of products and services related to the biosciences. | — | 80,370% | — | 45,129% | — | 43,763% |
| 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. | — | 89,250% | — | 55,336% | — | 56,150% |
| 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 n°20-01 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% |

| Name | Registered Offices | Acquisition/ Incorporation date | Activity | Statutory Activity | 31/12/2016 % shares | | 31/12/2015 % shares | | 31/12/2014 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| 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) Estados Unidos | 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% | — | 100,000% |
| 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% | — |

| Name | Registered Offices | Acquisition/ Incorporation date | Activity | Statutory Activity | 31/12/2016 % shares | | 31/12/2015 % shares | | 31/12/2014 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| 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% | — | 100,000% | — | 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, n° 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, n° 909-913 Parque Industrial Belenes Norte 45150 Zapopán Jalisco, Mexico | 1970 | 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% | — | 80,000% | — | 80,000% |
| 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. | 99,000% | 1,000% | 99,000% | 1,000% | 99,000% | 1,000% |

| Name | Registered Offices | Acquisition/ Incorporation date | Activity | Statutory Activity | 31/12/2016 % shares | | 31/12/2015 % shares | | 31/12/2014 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| 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, devicesand diagnostic instruments. | 100,000% | — | 100,000% | — | 100,000% | — |
| Grifols (H.K.), Limited ..... | Units 1505-7 Bershire 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. | 99,990% | 0,010% | 99,990% | 0,010% | 99,990% | 0,010% |
| 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% | — | — | — | — | — |

| Name | Registered Offices | Acquisition/ Incorporation date | Activity | Statutory Activity | 31/12/2016 % shares | | 31/12/2015 % shares | | 31/12/2014 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| 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% |
| Arrahona Optimus, S.L. (merged with Grifols, S.A. in 2015) | Avenida de la Generalitat 152 Sant Cugat del Valles (Barcelona) Spain | 2008 | Services | Development and construction of offices and business premises. | — | — | — | — | 99,995% | 0,005% |
| 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 | Manufacturing buildings for rent | 100,000% | — | 100,000% | — | — | — |
| Gri-Cel, S.A. | 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% | 0,001% | 99,999% |
| Araclon Biotech, S.L. | Paseo de Sagasta, 17 2° 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. | — | 73,220% | — | 70,830% | — | 66,150% |
| 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% | — | 68,010% | — | — |
| Grifols Innovation and New Technologies Limited | Grange Castle Business Park, Grange Castle , Clondalkin, Dublin 22, Ireland | 2016 | Research | Research and experimental development on biotechnology | — | 100,000% | — | — | — | — |
| PBS Acquisition Corp. | 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% | — | — | — | — |

| Name | Registered Offices | Acquisition/ Incorporation date | Activity | Statutory Activity | 31/12/2016 % shares | | 31/12/2015 % shares | | 31/12/2014 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| Nanotherapix, S.L. | Avenida de la Generalitat 152 Sant Cugat del Valles (Barcelona) Spain | 2010 | Research | Development, validation and production of the technology required to implement the use of genetic and cellular therapy for the treatment of human and animal pathologies. | — | — | — | 51,000% | — | 51,000% |
| VCN Biosciences, 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. | — | — | — | — | — | 49,450% |
| 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% | 35,000% | — | 35,000% | — |
| 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. | — | 16,130% | — | 19,280% | — | 21,300% |
| Mecwins, S.L. | Avenida Fernandos Casas Novoa, 37 Santiago de Compostela Spain | 2013 | Research | Research and production of nanotechnological, biotechnological and chemical solutions. | — | 8,420% | — | 8,420% | — | 9,350% |
| Kiro Grifols S.L (formerly Kiro Robotics S.L) | Polígono Bainuetxe, 5, 2° planta, Aretxabaleta, Guipúzcoa Spain | 2014 | Research | Development of machines and equipment to automate and control key points of hospital processes, and hospital pharmacy processes. | 50,000% | — | 50,000% | — | 50,000% | — |
| 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. | — | 30,000% | — | — | — | — |
| Interstate Blood Bank, Inc | 5700 Pleasantville Road Memphis, Tennessee United States | 2016 | Industrial | Procuring human plasma. | — | 49,190% | — | — | — | — |
| Bio Blood Components Inc. | 5700 Pleasantville Road Memphis, Tennessee United States | 2016 | Industrial | Procuring human plasma. | — | 48,972% | — | — | — | — |
| Plasma Biological Services, LLC | 5700 Pleasantville Road Memphis, Tennessee United States | 2016 | Industrial | Procuring 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. | — | 20,000% | — | — | — | — |

This appendix forms an integral part of note 2 to the consolidated financial statements.

**APPENDIX II**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Operating Segments for the years ended 31 December 2016, 2015 and 2014**
**(Expressed in thousands of Euros)**

| | Bioscience | | | Hospital | | | Diagnostic | | | Raw materials & others | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2014*** | **2016** | **2015** | **2014*** | **2016** | **2015** | **2014*** | **2016** | **2015** | **2014*** | **2016** | **2015** | **2014*** |
| Revenues from external customers | 3.228.275 | 3.032.111 | 2.513.510 | 98.583 | 96.245 | 94.800 | 663.983 | 691.452 | 620.022 | 58.989 | 114.755 | 127.052 | 4.049.830 | 3.934.563 | 3.355.384 |
| **Total operating income** | **3.228.275** | **3.032.111** | **2.513.510** | **98.583** | **96.245** | **94.800** | **663.983** | **691.452** | **620.022** | **58.989** | **114.755** | **127.052** | **4.049.830** | **3.934.563** | **3.355.384** |
| **Profit/(Loss) for the segment** | **948.598** | **907.847** | **835.171** | **(10.149)** | **(4.299)** | **(4.256)** | **84.984** | **84.147** | **86.258** | **55.764** | **88.408** | **106.446** | **1.079.197** | **1.076.103** | **1.023.619** |
| Unallocated expenses | | | | | | | | | | | | | (139.789) | (105.734) | (165.930) |
| **Operating profit** | | | | | | | | | | | | | **939.408** | **970.369** | **857.689** |
| **Finance result** | | | | | | | | | | | | | **(233.589)** | **(271.839)** | **(261.427)** |
| **Share of profit/(loss) of equity accounted investee** | (9.396) | — | — | (5.611) | — | — | | — | — | **21.940** | **(8.280)** | **(6.582)** | **6.933** | **(8.280)** | **(6.582)** |
| Income tax expense | | | | | | | | | | | | | (168.209) | (158.809) | (122.597) |
| **Profit for the year after tax** | | | | | | | | | | | | | **544.543** | **531.441** | **467.083** |
| **Segment assets** | **6.512.958** | **6.074.971** | **5.013.457** | **86.590** | **91.877** | **94.971** | **1.909.447** | **1.794.389** | **1.628.232** | **8.378** | **1.321** | **794** | **8.517.373** | **7.962.558** | **6.737.454** |
| Equity accounted investments | 104.996 | — | — | 13.888 | — | — | 43.330 | — | — | 39.132 | 76.728 | 54.296 | 201.346 | 76.728 | 54.296 |
| Unallocated assets | | | | | | | | | | | | | 1.411.053 | 1.562.429 | 1.657.999 |
| **Total assets** | | | | | | | | | | | | | **10.129.772** | **9.601.715** | **8.449.749** |
| **Segment liabilities** | **411.604** | **387.086** | **256.710** | **8.415** | **3.159** | **9.429** | **186.389** | **192.730** | **233.165** | — | — | — | **606.408** | **582.975** | **499.304** |
| Unallocated liabilities | — | — | — | — | — | — | — | — | — | — | — | — | 5.795.386 | 5.717.351 | 5.287.557 |
| **Total liabilities** | | | | | | | | | | | | | **6.401.794** | **6.300.326** | **5.786.861** |
| **Other information:** | | | | | | | | | | | | | | | |
| Amortisation and depreciation allocated | 152.821 | 137.870 | 95.725 | 5.915 | 5.710 | 5.273 | 32.180 | 31.875 | 24.768 | 3.445 | 6.946 | 45.002 | **194.361** | **182.401** | **170.768** |
| Amortisation and depreciation unallocated | — | — | — | — | — | — | — | — | — | — | — | — | **7.508** | **7.355** | **18.704** |
| Expenses that do not requirecash payments allocated | 16.219 | 627 | 4.053 | 306 | 108 | (74) | (2.001) | 4.630 | (3.578) | (32.534) | — | — | **(18.010)** | **5.365** | **401** |
| Expenses that do not require cash payments unallocated | — | — | — | — | — | — | — | — | — | — | — | — | **4.608** | **4.794** | **(6.215)** |
| Additions for the year of property, plant & equipment and intangible assets allocated | 197.741 | 421.020 | 188.698 | 9.193 | 7.972 | 14.241 | 89.760 | 68.740 | 46.272 | 13.397 | — | — | **310.091** | **497.732** | **249.211** |
| Additions for the year of property, plant & equipment and intangible assets unallocated | — | — | — | — | — | — | — | — | — | — | — | — | **12.011** | **79.082** | **42.981** |

* As a result of the acquisitions made and the related changes in the organizational structure due to the integration process, the Group reviewed the allocation of costs to the between segments, which lead to an increase of the portion of allocated costs. The comparative figures for the year 2014 were restated accordingly, resulting on a reduction of the portion of unallocated costs compared to the previous presentation of Euro 154 million. As a result of changes to systems, the segment information relating to 2014 is comparable to the 2016 and 2015 segment figures included in these consolidated financial statements.

This appendix forms an integral part of note 6 to the consolidated financial statements

**APPENDIX II**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Reporting by geographical area**
**for the years ended 31 December 2016, 2015 and 2014**
**(Expressed in thousands of Euros)**

| | Spain | | | Rest of European Union | | | USA + Canada | | | Rest of World | | | Subtotal | | | Raw material & others | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| **Net Revenue** | **217.497** | **207.641** | **214.558** | **422.752** | **455.276** | **448.244** | **2.663.197** | **2.505.791** | **2.042.700** | **687.395** | **651.100** | **522.830** | **3.990.841** | **3.819.808** | **3.228.332** | **58.989** | **114.755** | **127.052** | **4.049.830** | **3.934.563** | **3.355.384** |
| **Assets by geographical area** | **847.467** | **719.557** | **689.220** | **2.466.922** | **2.406.847** | **1.888.235** | **6.527.415** | **6.175.558** | **5.542.660** | **279.590** | **298.432** | **328.840** | **10.121.394** | **9.600.394** | **8.448.955** | **8.378** | **1.321** | **794** | **10.129.772** | **9.601.715** | **8.449.749** |
| **Other information:** | | | | | | | | | | | | | | | | | | | | | |
| Additions for the year of property, plant & equipment and intangible assets | 73.365 | 113.652 | 53.223 | 39.603 | 51.943 | 69.366 | 190.358 | 400.065 | 160.195 | 18.776 | 11.154 | 9.408 | 322.102 | 576.814 | 292.192 | — | — | — | **322.102** | **576.814** | **292.192** |

This appendix forms an integral part of note 6 to the consolidated financial statements

**APPENDIX III**
**GRIFOLS, S.A. AND SUBSIDIARIES**

**Changes in Other Intangible Assets**
**for the year ended**
**31 December 2016**
**(Expressed in thousands of Euros)**

| | Balances at 31/12/2015 | Additions | Transfers | Disposals | Translation differences | Balances at 31/12/2016 |
|---|---|---|---|---|---|---|
| Development costs | 112.688 | 29.126 | — | (79) | 958 | 142.693 |
| Concessions, patents, licenses brands & similar | 59.249 | — | — | — | 1.222 | 60.471 |
| Computer software | 144.976 | 18.919 | 1.460 | (420) | 3.688 | 168.623 |
| Currently marketed products | 1.126.024 | — | — | — | 36.180 | 1.162.204 |
| Other intangible assets | 134.068 | 10.469 | — | (651) | 4.796 | 148.682 |
| Total cost of intangible assets | 1.577.005 | 58.514 | 1.460 | (1.150) | 46.844 | 1.682.673 |
| Accum. amort. of development costs | (67.551) | (4.473) | — | — | (49) | (72.073) |
| Accum. amort of concessions, patents, licenses, brands & similar | (23.957) | (806) | — | — | (231) | (24.994) |
| Accum. amort. of computer software | (83.197) | (15.136) | (99) | 419 | (1.914) | (99.927) |
| Accum. amort. of currently marketed products | (175.135) | (38.441) | — | — | (7.412) | (220.988) |
| Accum. amort. of other intangible assets | (65.627) | (2.117) | — | 544 | (2.189) | (69.389) |
| Total accum. amort intangible assets | (415.467) | (60.973) | (99) | 963 | (11.795) | (487.371) |
| Impairment of other intangible assets | 34 | — | — | (34) | — | — |
| **Carrying amount of intangible assets** | **1.161.572** | **(2.459)** | **1.361** | **(221)** | **35.049** | **1.195.302** |

This appendix forms an integral part of note 8 to the consolidated annual financial statements.

**APPENDIX III**
**GRIFOLS, S.A. AND SUBSIDIARIES**

**Changes in Other Intangible Assets**
**for the year ended**
**31 December 2015**
**(Expressed in thousands of Euros)**

| | Balances at 31/12/2014 | Additions | Transfers | Disposals | Translation differences | Balances at 31/12/2015 |
|---|---|---|---|---|---|---|
| Development costs | 108.029 | 5.066 | 2 | (626) | 217 | 112.688 |
| Concessions, patents, licenses brands & similar | 55.994 | 12 | — | (1.258) | 4.501 | 59.249 |
| Computer software | 116.992 | 20.285 | 371 | (1.167) | 8.495 | 144.976 |
| Currently marketed products | 1.012.178 | — | — | — | 113.846 | 1.126.024 |
| Other intangible assets | 103.797 | 19.070 | — | (943) | 12.144 | 134.068 |
| Total cost of intangible assets | 1.396.990 | 44.433 | 373 | (3.994) | 139.203 | 1.577.005 |
| Accum. amort. of development costs | (62.767) | (5.120) | — | 484 | (148) | (67.551) |
| Accum. amort of concessions, patents, licenses, brands & similar | (23.144) | (924) | — | 1.099 | (988) | (23.957) |
| Accum. amort. of computer software | (68.303) | (11.864) | 137 | 991 | (4.158) | (83.197) |
| Accum. amort. of currently marketed products | (122.416) | (38.076) | — | — | (14.643) | (175.135) |
| Accum. amort. of other intangible assets | (52.016) | (7.561) | — | — | (6.050) | (65.627) |
| Total accum. amort intangible assets | (328.646) | (63.545) | 137 | 2.574 | (25.987) | (415.467) |
| Impairment of other intangible assets | 17 | 17 | — | — | — | 34 |
| **Carrying amount of intangible assets** | **1.068.361** | **(19.095)** | **510** | **(1.420)** | **113.216** | **1.161.572** |

This appendix forms an integral part of note 8 to the consolidated financial statements

**APPENDIX IV**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Movement in Property, Plant and Equipment**
**for the year ended**
**31 December 2016**
**(Expressed in thousands of Euros)**

| | Balances at 31/12/2015 | Additions | Transfers | Disposals | Translation differences | Balances at 31/12/2016 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Land and buildings | 613.476 | 12.993 | 44.060 | (780) | 18.107 | 687.856 |
| Plant and machinery | 1.431.030 | 87.536 | 116.724 | (19.515) | 40.062 | 1.655.837 |
| Under construction | 263.610 | 163.059 | (162.292) | — | 10.626 | 275.003 |
| | 2.308.116 | 263.588 | (1.508) | (20.295) | 68.795 | 2.618.696 |
| **Accumulated depreciation:** | | | | | | |
| Buildings | (44.057) | (13.777) | (2) | 178 | (1.718) | (59.376) |
| Plant and machinery | (616.369) | (127.119) | 149 | 13.605 | (16.534) | (746.268) |
| | (660.426) | (140.896) | 147 | 13.783 | (18.252) | (805.644) |
| **Impairment of other property, plant and equipment** | (3.288) | 147 | — | — | (59) | (3.200) |
| **Carrying amount** | **1.644.402** | **122.839** | **(1.361)** | **(6.512)** | **50.484** | **1.809.852** |

This appendix forms an integral part of note 9 to the consolidated financial statements.

**APPENDIX IV**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Movement in Property, Plant and Equipment**
**for the year ended**
**31 December 2015**
**(Expressed in thousands of Euros)**

| | Balances at 31/12/2014 | Additions | Business combination | Transfers | Disposals | Translation differences | Balances at 31/12/2015 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Land and buildings | 305.268 | 228.802 | — | 55.604 | (12.279) | 36.081 | 613.476 |
| Plant and machinery | 1.150.832 | 146.228 | 23 | 65.308 | (19.918) | 88.557 | 1.431.030 |
| Under construction | 208.534 | 157.352 | — | (121.669) | (100) | 19.493 | 263.610 |
| | 1.664.634 | 532.382 | 23 | (757) | (32.297) | 144.131 | 2.308.116 |
| **Accumulated depreciation:** | | | | | | | |
| Buildings | (31.096) | (10.477) | — | — | 316 | (2.800) | (44.057) |
| Plant and machinery | (482.610) | (115.733) | (7) | 247 | 12.373 | (30.639) | (616.369) |
| | (513.706) | (126.210) | (7) | 247 | 12.689 | (33.439) | (660.426) |
| **Impairment of other property, plant and equipment** | (3.146) | (90) | — | — | — | (52) | (3.288) |
| **Carrying amount** | **1.147.782** | **406.082** | **16** | **(510)** | **(19.608)** | **110.640** | **1.644.402** |
| | | | (note 3 (a)) | | | | |

This appendix forms an integral part of note 9 to the consolidated financial statements.

**APPENDIX V**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Statement of Liquidity for Distribution of Interim Dividend 2016**
**(Expressed in thousands of Euros)**

| | Thousands of Euros |
|---|---|
| Forecast profits distributable for 2016: | |
| Projected profits net of taxes until 31/12/2016 | 319.133 |
| Less, charge required to legal reserve | — |
| Estimated profits distributable for 2016 | 319.133 |
| Interim dividend distributed | 122.908 |
| Forecast cash for the period 07 December 2016 to 07 December 2017: | |
| Cash balances at 07 December 2016 | 5.521 |
| Projected amounts collected | 497.058 |
| Projected payments, including interim dividend | 471.686 |
| Projected cash balances at 07 December 2017 | 30.893 |

This appendix forms an integral part of note 15 to the consolidated financial statements.

**APPENDIX V**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Statement of Liquidity for Distribution of Interim Dividend 2015**
**(Expressed in thousands of Euros)**

| | Thousands of Euros |
|---|---|
| Forecast profits distributable for 2015: | |
| Projected profits net of taxes until 31/12/2015 | 250.687 |
| Less, charge required to legal reserve | — |
| Estimated profits distributable for 2015 | 250.687 |
| Interim dividend distributed | 119.615 |
| Forecast cash for the period 23 October 2015 to 23 October 2016: | |
| Cash balances at 23 October 2015 | 5.748 |
| Projected amounts collected | 418.467 |
| Projected payments, including interim dividend | 368.821 |
| Projected cash balances at 23 October 2016 | 55.394 |

This appendix forms an integral part of note 15 to the consolidated financial statements.

**APPENDIX VI**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Condensed Consolidated Balance Sheets**
**at 31 December 2016**

| Assets | Parent | Issuer | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Consolidating Adjustments | 31/12/16 |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| **Non-current assets** | | | | | | |
| Goodwill | — | — | 1.278.534 | 24.150 | 2.341.311 | 3.643.995 |
| Other intangible assets | 10.357 | 14.502 | 1.025.063 | 117.348 | 28.032 | 1.195.302 |
| Property, plant and equipment | 88.574 | 78.669 | 1.385.961 | 239.651 | 16.997 | 1.809.852 |
| Investments in Subsidiaries | 1.742.502 | 274.858 | 4.051.633 | 137.637 | (6.206.630) | — |
| Advances and notes between parent and subsidiaries | 23.643 | 3.610.662 | 964.475 | 90.355 | (4.689.135) | — |
| Investments in equity—accounted investees | — | — | — | — | 201.345 | 201.345 |
| Non-current financial assets | | | | | | |
| Non-current financial assets measured at fair value | — | 31.658 | — | 27.206 | — | 58.864 |
| Non-current financial assets not measured at fair value | 1.600 | 25.003 | 1.139 | 3.605 | (666) | 30.681 |
| Deferred tax assets | — | 2.289 | — | — | 64.930 | 67.219 |
| **Total non-current assets** | **1.866.676** | **4.037.641** | **8.706.805** | **639.952** | **(8.243.816)** | **7.007.258** |
| **Current assets** | | | | | | |
| Inventories | 4.553 | 1.407.971 | 181.744 | 216.911 | (168.248) | 1.642.931 |
| Trade and other receivables | | | | | | |
| Trade receivables | 15.520 | 328.648 | 1.186.240 | 444.881 | (1.561.633) | 413.656 |
| Other receivables | 7.035 | 2.641 | 8.485 | 29.028 | (4.890) | 42.299 |
| Current income tax assets | 55.925 | 3.049 | 16.966 | 1.773 | — | 77.713 |
| Trade and other receivables | 78.480 | 334.338 | 1.211.691 | 475.682 | (1.566.523) | 533.668 |
| Other current financial assets | 43.779 | 28.108 | 7.739 | 32.839 | (109.883) | 2.582 |
| Other current assets | 6.345 | 3.238 | 32.821 | 5.920 | — | 48.324 |
| Cash and cash equivalents | 12.703 | 760.416 | 33.943 | 87.947 | — | 895.009 |
| **Total current assets** | **145.860** | **2.534.071** | **1.467.938** | **819.299** | **(1.844.654)** | **3.122.514** |
| **Total assets** | **2.012.536** | **6.571.712** | **10.174.743** | **1.459.251** | **(10.088.470)** | **10.129.772** |

This appendix forms an integral part of note 33 to the consolidated financial statements

| Equity and liabilities | Parent | Issuer | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Consolidating Adjustments | 31/12/16 |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| **Equity** | | | | | | |
| Share capital | 119.604 | — | 14.224 | 134.276 | (148.500) | 119.604 |
| Share premium | 910.728 | 77.081 | 1.807.005 | 334.781 | (2.218.867) | 910.728 |
| Reserves | 274.819 | 8.235 | 1.740.415 | 246.758 | (575.982) | 1.694.245 |
| Treasury stock | (68.710) | — | — | (378) | 378 | (68.710) |
| Interim Dividend | (122.908) | (224.444) | — | — | 224.444 | (122.908) |
| Other stockholders' contribution | — | 494 | 4.135 | 1.057 | (5.686) | — |
| Profit for the year attributable to the Parent | 321.548 | 182.348 | 344.874 | 123.351 | (426.665) | 545.456 |
| **Total share capital and accumulated results** | 1.435.081 | 43.714 | 3.910.653 | 839.845 | (3.150.878) | 3.078.415 |
| Available for sale financial assets | — | (296) | — | 11.694 | (16.617) | (5.219) |
| Cash flow hedges | — | (1.661) | 449 | — | 1.212 | — |
| Other | — | — | — | (642) | — | (642) |
| Translation differences | — | 63.694 | 1.018.633 | 47.631 | (481.031) | 648.927 |
| Other comprehensive income | — | 61.737 | 1.019.082 | 58.683 | (496.436) | 643.066 |
| **Equity attributable to the Parent** | **1.435.081** | **105.451** | **4.929.735** | **898.528** | **(3.647.314)** | **3.721.481** |
| Non-controlling interests | — | — | — | — | 6.497 | 6.497 |
| **Total equity** | **1.435.081** | **105.451** | **4.929.735** | **898.528** | **(3.640.817)** | **3.727.978** |
| **Liabilities** | | | | | | |
| Grants | 179 | — | 8.465 | 4.848 | (1.296) | 12.196 |
| Provisions | — | — | 441 | 4.677 | — | 5.118 |
| Non-current financial liabilities | 21.829 | 4.132.201 | 712.667 | 21.906 | (176.532) | 4.712.071 |
| Advances and notes between parent and subsidiaries | 456.552 | 1.926.431 | 2.720.100 | (411.866) | (4.691.217) | — |
| Deferred tax liabilities | 4.002 | — | 493.242 | 2.237 | 101.165 | 600.646 |
| **Total non-current liabilities** | **482.562** | **6.058.632** | **3.934.915** | **(378.198)** | **(4.767.880)** | **5.330.031** |
| **Current liabilities** | | | | | | |
| Provisions | — | — | 80.140 | 13.352 | (3.904) | 89.588 |
| Current financial liabilities | 7.259 | 97.662 | 98.270 | 28.419 | (1.545) | 230.065 |
| Advances and notes between parent and subsidiaries | 22.241 | 3.611 | 43.319 | 39.222 | (108.393) | — |
| Trade and other payables | | | | | | |
| Suppliers | 31.048 | 299.465 | 905.589 | 786.055 | (1.561.084) | 461.073 |
| Other payables | 21.142 | 5.459 | 103.034 | 13.259 | — | 142.894 |
| Current income tax liabilities | 3.255 | — | — | 4.702 | — | 7.957 |
| Total trade and other payables | 55.445 | 304.924 | 1.008.623 | 804.016 | (1.561.084) | 611.924 |
| Other current liabilities | 9.948 | 1.432 | 79.741 | 53.912 | (4.847) | 140.186 |
| **Total current liabilities** | **94.893** | **407.629** | **1.310.093** | **938.921** | **(1.679.773)** | **1.071.763** |
| **Total liabilities** | **577.455** | **6.466.261** | **5.245.008** | **560.723** | **(6.447.653)** | **6.401.794** |
| **Total equity and liabilities** | **2.012.536** | **6.571.712** | **10.174.743** | **1.459.251** | **(10.088.470)** | **10.129.772** |

This appendix forms an integral part of note 33 to the consolidated financial statements

**APPENDIX VI**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Condensed Consolidated Balance Sheets**
**at 31 December 2015**

| Assets | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | 31/12/15 |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| **Non-current assets** | | | | | | |
| Goodwill | — | — | 1.237.901 | 24.134 | 2.270.324 | 3.532.359 |
| Other intangible assets | 11.085 | 69.773 | 1.011.007 | 39.391 | 30.316 | 1.161.572 |
| Property, plant and equipment | 83.612 | 65.552 | 1.277.288 | 201.351 | 16.599 | 1.644.402 |
| Investments in Subsidiaries | 1.686.413 | 65.977 | 3.788.746 | 45.517 | (5.586.653) | — |
| Advances and notes between parent and subsidiaries | 473.878 | 3.297.709 | 1.126.575 | 192.885 | (5.066.047) | 25.000 |
| Investments in equity-accounted investees | — | — | — | — | 76.728 | 76.728 |
| Non-current financial assets | 1.595 | 113 | 1.130 | 3.215 | (665) | 5.388 |
| Deferred tax assets | 8.058 | — | 33.275 | 35.456 | (9.995) | 66.794 |
| **Total non-current assets** | **2.264.641** | **3.499.124** | **8.475.922** | **541.949** | **(8.269.393)** | **6.512.243** |
| **Current assets** | | | | | | |
| Inventories | 4.195 | 1.113.103 | 223.284 | 238.347 | (147.538) | 1.431.391 |
| Trade and other receivables | | | | | | |
| Trade receivables | 46.014 | 595.321 | 924.864 | 669.317 | (1.873.110) | 362.406 |
| Other receivables | 9.791 | 2.295 | 17.480 | 41.470 | (10.516) | 60.520 |
| Current income tax assets | 18.032 | 103 | 40.422 | 1.909 | (196) | 60.270 |
| Trade and other receivables | 73.837 | 597.719 | 982.766 | 712.696 | (1.883.822) | 483.196 |
| Advances and notes between parent and subsidiaries | 32.165 | 17.186 | 8.401 | 26.932 | (83.930) | 754 |
| Other current financial assets | 88 | — | — | 452 | — | 540 |
| Other current assets | 5.131 | 3.017 | 16.724 | 17.895 | (11.676) | 31.091 |
| Cash and cash equivalents | 3.099 | 996.103 | 56.840 | 86.458 | — | 1.142.500 |
| **Total current assets** | **118.515** | **2.727.128** | **1.288.015** | **1.082.780** | **(2.126.966)** | **3.089.472** |
| **Total assets** | **2.383.156** | **6.226.252** | **9.763.937** | **1.624.729** | **(10.396.359)** | **9.601.715** |

This appendix forms an integral part of note 33 to the consolidated financial statements

| Equity and liabilities | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | 31/12/15 |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| **Equity** | | | | | | |
| Share capital | 119.604 | — | 14.224 | 117.421 | (131.645) | 119.604 |
| Share premium | 910.728 | 56.505 | 1.793.469 | 144.018 | (1.993.992) | 910.728 |
| Reserves | 238.403 | 27.361 | 1.554.925 | 107.258 | (556.886) | 1.371.061 |
| Treasury stock | (58.575) | — | — | (378) | 378 | (58.575) |
| Interim Dividend | (119.615) | (263.312) | — | — | 263.312 | (119.615) |
| Other stockholders' contribution | — | — | 1.811 | 476 | (2.287) | — |
| Profit for the year attributable to the Parent | 241.510 | 258.644 | 242.886 | 133.067 | (343.962) | 532.145 |
| **Total share capital and accumulated results** | 1.332.055 | 79.198 | 3.607.315 | 501.862 | (2.765.082) | 2.755.348 |
| Cash flow hedges | — | 5.068 | 449 | — | (2.188) | 3.329 |
| Other comprehensive income | 3.399 | — | — | (364) | — | 3.035 |
| Translation differences | — | 58.212 | 867.802 | 19.893 | (411.416) | 534.491 |
| Other | 3.399 | 63.280 | 868.251 | 19.529 | (413.604) | 540.855 |
| **Equity attributable to the Parent** | **1.335.454** | **142.478** | **4.475.566** | **521.391** | **(3.178.686)** | **3.296.203** |
| Non-controlling interests | — | — | — | — | 5.187 | 5.187 |
| **Total equity** | **1.335.454** | **142.478** | **4.475.566** | **521.391** | **(3.173.499)** | **3.301.390** |
| **Liabilities** | | | | | | |
| Grants | 193 | — | 8.944 | 5.412 | (1.429) | 13.120 |
| Provisions | — | — | 635 | 4.345 | — | 4.980 |
| Non-current financial liabilities | 24.393 | 4.070.759 | 696.988 | 18.553 | (213.039) | 4.597.654 |
| Advances and notes between parent and subsidiaries | 887.717 | 1.347.204 | 2.932.632 | (97.628) | (5.069.925) | — |
| Deferred tax liabilities | 8.635 | 6.153 | 543.235 | 24.497 | 49.045 | 631.565 |
| **Total non-current liabilities** | **920.938** | **5.424.116** | **4.182.434** | **(44.821)** | **(5.235.348)** | **5.247.319** |
| **Current liabilities** | | | | | | |
| Provisions | — | — | 117.782 | 14.952 | (9.685) | 123.049 |
| Current financial liabilities | 31.568 | 94.830 | 100.205 | 35.911 | (17) | 262.497 |
| Advances and notes between parent and subsidiaries | 17.090 | 3.493 | 30.454 | 32.623 | (83.660) | — |
| Debts with associates | 443 | — | — | — | — | 443 |
| Trade and other payables | | | | | | |
| Suppliers | 47.143 | 551.530 | 710.734 | 986.325 | (1.885.746) | 409.986 |
| Other payables | 20.639 | 3.444 | 70.641 | 11.447 | — | 106.171 |
| Current income tax liabilities | — | 5.473 | — | 8.611 | 2.112 | 16.196 |
| Total trade and other payables | 67.782 | 560.447 | 781.375 | 1.006.383 | (1.883.634) | 532.353 |
| Other current liabilities | 9.881 | 888 | 76.121 | 58.290 | (10.516) | 134.664 |
| **Total current liabilities** | **126.764** | **659.658** | **1.105.937** | **1.148.159** | **(1.987.512)** | **1.053.006** |
| **Total liabilities** | **1.047.702** | **6.083.774** | **5.288.371** | **1.103.338** | **(7.222.860)** | **6.300.325** |
| **Total equity and liabilities** | **2.383.156** | **6.226.252** | **9.763.937** | **1.624.729** | **(10.396.359)** | **9.601.715** |

This appendix forms an integral part of note 33 to the consolidated financial statements

**APPENDIX VI**
**GRIFOLS, S.A. AND SUBSIDIARIES**

**Condensed Consolidated Statement of Profit or Loss**
**for the year ended 31 December 2016**
**(Expressed in thousands of Euros)**

| | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | |
| Net revenue | 109.269 | 2.689.645 | 3.087.587 | 4.197.780 | (6.034.451) | 4.049.830 |
| Cost of sales | (36.700) | (2.016.998) | (2.146.401) | (3.432.157) | 5.494.717 | (2.137.539) |
| **Gross Profit** | **72.569** | **672.647** | **941.186** | **765.623** | **(539.734)** | **1.912.291** |
| Research and Development | (8.167) | (120.291) | (96.134) | (49.509) | 76.484 | (197.617) |
| Sales, General and Administration expenses | (130.746) | (282.175) | (282.015) | (519.563) | 439.233 | (775.266) |
| **Operating Expenses** | **(138.913)** | **(402.466)** | **(378.149)** | **(569.072)** | **515.717** | **(972.883)** |
| **Operating Results** | **(66.344)** | **270.181** | **563.037** | **196.551** | **(24.017)** | **939.408** |
| Finance income | 20.343 | 191.248 | 59.844 | 12.974 | (274.475) | 9.934 |
| Finance expenses | (42.885) | (253.537) | (159.836) | (23.769) | 235.198 | (244.829) |
| Change in fair value of financial instruments | — | 7.129 | — | — | (14.739) | (7.610) |
| Impairment and gains /(losses) on disposal of financial | (2.142) | (16.199) | 14.329 | 3.526 | 486 | — |
| Exchange losses | 180 | 3.244 | (544) | 3.914 | 2.122 | 8.916 |
| Dividends | 388.706 | — | — | 314 | (389.020) | — |
| **Finance result** | **364.202** | **(68.115)** | **(86.207)** | **(3.041)** | **(440.428)** | **(233.589)** |
| Share of losses of equity accounted investees | — | — | — | — | 6.933 | 6.933 |
| **Profit before income tax from continuing operations** | **297.858** | **202.066** | **476.830** | **193.510** | **(457.512)** | **712.752** |
| Income tax expense | 23.691 | (19.718) | (131.956) | (70.159) | 29.933 | (168.209) |
| **Profit after income tax from continuing operations** | **321.549** | **182.348** | **344.874** | **123.351** | **(427.579)** | **544.543** |
| **Consolidated profit for the period** | **321.549** | **182.348** | **344.874** | **123.351** | **(427.579)** | **544.543** |
| Profit attributable to the Parent | 321.549 | 182.348 | 344.874 | 123.351 | (426.666) | 545.456 |
| Loss attributable to non-controlling interest | — | — | — | — | (913) | (913) |

This appendix forms an integral part of note 33 to the consolidated financial statements

**APPENDIX VI**
**GRIFOLS, S.A. AND SUBSIDIARIES**

**Condensed Consolidated Statement of Profit or Loss**
**for the year ended 31 December 2015**
**(Expressed in thousands of Euros)**

| | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | |
| Net revenue | 102.942 | 2.580.371 | 2.927.826 | 3.889.952 | (5.566.528) | 3.934.563 |
| Cost of sales | (25.833) | (1.870.731) | (2.035.195) | (3.152.501) | 5.080.695 | (2.003.565) |
| **Gross Profit** | **77.109** | **709.640** | **892.631** | **737.451** | **(485.833)** | **1.930.998** |
| Research and Development | (7.479) | (125.614) | (142.601) | (39.446) | 90.947 | (224.193) |
| Sales, General and Administration expenses | (123.032) | (248.568) | (276.880) | (506.443) | 418.488 | (736.435) |
| **Operating Expenses** | **(130.511)** | **(374.182)** | **(419.481)** | **(545.889)** | **509.435** | **(960.628)** |
| **Operating Results** | **(53.402)** | **335.458** | **473.150** | **191.562** | **23.602** | **970.370** |
| Finance income | 16.310 | 174.353 | 55.550 | 9.713 | (250.085) | 5.841 |
| Finance expenses | (44.242) | (203.935) | (177.033) | (24.842) | 209.717 | (240.335) |
| Change in fair value of financial instruments | — | 3.925 | — | — | (29.131) | (25.206) |
| Impairment and gains /(losses) on disposal of financial | 70 | 823 | (3.645) | (225) | 2.977 | — |
| Exchange losses | (18.403) | (15.189) | 19.957 | 1.353 | 142 | (12.140) |
| Dividends | 313.092 | — | — | 110 | (313.202) | — |
| **Finance result** | **266.827** | **(40.023)** | **(105.171)** | **(13.891)** | **(379.582)** | **(271.840)** |
| Share of losses of equity accounted investees | — | — | — | — | (8.280) | (8.280) |
| **Profit before income tax from continuing operations** | **213.425** | **295.435** | **367.979** | **177.671** | **(364.260)** | **690.250** |
| Income tax expense | 28.085 | (36.791) | (125.093) | (44.604) | 19.594 | (158.809) |
| **Profit after income tax from continuing operations** | **241.510** | **258.644** | **242.886** | **133.067** | **(344.666)** | **531.441** |
| **Consolidated profit for the period** | **241.510** | **258.644** | **242.886** | **133.067** | **(344.666)** | **531.441** |
| Profit attributable to the Parent | 241.509 | 258.644 | 242.886 | 133.068 | (343.962) | 532.145 |
| Loss attributable to non-controlling interest | — | — | — | — | (704) | (704) |

This appendix forms an integral part of note 33 to the consolidated financial statements

**APPENDIX VI**
**GRIFOLS, S.A. AND SUBSIDIARIES**

**Condensed Consolidated Statement of Profit or Loss**
**for the year ended 31 December 2014**
**(Expressed in thousands of Euros)**

| | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | |
| Net revenue | 90.616 | 2.096.938 | 2.940.867 | 3.119.906 | (4.892.943) | 3.355.384 |
| Cost of sales | (6.986) | (1.352.604) | (2.061.558) | (2.501.496) | 4.266.474 | (1.656.170) |
| **Gross Profit** | **83.630** | **744.334** | **879.309** | **618.410** | **(626.469)** | **1.699.214** |
| Research and Development | (6.384) | (99.519) | (147.414) | (36.118) | 108.682 | (180.753) |
| Sales, General and Administration expenses | (122.008) | (244.353) | (297.702) | (450.218) | 453.509 | (660.772) |
| **Operating Expenses** | **(128.392)** | **(343.872)** | **(445.116)** | **(486.336)** | **562.191** | **(841.525)** |
| **Operating Results** | **(44.762)** | **400.462** | **434.193** | **132.074** | **(64.278)** | **857.689** |
| Finance income | 13.356 | 131.455 | 4.560 | 1.951 | (148.253) | 3.069 |
| Finance expenses | (54.151) | (140.897) | (386.758) | (16.141) | 372.912 | (225.035) |
| Change in fair value of financial instruments | 2.250 | (13.476) | (18.608) | 0 | 8.850 | (20.984) |
| Impairment and gains /(losses) on disposal of financial | 3.555 | (16.393) | (4.961) | (1.444) | 19.238 | (5) |
| Exchange losses | (16.982) | (27.209) | 18.774 | 2.137 | 4.808 | (18.472) |
| Dividends | 271.685 | 0 | 0 | 12 | (271.697) | 0 |
| **Finance result** | **219.713** | **(66.520)** | **(386.993)** | **(13.485)** | **(14.142)** | **(261.427)** |
| Share of losses of equity accounted investees | 0 | 0 | 0 | 0 | (6.582) | (6.582) |
| **Profit before income tax from continuing operations** | **174.951** | **333.942** | **47.200** | **118.589** | **(85.002)** | **589.680** |
| Income tax expense | 27.709 | (44.246) | (6.545) | (30.231) | (69.284) | (122.597) |
| **Profit after income tax from continuing operations** | **202.660** | **289.696** | **40.655** | **88.358** | **(154.286)** | **467.083** |
| **Consolidated profit for the period** | **202.660** | **289.696** | **40.655** | **88.358** | **(154.286)** | **467.083** |
| Profit attributable to the Parent | 202.660 | 289.696 | 40.655 | 88.358 | (151.116) | 470.253 |
| Loss attributable to non-controlling interest | 0 | 0 | 0 | 0 | (3.170) | (3.170) |

This appendix forms an integral part of note 33 to the consolidated financial statements

**APPENDIX VI**
**GRIFOLS, S.A. AND SUBSIDIARIES**

## Condensed Consolidated Statement of Cash Flows for the year ended 31 December 2016

| | Parent | Issuer | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| ***Cash flows from operating activities*** | | | | | | |
| **Profit before tax** | **297.858** | **202.066** | **476.830** | **193.510** | **(457.512)** | **712.752** |
| **Adjustments for:** | **(351.874)** | **58.640** | **200.160** | **45.459** | **439.602** | **391.986** |
| Amortisation and depreciation | 12.295 | 3.287 | 146.301 | 37.775 | 2.211 | 201.869 |
| Other adjustments: | (364.169) | 55.353 | 53.859 | 7.684 | 437.391 | 190.117 |
| (Profit)/ losses on equity accounted investments | — | — | — | — | (6.933) | (6.933) |
| Impairment of assets and net provision charges | 2.176 | 17.388 | (46.263) | (8.400) | 12.020 | (23.079) |
| (Profit) / losses on disposal of fixed assets | 1 | 5 | (4.097) | 1.104 | — | (2.987) |
| Government grants taken to income | (14) | — | (662) | (1.138) | 133 | (1.681) |
| Finance cost / (income) | (366.332) | 68.844 | 102.081 | 690 | 430.751 | 236.034 |
| Other adjustments | — | (30.884) | 2.800 | 15.428 | 1.420 | (11.237) |
| **Changes in operating assets and liabilities** | **15.333** | **(240.953)** | **(10.216)** | **52.711** | **18.806** | **(164.319)** |
| Change in inventories | (359) | (258.331) | 47.331 | 22.407 | 15.949 | (173.003) |
| Change in trade and other receivables | 34.188 | 284.536 | (222.734) | 239.518 | (360.688) | (25.180) |
| Change in current financial assets and other current assets | (1.214) | (122) | (1.683) | 12.084 | (11.675) | (2.610) |
| Change in current trade and other payables | (17.282) | (267.036) | 166.870 | (221.298) | 375.220 | 36.474 |
| **Other cash flows from operating activities** | **354.993** | **(84.532)** | **(209.178)** | **(68.408)** | **(380.016)** | **(387.141)** |
| Interest paid | (42.522) | (251.804) | (178.362) | (20.957) | 313.148 | (180.497) |
| Interest recovered | 21.717 | 201.072 | 68.085 | 21.955 | (304.144) | 8.685 |
| Dividends received | 388.706 | — | — | 314 | (389.020) | — |
| Income tax (paid) / received | (12.908) | (33.800) | (98.901) | (69.720) | — | (215.329) |
| **Net cash from operating activities** | **316.310** | **(64.779)** | **457.596** | **223.272** | **(379.120)** | **553.278** |
| ***Cash flows from investing activities*** | | | | | | |
| Payments for investments | (94.799) | (266.325) | (251.340) | (245.868) | 349.254 | (509.078) |
| Group companies and business units | (78.528) | (232.437) | (64.945) | (99.807) | 272.990 | (202.727) |
| Property, plant and equipment and intangible assets | (16.266) | (21.094) | (186.420) | (145.174) | 76.264 | (292.690) |
| Property, plant and equipment | (11.916) | (9.895) | (168.463) | (73.887) | 14.745 | (249.416) |
| Intangible assets | (4.350) | (11.199) | (17.957) | (71.287) | 61.519 | (43.274) |
| Other financial assets | (5) | (12.794) | 25 | (887) | — | (13.661) |
| Proceeds from the sale of investments | 107 | 63.960 | 1.418 | 13.204 | (76.263) | 2.426 |
| Property, plant and equipment | 107 | 63.960 | 1.418 | 13.204 | (76.263) | 2.426 |
| **Net cash used in investing activities** | **(94.692)** | **(202.365)** | **(249.922)** | **(232.664)** | **272.991** | **(506.652)** |
| ***Cash flows from financing activities*** | | | | | | |
| Proceeds from and payments for equity instruments | (11.766) | 20.576 | 13.535 | 241.194 | (275.305) | (11.766) |
| Issue | — | 20.576 | 13.535 | 241.194 | (275.305) | — |
| Acquisition of Owns Shares | (12.686) | — | — | — | — | (12.686) |
| Disposal of Own Shares | 920 | — | — | — | — | 920 |
| Proceeds from and payments for financial liability instruments | 15.903 | 217.420 | (105.355) | (200.845) | (7.272) | (80.149) |
| Issue | 2.250 | (417) | 80.250 | (570) | — | 81.513 |
| Redemption and repayment | (4.937) | (68.009) | (81.362) | (7.354) | — | (161.662) |
| Debts with group companies | 18.590 | 285.846 | (104.243) | (192.921) | (7.272) | — |
| Dividends and interest on other equity instruments | (216.151) | (241.044) | (125.198) | (22.465) | 388.706 | (216.151) |
| Dividends paid | (216.151) | (241.044) | (125.198) | (22.465) | 388.706 | (216.151) |
| Other cash flows from / (used in) financing activities | — | — | (15.412) | (6.080) | — | (21.492) |
| Other amounts received from / (used in) financing activities | — | — | (15.412) | (6.080) | — | (21.492) |
| **Net cash from / (used in) financing activities** | **(212.014)** | **(3.048)** | **(232.430)** | **11.804** | **106.129** | **(329.558)** |
| **Effect of exchange rate fluctuations on cash** | — | 34.505 | 1.859 | (923) | — | **35.441** |
| **Net increase / (decrease) in cash and cash equivalents** | **9.604** | **(235.687)** | **(22.897)** | **1.489** | **—** | **(247.491)** |
| **Cash and cash equivalents at beginning of the period** | **3.099** | **996.103** | **56.840** | **86.458** | **—** | **1.142.500** |
| **Cash and cash equivalents at end of period** | **12.703** | **760.416** | **33.943** | **87.947** | **—** | **895.009** |

This appendix forms an integral part of note 33 to the consolidated financial statements

**APPENDIX VI**
**GRIFOLS, S.A. AND SUBSIDIARIES**

## Condensed Consolidated Statement of Cash Flows for the year ended 31 December 2015

| | Parent | Issuer | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| ***Cash flows from operating activities*** | | | | | | |
| **Profit before tax** | **213.425** | **295.435** | **367.979** | **177.671** | **(364.260)** | **690.250** |
| **Adjustments for:** | **(273.323)** | **(73.936)** | **363.967** | **45.991** | **397.865** | **460.564** |
| Amortisation and depreciation | 10.198 | 8.443 | 132.491 | 36.170 | 2.453 | 189.755 |
| Other adjustments: | (283.521) | (82.379) | 231.476 | 9.821 | 395.412 | 270.809 |
| (Profit)/ losses on equity accounted investments | — | — | — | — | 8.280 | 8.280 |
| Impairment of assets and net provision charges | (86) | (17.886) | 3.453 | (1.522) | 15.477 | (564) |
| (Profit) / losses on disposal of fixed assets | 355 | 6 | 5.183 | 1.177 | — | 6.721 |
| Government grants taken to income | (14) | — | (682) | (1.291) | 133 | (1.854) |
| Finance cost / (income) | (283.776) | 24.412 | 122.663 | 10.188 | 382.642 | 256.129 |
| Other adjustments | — | (88.911) | 100.859 | 1.269 | (11.120) | 2.097 |
| **Changes in operating assets and liabilities** | **(4.306)** | **(105.499)** | **(71.805)** | **101.161** | **3.391** | **(77.058)** |
| Change in inventories | (470) | (204.639) | 160.018 | (42.168) | (33.382) | (120.641) |
| Change in trade and other receivables | (17.531) | (272.428) | (8.035) | (96.631) | 539.030 | 144.405 |
| Change in current financial assets and other current assets | (125) | (1.941) | (1.456) | (13.718) | 11.675 | (5.565) |
| Change in current trade and other payables | 13.820 | 373.509 | (222.332) | 253.678 | (513.932) | (95.257) |
| **Other cash flows from operating activities** | **294.917** | **(87.327)** | **(195.094)** | **(29.795)** | **(313.679)** | **(330.978)** |
| Interest paid | (45.155) | (184.188) | (178.990) | (20.743) | 257.696 | (171.380) |
| Interest recovered | 17.471 | 176.272 | 59.996 | 8.751 | (258.174) | 4.316 |
| Dividends received | 313.091 | — | — | 110 | (313.201) | — |
| Income tax (paid) / received | 9.510 | (79.411) | (76.100) | (17.913) | — | (163.914) |
| **Net cash from operating activities** | **230.713** | **28.673** | **465.047** | **295.028** | **(276.683)** | **742.778** |
| ***Cash flows from investing activities*** | | | | | | |
| Payments for investments | (75.088) | (109.096) | (460.796) | (64.947) | 62.510 | (647.417) |
| Group companies and business units | (55.432) | (39.222) | (5.500) | 25.950 | 15.595 | (58.609) |
| Property, plant and equipment and intangible assets | (22.742) | (44.535) | (455.592) | (90.400) | 46.249 | (567.020) |
| Property, plant and equipment | (14.751) | (25.283) | (444.340) | (80.826) | 42.613 | (522.587) |
| Intangible assets | (7.991) | (19.252) | (11.252) | (9.574) | 3.636 | (44.433) |
| Other financial assets | 3.086 | (25.339) | 296 | (497) | 666 | (21.788) |
| Proceeds from the sale of investments | 12.000 | (1) | 58.054 | 3.614 | (59.360) | 14.307 |
| Property, plant and equipment | 12.000 | (1) | 58.054 | 3.614 | (59.360) | 14.307 |
| **Net cash used in investing activities** | **(63.088)** | **(109.097)** | **(402.742)** | **(61.333)** | **3.150** | **(633.110)** |
| ***Cash flows from financing activities*** | | | | | | |
| Proceeds from and payments for equity instruments | **12.695** | **—** | **—** | **14.460** | **(14.460)** | **12.695** |
| Issue | — | — | — | 14.460 | (14.460) | — |
| Acquisition of Owns Shares | (58.457) | — | — | — | — | (58.457) |
| Disposal of Own Shares | 71.152 | — | — | — | — | 71.152 |
| Proceeds from and payments for financial liability instruments | 16.046 | 388.019 | (109.505) | (240.509) | (25.098) | 28.953 |
| Issue | 7.328 | (507.513) | 679.023 | (152) | — | 178.686 |
| Redemption and repayment | (6.027) | (53.018) | (75.382) | (15.306) | — | (149.733) |
| Debts with group companies | 14.745 | 948.550 | (713.146) | (225.051) | (25.098) | — |
| Dividends and interest on other equity instruments | (216.772) | (290.942) | — | (22.149) | 313.091 | (216.772) |
| Dividends paid | (221.772) | (290.942) | — | (22.149) | 313.091 | (221.772) |
| Dividends received | 5.000 | — | — | — | — | 5.000 |
| Other cash flows from / (used in) financing activities | — | — | 11.631 | 5.455 | — | 17.086 |
| Other amounts received from / (used in) financing activities | — | — | 11.631 | 5.455 | — | 17.086 |
| **Net cash from / (used in) financing activities** | **(188.031)** | **97.077** | **(97.874)** | **(242.743)** | **273.533** | **(158.038)** |
| **Effect of exchange rate fluctuations on cash** | **—** | **101.164** | **8.665** | **1.895** | **—** | **111.724** |
| **Net increase / (decrease) in cash and cash equivalents** | **(20.406)** | **117.817** | **(26.904)** | **(7.153)** | **—** | **63.354** |
| **Cash and cash equivalents at beginning of the period** | **23.505** | **878.286** | **83.744** | **93.611** | **—** | **1.079.146** |
| **Cash and cash equivalents at end of period** | **3.099** | **996.103** | **56.840** | **86.458** | **—** | **1.142.500** |

This appendix forms an integral part of note 33 to the consolidated financial statements

**APPENDIX VI**
**GRIFOLS, S.A. AND SUBSIDIARIES**

## Condensed Consolidated Statement of Cash Flows for the year ended 31 December 2014

| | Parent | Issuer | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| ***Cash flows from operating activities*** | | | | | | |
| **Profit before tax** | **174.951** | **333.942** | **47.200** | **118.589** | **(85.002)** | **589.680** |
| **Adjustments for:** | **(232.266)** | **584.434** | **58.790** | **71.768** | **18.507** | **501.233** |
| Amortisation and depreciation | 6.906 | 45.787 | 99.030 | 34.875 | 2.874 | 189.472 |
| Other adjustments: | (239.172) | 538.647 | (40.240) | 36.893 | 15.633 | 311.761 |
| (Profit)/ losses on equity accounted investments | — | — | — | — | 6.582 | 6.582 |
| Exchange differences | — | — | — | — | — | — |
| Impairment of assets and net provision charges | (5.372) | 16.393 | (14.156) | 13.436 | (31.689) | (21.388) |
| (Profit) / losses on disposal of fixed assets | 369 | — | 5.090 | 3.252 | — | 8.711 |
| Government grants taken to income | — | — | (330) | (374) | — | (704) |
| Finance cost / (income) | (234.022) | 61.849 | 345.060 | 8.952 | 52.115 | 233.954 |
| Other adjustments | (147) | 460.405 | (375.904) | 11.627 | (11.375) | 84.606 |
| **Changes in operating assets and liabilities** | **(18.982)** | **(944.760)** | **792.897** | **352.523** | **(86.397)** | **95.281** |
| Change in inventories | (2.668) | (814.631) | 576.212 | 59.477 | 84.587 | (97.023) |
| Change in trade and other receivables | (19.271) | (290.887) | (165.812) | (179.159) | 682.029 | 26.900 |
| Change in current financial assets and other current assets | (2.044) | (965) | (2.344) | 2.847 | — | (2.506) |
| Change in current trade and other payables | 5.001 | 161.723 | 384.841 | 469.358 | (853.013) | 167.910 |
| **Other cash flows from operating activities** | **244.668** | **17.995** | **(132.100)** | **(51.934)** | **(285.895)** | **(207.266)** |
| Interest paid | (35.846) | (113.435) | (165.945) | (7.758) | 147.460 | (175.524) |
| Interest recovered | 12.054 | 131.340 | 19.805 | 1.860 | (161.658) | 3.401 |
| Dividends received | 271.685 | — | — | 12 | (271.697) | — |
| Income tax (paid) / received | (3.225) | 90 | 14.040 | (46.048) | — | (35.143) |
| **Net cash from operating activities** | **168.371** | **(8.389)** | **766.787** | **490.946** | **(438.787)** | **978.928** |
| ***Cash flows from investing activities*** | | | | | | |
| Payments for investments | (350.105) | (146.833) | (943.066) | (139.296) | 43.773 | (1.535.527) |
| Group companies and business units | (329.015) | (69.330) | (788.235) | (85.035) | 36.663 | (1.234.952) |
| Property, plant and equipment and intangible assets | (20.796) | (59.967) | (159.561) | (53.825) | 7.110 | (287.039) |
| Property, plant and equipment | (18.061) | (29.313) | (149.466) | (44.546) | 5.492 | (235.894) |
| Intangible assets | (2.735) | (30.654) | (10.095) | (9.279) | 1.618 | (51.145) |
| Other financial assets | (294) | (17.536) | 4.730 | (436) | — | (13.536) |
| Proceeds from the sale of investments | (1) | (1) | 17.431 | 4.104 | (7.110) | 14.423 |
| Property, plant and equipment | (1) | (1) | 17.431 | 4.104 | (7.110) | 14.423 |
| Associates | — | — | — | — | — | — |
| Other financial assets | — | — | — | — | — | — |
| **Net cash used in investing activities** | **(350.106)** | **(146.834)** | **(925.635)** | **(135.192)** | **36.663** | **(1.521.104)** |
| ***Cash flows from financing activities*** | | | | | | |
| Proceeds from and payments for equity instruments | **(69.252)** | **—** | **—** | **34.851** | **(34.851)** | **(69.252)** |
| Issue | — | — | — | 34.851 | (34.851) | — |
| Payments for treasury stock | (69.252) | — | — | — | — | (69.252) |
| Sales of treasury stock | — | — | — | — | — | — |
| Proceeds from and payments for financial liability instruments | 320.008 | 1.345.643 | (240.576) | (363.983) | 165.247 | 1.226.339 |
| Issue | 1.112.970 | 4.035.231 | 49.265 | (324) | — | 5.197.142 |
| Redemption and repayment | (1.475.947) | (35.763) | (2.437.828) | (21.268) | 3 | (3.970.803) |
| Debts with group companies | 682.985 | (2.653.825) | 2.147.987 | (342.391) | 165.244 | — |
| Dividends and interest on other equity instruments | (156.007) | (230.000) | (40.000) | (1.701) | 271.701 | (156.007) |
| Dividends paid | (156.007) | (230.000) | (40.000) | (1.701) | 271.701 | (156.007) |
| Dividends received | — | — | — | — | — | — |
| Other cash flows from / (used in) financing activities | (45) | (183.207) | 14.534 | 8.756 | — | (159.962) |
| Financing costs included on the amortised costs of the debt | (45) | (183.207) | — | — | — | (183.252) |
| Other amounts received from / (used in) financing activities | — | — | 14.534 | 8.756 | — | 23.290 |
| **Net cash from / (used in) financing activities** | **94.704** | **932.436** | **(266.042)** | **(322.077)** | **402.097** | **841.118** |
| **Effect of exchange rate fluctuations on cash** | **—** | **12.093** | **58.160** | **1.147** | **27** | **71.427** |
| **Net increase / (decrease) in cash and cash equivalents** | **(87.031)** | **789.306** | **(366.730)** | **34.824** | **—** | **370.369** |
| **Cash and cash equivalents at beginning of the period** | **110.536** | **88.980** | **450.474** | **58.787** | **—** | **708.777** |
| **Cash and cash equivalents at end of period** | **23.505** | **878.286** | **83.744** | **93.611** | **—** | **1.079.146** |

This appendix forms an integral part of note 33 to the consolidated financial statements

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Grifols, S.A.

We have audited the accompanying consolidated balance sheets of Grifols, S.A. and subsidiaries as of 31 December 2015 and 2014, and the related consolidated statements of profit or loss, comprehensive income, changes in consolidated equity and cash flows for each of the years in the three-year period ended 31 December 2015. We also have audited Grifols, S.A.'s internal control over financial reporting as of 31 December 2015, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Grifols, S.A.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on Grifols, S.A.'s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grifols, S.A. and subsidiaries as of 31 December 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended 31 December 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, Grifols, S.A. maintained, in all material respects, effective internal control over financial reporting as of 31 December 2015, based on criteria

established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG Auditores, S.L.

Barcelona, Spain

5 April 2016

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Consolidated Balance Sheets**
**at 31 December 2015 and 2014**

**(Expressed in thousands of Euros)**

| Assets | 31/12/15 | 31/12/14 |
|---|---|---|
| Goodwill (note 7) | 3,532,359 | 3,174,732 |
| Other intangible assets (note 8) | 1,161,572 | 1,068,361 |
| Property, plant and equipment (note 9) | 1,644,402 | 1,147,782 |
| Investments in equity-accounted investees (note 10) | 76,728 | 54,296 |
| Non-current financial assets (note 11) | 30,388 | 9,011 |
| Deferred tax assets (note 27) | 66,794 | 82,445 |
| **Total non-current assets** | **6,512,243** | **5,536,627** |
| Inventories (note 12) | 1,431,391 | 1,194,057 |
| Trade and other receivables | | |
| Trade receivables | 362,406 | 500,785 |
| Other receivables | 60,520 | 35,370 |
| Current income tax assets | 60,270 | 79,593 |
| Trade and other receivables (note 13) | 483,196 | 615,748 |
| Other current financial assets (note 11) | 1,294 | 502 |
| Other current assets | 31,091 | 23,669 |
| Cash and cash equivalents (note 14) | 1,142,500 | 1,079,146 |
| **Total current assets** | **3,089,472** | **2,913,122** |
| **Total assets** | **9,601,715** | **8,449,749** |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Consolidated Balance Sheets (Continued)**
**at 31 December 2015 and 2014**

**(Expressed in thousands of Euros)**

| Equity and liabilities | 31/12/15 | 31/12/14 |
|---|---|---|
| Share capital | 119,604 | 119,604 |
| Share premium | 910,728 | 910,728 |
| Reserves | 1,371,061 | 1,088,337 |
| Treasury stock | (58,575) | (69,252) |
| Interim dividend | (119,615) | (85,944) |
| Profit for the year attributable to the Parent | 532,145 | 470,253 |
| **Total equity** | 2,755,348 | 2,433,726 |
| Cash flow hedges | 3,329 | (15,811) |
| Other comprehensive Income | 3,035 | (406) |
| Translation differences | 534,491 | 240,614 |
| Other comprehensive expenses | 540,855 | 224,397 |
| **Equity attributable to the Parent (note 15)** | **3,296,203** | **2,658,123** |
| Non-controlling interests (note 17) | 5,187 | 4,765 |
| **Total equity** | **3,301,390** | **2,662,888** |
| **Liabilities** | | |
| Grants (note 18) | 13,120 | 6,781 |
| Provisions (note 19) | 4,980 | 6,953 |
| Non-current financial liabilities (note 20) | 4,597,654 | 4,154,630 |
| Deferred tax liabilities (note 27) | 631,565 | 538,786 |
| **Total non-current liabilities** | **5,247,319** | **4,707,150** |
| Provisions (note 19) | 123,049 | 115,985 |
| Current financial liabilities (note 20) | 262,497 | 194,726 |
| Debts with associates (note 31) | 443 | 3,059 |
| Trade and other payables | | |
| Suppliers | 409,986 | 439,631 |
| Other payables | 106,171 | 90,965 |
| Current income tax liabilities | 16,196 | 87,462 |
| Total trade and other payables (note 21) | 532,353 | 618,058 |
| Other current liabilities (note 22) | 134,664 | 147,883 |
| **Total current liabilities** | **1,053,006** | **1,079,711** |
| **Total liabilities** | **6,300,325** | **5,786,861** |
| **Total equity and liabilities** | **9,601,715** | **8,449,749** |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Consolidated Statements of Profit or Loss**
**for the years ended 31 December 2015, 2014 and 2013**

**(Expressed in thousands of Euros)**

| | 31/12/15 | 31/12/14 | 31/12/13 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Net revenue (notes 6 and 23) | 3,934,563 | 3,355,384 | 2,741,732 |
| Cost of sales | (2,003,565) | (1,656,170) | (1,323,880) |
| **Gross Profit** | **1,930,998** | **1,699,214** | **1,417,852** |
| Research and Development | (224,193) | (180,753) | (123,271) |
| Selling, General and Administration expenses | (736,435) | (660,772) | (558,461) |
| **Operating Expenses** | **(960,628)** | **(841,525)** | **(681,732)** |
| **Operating Result** | **970,370** | **857,689** | **736,120** |
| Finance income | 5,841 | 3,069 | 4,869 |
| Finance costs | (240,335) | (225,035) | (239,991) |
| Change in fair value of financial instruments | (25,206) | (20,984) | (1,786) |
| Impairment and gains /(losses) on disposal of financial instruments | — | (5) | 792 |
| Exchange differences | (12,140) | (18,472) | (1,303) |
| **Finance result** (note 26) | **(271,840)** | **(261,427)** | **(237,419)** |
| Share of losses of equity accounted investees (note 10) | (8,280) | (6,582) | (1,165) |
| **Profit before income tax from continuing operations** | **690,250** | **589,680** | **497,536** |
| Income tax expense (note 27) | (158,809) | (122,597) | (155,482) |
| **Profit after income tax from continuing operations** | **531,441** | **467,083** | **342,054** |
| **Consolidated profit for the year** | **531,441** | **467,083** | **342,054** |
| Profit attributable to the Parent | 532,145 | 470,253 | 345,551 |
| Loss attributable to non-controlling interest (note 17) | (704) | (3,170) | (3,497) |
| **Basic earnings per share (Euros) (see note 16)** | 0.78 | 0.69 | 0.51 |
| **Diluted earnings per share (Euros) (see note 16)** | 0.78 | 0.69 | 0.51 |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**
**for the years ended 31 December 2015, 2014 and 2013**

**(Expressed in thousands of Euros)**

| | 31/12/15 | 31/12/14 | 31/12/13 |
|---|---|---|---|
| **Consolidated profit for the year** | 531,441 | 467,083 | 342,054 |
| **Items for reclassification to profit or loss** | | | |
| Translation differences | 290,635 | 303,077 | (91,610) |
| Equity accounted investees (note 10) | 2,673 | 1,287 | (359) |
| Cash flow hedges—effective part of changes in fair value | 55,305 | 34,556 | 22,943 |
| Cash flow hedges—amounts taken to profit or loss | (25,206) | (20,711) | (11,471) |
| Other comprehensive income | 4,575 | (406) | — |
| Tax effect | (12,093) | (3,865) | (4,227) |
| **Other comprehensive income for the year, after tax** | **315,889** | **313,938** | **(84,724)** |
| **Total comprehensive income for the year** | **847,330** | **781,021** | **257,330** |
| Total comprehensive income attributable to the Parent | 848,603 | 783,931 | 261,509 |
| Total comprehensive expense attributable to the non-controlling interests | (1,273) | (2,910) | (4,179) |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**
**for the years ended 31 December 2015, 2014 and 2013**

**(Expressed in thousands of Euros)**

| | 31/12/15 | 31/12/14 | 31/12/13 |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| **Profit before tax** | **690,250** | **589,680** | **497,536** |
| **Adjustments for:** | **460,564** | **501,233** | **347,853** |
| Amortisation and depreciation (note 25) | 189,755 | 189,472 | 128,469 |
| Other adjustments: | 270,809 | 311,761 | 219,384 |
| (Profit) / losses on equity accounted investments (note 10) | 8,280 | 6,582 | 1,165 |
| Exchange gains | — | — | 1,303 |
| Impairment of assets and net provision charges | (564) | (21,388) | 4,611 |
| (Profit) / losses on disposal of fixed assets | 6,721 | 8,711 | 4,689 |
| Government grants taken to income | (1,854) | (704) | (1,130) |
| Finance cost / (income) | 256,129 | 233,954 | 228,308 |
| Other adjustments | 2,097 | 84,606 | (19,562) |
| **Change in operating assets and liabilities** | **(77,058)** | **95,281** | **40,332** |
| Change in inventories | (120,641) | (97,023) | 17,277 |
| Change in trade and other receivables | 144,405 | 26,900 | (35,694) |
| Change in current financial assets and other current assets | (5,565) | (2,506) | (2,612) |
| Change in current trade and other payables | (95,257) | 167,910 | 61,361 |
| **Other cash flows used in operating activities** | **(330,978)** | **(207,266)** | **(293,710)** |
| Interest paid | (171,380) | (175,524) | (157,880) |
| Interest recovered | 4,316 | 3,401 | 5,423 |
| Income tax (paid) / received | (163,914) | (35,143) | (141,253) |
| **Net cash from operating activities** | **742,778** | **978,928** | **592,011** |
| ***Cash flows from investing activities*** | | | |
| Payments for investments | **(647,417)** | **(1,535,527)** | **(252,827)** |
| Group companies and business units (notes 3 and 2 (c)) | (58,609) | (1,234,952) | (69,172) |
| Property, plant and equipment and intangible assets | (567,020) | (287,039) | (172,849) |
| Property, plant and equipment | (522,587) | (235,894) | (138,460) |
| Intangible assets | (44,433) | (51,145) | (34,389) |
| Other financial assets | (21,788) | (13,536) | (10,806) |
| Proceeds from the sale of investments | **14,307** | **14,423** | **16,793** |
| Property, plant and equipment | 14,307 | 14,423 | 16,793 |
| **Net cash used in investing activities** | **(633,110)** | **(1,521,104)** | **(236,034)** |
| ***Cash flows from financing activities*** | | | |
| Proceeds from and payments for equity instruments | 12,695 | (69,252) | 35,221 |
| Issue | — | — | 20,461 |
| Payments for treasury stock (note 15 (d)) | (58,457) | (69,252) | (120,429) |
| Sales of treasury stock (note 15 (d)) | 71,152 | — | 135,189 |
| Proceeds from and payments for financial liability instruments | 28,953 | 1,226,339 | (79,413) |
| Issue | 178,686 | 5,197,142 | 53,507 |
| Redemption and repayment | (149,733) | (3,970,803) | (132,920) |
| Dividends and interest on other equity instruments | (216,772) | (156,007) | (69,138) |
| Dividends paid | (221,772) | (156,007) | (70,062) |
| Dividends received | 5,000 | — | 924 |
| Other cash flows from / (used in) financing activities | 17,086 | (159,962) | 8,184 |
| Financing costs included on the amortised costs of the debt | — | (183,252) | — |
| Other amounts from / (used in) financing activities | 17,086 | 23,290 | 8,184 |
| **Net cash from/(used in) financing activities** | **(158,038)** | **841,118** | **(105,146)** |
| **Effect of exchange rate fluctuations on cash** | **111,724** | **71,427** | **(15,381)** |
| **Net increase in cash and cash equivalents** | **63,354** | **370,369** | **235,450** |
| **Cash and cash equivalents at beginning of the year** | **1,079,146** | **708,777** | **473,327** |
| **Cash and cash equivalents at year end** | **1,142,500** | **1,079,146** | **708,777** |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**
**Statement of Changes in Consolidated Equity**
**for the years ended 31 December 2015, 2014 and 2013**
**(Expressed in thousands of Euros)**

| | 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 | Other comprehensive income | Cash flow hedges | Equity attributable to Parent | Non-controlling interests | Equity |
| **Balances at 31 December 2012** | 117,882 | 890,355 | 620,144 | 256,686 | — | (3,060) | 27,797 | — | (33,036) | 1,876,768 | 3,973 | 1,880,741 |
| Translation differences | — | — | — | — | — | — | (91,287) | — | — | (91,287) | (682) | (91,969) |
| Cash flow hedges | — | — | — | — | — | — | — | — | 7,245 | 7,245 | — | 7,245 |
| **Other comprehensive income for the year** | — | — | — | — | — | — | (91,287) | — | 7,245 | (84,042) | (682) | (84,724) |
| Profit/(loss) for the year | — | — | — | 345,551 | — | — | — | — | — | 345,551 | (3,497) | 342,054 |
| **Total comprehensive income / (expense) for the year** | — | — | — | 345,551 | — | — | (91,287) | — | 7,245 | 261,509 | (4,179) | 257,330 |
| Net change in treasury stock (note 15 (d)) | — | — | 11,806 | — | — | 3,060 | — | — | — | 14,866 | — | 14,866 |
| Capital increase January 2013 (note 15 (a)) | 1,633 | — | (1,665) | — | — | — | — | — | — | (32) | — | (32) |
| Capital increase April 2013 (note 15 (a)) | 89 | 20,373 | (375) | — | — | — | — | — | — | 20,087 | — | 20,087 |
| Acquisition of non-controlling interests (note 15 (c)) | — | — | (2,800) | — | — | — | — | — | — | (2,800) | 2,895 | 95 |
| Acquisition of non-controlling interests in investees | — | — | — | — | — | — | — | — | — | — | 1,712 | 1,712 |
| Other changes | — | — | 2 | — | — | — | — | — | — | 2 | 1,541 | 1,543 |
| Interim dividend | — | — | 924 | — | (68,755) | — | — | — | — | (67,831) | — | (67,831) |
| Distribution of 2012 profit | | | | | | | | | | | | |
| Reserves | — | — | 255,379 | (255,379) | — | — | — | — | — | — | — | — |
| Dividends (Class B shares) | — | — | — | (1,307) | — | — | — | — | — | (1,307) | — | (1,307) |
| **Operations with shareholders or owners** | 1,722 | 20,373 | 263,271 | (256,686) | (68,755) | 3,060 | — | — | — | (37,015) | 6,148 | (30,867) |
| **Balance at 31 December 2013** | 119,604 | 910,728 | 883,415 | 345,551 | (68,755) | — | (63,490) | — | (25,791) | 2,101,262 | 5,942 | 2,107,204 |
| Translation differences | — | — | — | — | — | — | 304,104 | — | — | 304,104 | 260 | 304,364 |
| Cash flow hedges | — | — | — | — | — | — | — | — | 9,980 | 9,980 | — | 9,980 |
| Other comprehensive income | — | — | — | — | — | — | — | (406) | — | (406) | — | (406) |
| **Other comprehensive expense for the year** | — | — | — | — | — | — | 304,104 | (406) | 9,980 | 313,678 | 260 | 313,938 |
| Profit/(loss) for the year | — | — | — | 470,253 | — | — | — | — | — | 470,253 | (3,170) | 467,083 |
| **Total comprehensive income / (expense) for the year** | — | — | — | 470,253 | — | — | 304,104 | (406) | 9,980 | 783,931 | (2,910) | 781,021 |
| Net change in treasury stock (note 15 (d)) | — | — | — | — | — | (69,252) | — | — | — | (69,252) | — | (69,252) |
| Acquisition of non-controlling interests (note 15 (c)) | — | — | (1,706) | — | — | — | — | — | — | (1,706) | 1,740 | 34 |
| Other changes | — | — | (105) | — | — | — | — | — | — | (105) | (7) | (112) |
| Interim dividend | — | — | — | — | (85,944) | — | — | — | — | (85,944) | — | (85,944) |

The accompanying notes form an integral part of the consolidated financial statements.

**GRIFOLS, S.A. AND SUBSIDIARIES**
**Statement of Changes in Consolidated Equity (Continued)**
**for the years ended 31 December 2015, 2014 and 2013**
**(Expressed in thousands of Euros)**

| | 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 | Other comprehensive income | Cash flow hedges | Equity attributable to Parent | Non-controlling interests | Equity |
| Distribution of 2013 profit | | | | | | | | | | | | |
| Reserves | — | — | 275,488 | (275,488) | — | — | — | — | — | — | — | — |
| Dividends | — | — | — | (70,063) | — | — | — | — | — | (70,063) | — | (70,063) |
| Interim dividend | — | — | (68,755) | — | 68,755 | — | — | — | — | — | | — |
| **Operations with shareholders or owners** | — | — | 204,922 | (345,551) | (17,189) | (69,252) | — | — | — | (227,070) | 1,733 | (225,337) |
| **Balance at 31 December 2014** | 119,604 | 910,728 | 1,088,337 | 470,253 | (85,944) | (69,252) | 240,614 | (406) | (15,811) | 2,658,123 | 4,765 | 2,662,888 |
| Translation differences | — | — | — | — | — | — | 293,877 | — | — | 293,877 | (569) | 293,308 |
| Cash flow hedges (note 15 (f)) | — | — | — | — | — | — | — | — | 19,140 | 19,140 | — | 19,140 |
| Other comprehensive income | — | — | — | — | — | — | — | 3,441 | — | 3,441 | — | 3,441 |
| **Other comprehensive income / (expense) for the year** | — | — | — | — | — | — | 293,877 | 3,441 | 19,140 | 316,458 | (569) | 315,889 |
| Profit/(loss) for the year | — | — | — | 532,145 | — | — | — | — | — | 532,145 | (704) | 531,441 |
| **Total comprehensive income / (expense) for the year** | — | — | — | 532,145 | — | — | 293,877 | 3,441 | 19,140 | 848,603 | (1,273) | 847,330 |
| Net change in treasury stock (note 15 (d)) | — | — | 2,018 | — | — | 10,677 | — | — | — | 12,695 | — | 12,695 |
| Acquisition of non-controlling interests (note 15 (c)) | — | — | (1,770) | — | — | — | — | — | — | (1,770) | 1,767 | (3) |
| Other changes | — | — | 324 | — | — | — | — | — | — | 324 | (72) | 252 |
| Interim dividend | — | — | — | — | (119,615) | — | — | — | — | (119,615) | — | (119,615) |
| Distribution of 2014 profit | | | | | | | | | | | | — |
| Reserves | — | — | 368,096 | (368,096) | — | — | — | — | — | — | — | — |
| Dividends | — | — | — | (102,157) | — | — | — | — | — | (102,157) | — | (102,157) |
| Interim dividend | — | — | (85,944) | — | 85,944 | — | — | — | — | — | — | — |
| **Operations with shareholders or owners** | — | — | 282,724 | (470,253) | (33,671) | 10,677 | — | — | — | (210,523) | 1,695 | (208,828) |
| **Balance at 31 December 2015** | 119,604 | 910,728 | 1,371,061 | 532,145 | (119,615) | (58,575) | 534,491 | 3,035 | 3,329 | 3,296,203 | 5,187 | 3,301,390 |

The accompanying notes form an integral part of the consolidated financial statements.

## (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 financial statements.

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 haemoderivatives.

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, USA), Clayton (North Carolina, USA) and Emeryville (San Francisco, USA).

## (2) Basis of Presentation

The consolidated financial statements have been prepared on the basis of the accounting records of Grifols, S.A. and of the Group companies. The consolidated financial statements for 2015 have been prepared under International Financial Reporting Standards as adopted by International Accounting Standard Board (IFRS-IASB) which for Grifols Group purposes, are identical to the standards as endorsed by the European Union (IFRS-EU) to present fairly the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2015, as well as the consolidated results from their operations, consolidated cash flows and consolidated changes in equity for the year then ended.

The Group adopted IFRS-EU for the first time on 1 January 2004 and has been preparing its financial statements under IFRS-EU as required by 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. authorized these consolidated financial statements for issue at their meeting held on 31 March 2016 without any modifications.

In accordance with the provision of section 357 of the Irish Companies Act Law 2014, the Company has irrevocably guaranteed all liabilities of an Irish subsidiary undertaking, Grifols Worldwide Operations Limited (Ireland) (see Appendix VI), for the financial year ended 31 December 2015 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 financial statements in Ireland.

**(a) Relevant accounting estimates, assumptions and judgments used when applying accounting principles**

The preparation of the consolidated financial statements in conformity with IFRS-IASB 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 financial statements.

- The assumptions used for calculation of the fair value of financial instruments, in particular, financial derivatives. Financial derivatives are measured based on observable market data (level 2 of fair value hierarchy) (see notes 4(k) and 30). The Senior Unsecured Notes and senior secured debt are valued at their quoted price in active markets (level 1 in the fair value hierarchy). Regarding the valuation of derivative instruments, the selection of the appropriate data within the alternatives requires the use of judgment in qualitative factors such as, which methodology and valuation models are used, and in quantitative factors, data required to be included within the chosen models.

- The 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.

- Useful lives of property, plant and equipment and intangible assets. The estimated useful lives of each category of property, plant and equipment and intangible assets are set out in notes 4(g) and 4(h). Although estimates are calculated by the Company's management based on the best information available at 31 December 2015, future events may require changes to these estimates in subsequent years. Given the large number of individual items of property, plant and equipment it is not considered likely that a reasonably possible change in the assumptions would lead to a material adverse effect. Potential changes to the useful lives of intangible assets are mainly related to the currently marketed products and the useful lives will depend on the life cycle of the same. No significant changes to useful lives are expected. Adjustments made in subsequent years are recognized prospectively.

- Evaluation of the effectiveness of hedging derivatives. The key assumption relates to the measurement of the effectiveness of the hedge. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and, in subsequent years, in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis) (see notes 4(l), 15(f) and 30).

- Evaluation of the nature of leases (operating or finance). The Group analyses the conditions of the lease contracts at their inception in order to conclude if the risks and rewards have been transferred (see note 4(j) and 9(c)). If the lease contract is renewed or amended the Group conducts a new evaluation.

- Assumptions used to determine 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.

- Evaluation of the recoverability of receivables from public entities in countries facing liquidity problems, specifically in Italy, Greece, Portugal and Spain. The key assumption is the estimation of the amounts expected to be collected from these public entities (see notes 5 and 30).

- Evaluation of the recoverability of tax credits, including tax loss carryforwards and rights for deductions. Deferred tax assets are recognized to the extent that future taxable profits will be available against which the temporary differences can be utilised, based on management's assumptions relating to the amount and timing of future taxable profits (see notes 4(t) and 27).

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.

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.

**(b) Basis of consolidation**

Appendix I shows details of the percentages of direct or indirect ownership of subsidiaries by the Company at 31 December 2015, 2014 and 2013, as well as the consolidation method used in each case for preparation of the accompanying consolidated financial statements.

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 subsidiaries**

On 9 February 2015 the Group acquired 100% of the assets of Gripdan Invest, S.L for Euros 46 million in the form of a cash payment.

Effective 1 January 2015:

- Plasmacare, Inc and Biomat USA, Inc entered into a merger agreement, the surviving company being Biomat USA, Inc.

- Proteomika, S.L.U. and Progenika Biopharma, S.A entered into a merger agreement, the surviving company being Progenika Biopharma, S.A.

- Arrahona Optimus, S.L and Grifols, S.A entered into a merger agreement, the surviving company being Grifols, S.A.

In May 2014 and July 2015 Araclon Biotech S.L carried out two share capital increases of Euros 7 million and Euros 6 million, respectively. After these capital increases Grifols interest rises to 70.83% in 2015 (see note 15 (c)).

On 14 February 2014 and 16 November 2015, the Group company Gri-Cel, S.A, which is the affiliate that centralizes the Company's investments in R&D companies and projects in fields of medicine other than its core business, subscribed both share capital increases in the capital of VCN Bioscience, S.L of Euros 700 thousand and Euros 2,582 thousand, respectively. After this capital increase, Grifols interest rises to 68,01% in 2015 (see note 3(a)).

In 2014 Grifols incorporated the following companies:

- Grifols Worldwide Operations USA, Inc. (USA)

- Grifols Japan K.K. (Japan)

- Grifols India Healthcare Private Ltd. (India)

On 9 January 2014 the Group acquired the transfusion medicine and immunology Diagnostic unit of the Swiss company Novartis International AG for approximately US Dollars 1,653 million (Euros 1,215 million) (see note 3(b)).

In 2013 Grifols incorporated the following companies:

- Grifols Diagnostic Solutions, Inc. (USA)

- Grifols Switzerland AG (Switzerland)

- Grifols Pharmaceutical Consulting (Shanghai) Co. Ltd (China)

- Grifols Worldwide Operations, Ltd (Ireland)

On 27 February 2013 the Group acquired shares representing 60% of the economic and voting rights (56.1% after Ekarpen capital increase) of the Spanish biotechnology group of companies headed by

Progenika Biopharma, S.A. (hereinafter Progenika) for an amount of Euros 37,010 thousand (see note 3(c)).

During the second half of 2013 Talecris Biotherapeutics Overseas Services, Corp. was wound up. The assets and liabilities of these companies have been integrated into Grifols Therapeutics, Inc.

**Changes in associates and joint control**

On March 4, 2015, the Group acquired 47.58% of the equity of Alkahest, Inc. ("Alkahest") for Euros 33 million (US Dollar 37.5 million) in the form of a cash payment in exchange for 47.58% of Alkahest's shares following the closing of the transaction. In addition Grifols will provide a further payment of US Dollar 12.5 million as collaboration fees and fund the development of plasma-based products, which may be commercialized by the Group throughout the world. Alkahest will receive milestone payments and royalties on sales of such products by Grifols. This investment has been accounted for using the equity method.

On 19 September 2014 the Group subscribed to a share capital increase of the company Kiro Robotics, S.L. ("Kiro Robotics") for an amount of Euros 21 million, which represents 50% of the voting and economic rights of Kiro Robotics. The capital increase was paid by means of a monetary contribution (see note 10). This investment has been accounted for using the equity method.

On 19 November 2013, the Group company Gri-Cel, S.A., which is the affiliate that centralises the Company's investments in R&D companies and projects in fields of medicine other than its core business, acquired 21.30% of TiGenix N.V. for a total of Euros 12,443 thousand. This investment has been accounted for using the equity method. During 2015 two capital increases have been carried out by TiGenix, N.V. Both share capital increases at TiGenix, N.V resulted in a dilution of the Group's percentage stake to 19,28%. Despite the investment reduction, the Group still maintains significant influence considering that it has subscribed the convertible bonds.

On 20 May 2013 the Group announced the signing of a worldwide exclusive licensing agreement with Aradigm Corporation to develop and commercialise Pulmaquin and Lipoquin, on the condition that Grifols, S.A. would participate in the capital increase.

On 27 August 2013 the Group acquired a 35% interest in Aradigm Corporation for a total of US Dollars 26 million (Euros 20.6 million) and, therefore, the exclusive worldwide licensing agreement to develop and commercialise Pulmaquin and Lipoquin became effective (see note 10). All shares have the same voting and economic rights. This investment has been accounted for using the equity method.

**(c) Amendments to IFRS in 2015, 2014 and 2013**

In accordance with IFRS, the following should be noted in connection with the scope of application of IFRS and the preparation of these consolidated financial statements of the Group.

**Effective date in 2013**

| Standards | | Mandatory application for annual periods beginning on or after : IASB effective date | EU effective date |
|---|---|---|---|
| IFRS 1 | Amendments to IFRS 1: Government Loans | 1 January 2013 | 1 January 2013 |
| IAS 1 | Presentation of Components of Other Comprehensive Income | 1 July 2012 | 1 July 2012 |
| IAS 19 | Employee Benefits | 1 January 2013 | 1 January 2013 |
| IAS 27 | Separate Financial Statements | 1 January 2013 | 1 January 2014(*) |
| IAS 28 | Investments in Associates and Joint Ventures | 1 January 2013 | 1 January 2014(*) |
| IFRS 7 | Amendments to IFRS 7: Offsetting Financial Assets and Financial Liabilities: Disclosure | 1 January 2013 | 1 January 2013 |
| IFRS 10 | Consolidated Financial Statements | 1 January 2013 | 1 January 2014(*) |
| IFRS 11 | Joint Arrangements | 1 January 2013 | 1 January 2014(*) |
| IFRS 12 | Disclosures of Interests in Other Entities | 1 January 2013 | 1 January 2014(*) |
| IFRS 10<br>IFRS 11<br>IFRS 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance (issued on 28 June 2012). Improvements to IFRSs 10, 11 and 12 | 1 January 2013 | 1 January 2014(*) |
| IFRS 13 | Fair Value Measurement | 1 January 2013 | 1 January 2013 |
| Various | Improvements to IFRSs (2009-2011) issued on 17 May 2012 | 1 January 2013 | 1 January 2013 |

(*) early adopted

**Effective date in 2014**

| Standards | | Mandatory application for annual periods beginning on or after : IASB effective date | EU effective date |
|---|---|---|---|
| IAS 32 | Amendments to IAS: Offsetting financial assets and financial liabilities | 1 January 2014 | 1 January 2014 |
| IAS 36 | Recoverable amount disclosures for non-financial assets (amendments to IAS 36) (issued on 29 May 2013) | 1 January 2014 | 1 January 2014 |
| IAS 39 | Novation of Derivatives and Continuation of hedge Accounting (Amendments to IAS 39) (issued on 27 June 2013) | 1 January 2014 | 1 January 2014 |
| IFRIC 21 | Interpretation 21 Levies (issued on 20 May 2013) | 1 January 2014 | 17 June 2014(*) |
| IFRS 10<br>IFRS 12<br>IAS 27 | Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27) (issued on 31 October 2012) | 1 January 2014 | 1 January 2014 |

(*) early adopted

**Effective date in 2015**

| Standards | | Mandatory application for annual periods beginning on or after: IASB effective date | EU effective date |
|---|---|---|---|
| IAS 19 | Defined Benefit Plans: employee contributions (amendments to IAS 19) | 1 July 2014 | 1 February 2015(*) |
| Various | Annual improvements to IFRSs 2010-2012 cycle | 1 July 2014 | 1 February 2015(*) |
| Various | Annual improvements to IFRSs 2011-2013 cycle | 1 July 2014 | 1 January 2015(*) |

(*) early adopted

The application of these standards and interpretations has had no material impact on these consolidated financial statements.

**Standards issued but not effective in 2015**

| Standards | | Mandatory application for annual periods beginning on or after: IASB effective date | EU effective date |
|---|---|---|---|
| IAS 16<br>IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014) | 1 January 2016 | 1 January 2016 |
| IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014) | 1 January 2016 | 1 January 2016 |
| IAS 27 | Equity Method in Separate Financial Statements (issued on 12 August 2014) | 1 January 2016 | 1 January 2016 |
| IFRS 10<br>IAS 28 | Sale or Contribution of Assets between an investor and its Associate or Joint Venture (issued on 11 September 2014) | Deferred indefinitely | Deferred |
| Various | Annual Improvements to IFRSs 2012-2014 cycle (issued on 25 September 2014) | 1 January 2016 | 1 January 2016 |
| IFRS 10<br>IFRS 12<br>IAS 28 | Investment entities: applying the Consolidation Exception (issued on 18 December 2014) | 1 January 2016 | pending |
| IAS 1 | Disclosure Initiative (issued on 18 December 2014) | 1 January 2016 | 1 January 2016 |
| IFRS 15 | Revenue from contracts with customers (issued on 28 May 2014) | 1 January 2018 | pending |
| IFRS 9 | Financial instruments (issued on 24 july 2014) | 1 January 2018 | pending |
| IFRS 16 | Operating Leases | 1 January 2019 | pending |

At the date of issue of these consolidated financial statements, the Group is analysing the impact of the application of the above standards or interpretations published by the International Accounting Standards Board (IASB).

**(3) Business Combinations**

**2015**

**(a) VCN**

On 14 February 2014 and 16 November 2015, the Group company Gri-Cel, S.A, that centralises the Group's investments in R&D projects in fields of medicine other than its core business, subscribed both share capital increases in the capital of VCN Bioscience, S.L of Euros 700 thousand and Euros 2,549 thousand, respectively. After this capital increase, Grifols interest rises to 68.01% in 2015 and the company is fully consolidated at year-end.

**2014**

**(b) Novartis' Diagnostic unit**

On 9 January 2014 the Group acquired the transfusion medicine and immunology Diagnostic unit of the Swiss company Novartis International AG for approximately US Dollars 1,653 million (Euros 1,215 million).

This transaction was structured through a newly-created 100% Grifols-owned subsidiary, Grifols Diagnostics Solutions (formerly G-C Diagnostics Corp.) (USA) and this transaction was initially financed through a US Dollars 1,500 million bridge loan.

Grifols has expanded its portfolio by including Novartis' diagnostic products for transfusion medicine and immunology, including its highly innovative, market-leading NAT technology (Nucleic Acid Amplification Techniques), instrumentation and equipment for blood screening, specific software and reagents. The assets acquired include patents, brands and licenses, 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.

Novartis' Diagnostic business did not operate as a separate legal entity or segment, so the acquired business was structured as an asset deal, with the exception of the Hong Kong subsidiary, which was acquired via a share deal.

This strategic operation strengthened Grifols' Diagnostic division, particularly in the US, with a very strong and specialised commercial organisation. It will also diversify Grifols' business by promoting an activity area that complements the Bioscience division. The diagnostic business being purchased from Novartis, focused on guaranteeing the safety of blood donations for transfusions or to be used in the production of plasma derivatives, complements and expands Grifols' existing product range. Grifols will become a vertically integrated company able to provide solutions for blood and plasma donor centres, with the most complete product portfolio in the immunohaematology field, including reagents using gel technology, multicard and the new genotyping technologies from Progenika acquired in 2013.

After taking on the employees of Novartis, Grifols' workforce increased by approximately 550 employees.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date (or the amount by which the business combination cost exceeds the fair value of the net assets acquired) are provided below.

| | Thousands of Euros | Thousands of US Dollars |
|---|---|---|
| Cost of the business combination | 1,214,527 | 1,652,728 |
| Total business combination cost | 1,214,527 | 1,652,728 |
| Fair value of net assets acquired | 226,123 | 307,707 |
| Goodwill (excess of the cost of the business combination over the fair value of net assets acquired) (note 7) | 988,404 | 1,345,021 |
| Payment in cash | 1,214,527 | 1,652,728 |
| Cash and cash equivalents of the acquired company | (3,900) | (5,307) |
| Net cash outflow for the acquisition | 1,210,627 | 1,647,421 |

Goodwill generated in the acquisition was attributed to the workforce and other expected benefits from the business combination of the assets and activities of the Group. Goodwill has been allocated to the "Diagnostic" segment and is tax deductible in the United States.

Royalties relate to several license agreements entered into with pharmaceutical companies to manufacture and sell the licensed products using certain NAT technology-based patents and are presented in the "Raw materials and Other" Segment. Revenues relating to royalties amount to Euros 76.5 million.

Expenses incurred in this transaction for the year ended 31 December 2014 amount to Euros 8.9 million (Euros 19 million for the fiscal year 2013).

Had the acquisition taken place at 1 January 2014, the Group's revenue and consolidated profit would not have varied significantly. The revenue and operating profit between the acquisition date and 31 December 2014 amounted to Euros 561 million and Euros 117 million, respectively.

The amounts determined at the date of acquisition of assets, liabilities and contingent liabilities acquired were as follows:

| | Fair Value | |
|---|---|---|
| | Thousands of Euros | Thousands of US Dollars |
| Intangible assets (note 8) | 50,705 | 69,000 |
| Property, plant and equipment (note 9) | 78,841 | 107,286 |
| Inventories | 63,852 | 86,891 |
| Trade and other receivables | 113,978 | 155,102 |
| Deferred tax assets (note 27) | 34,899 | 47,491 |
| Other assets | 2,884 | 3,926 |
| Cash and cash equivalents | 3,900 | 5,307 |
| Total assets | 349,059 | 475,003 |
| Current provisions (note 19) | 66,138 | 90,000 |
| Trade and other payables | 30,652 | 41,711 |
| Other current liabilities | 26,146 | 35,585 |
| Total liabilities and contingent liabilities | 122,936 | 167,296 |
| Total net assets acquired | 226,123 | 307,707 |

Fair values were determined using the following methods:

- Intangible assets: the fair value of intangible assets was calculated using the "royalty relief method" based on existing royalty agreements.

- Property, plant and equipment: the fair value of property, plant and equipment was determined using the "cost approach", whereby the value of an asset is measured at the cost of rebuilding or replacing that asset with other similar assets. Fair values were obtained from an independent valuation.

- Contingent liabilities: the fair value of contingent liabilities was determined under different scenarios using the forecast payments and a probability scenario.

**2013**

**(c) Progenika Biopharma**

On 27 February 2013 the Group acquired shares representing 60% of the economic and voting rights (56.1% after Ekarpen capital increase mentioned below) of the Spanish biotechnology group of companies headed by Progenika Biopharma, S.A. (hereinafter Progenika) for an amount of Euros 37,010 thousand. The acquisition was paid through the following:

- 50% of the purchase price was paid in exchange for 884,997 Class B non-voting Grifols shares, with a fair value of Euros 20.91 per share. The Group granted to the vendor shareholders the option to resell the Class B shares at the same price during the first five days following the acquisition date. Vendor shareholders representing 879,913 shares executed this option, and the cash paid amounted to Euros 18,399 thousand, being considered as cash for investment activities in the statement of cash flows.

- The remaining 50% of the price was paid in cash (Euros 18,505 thousand).

The non-voting Grifols Class B shares were provided by a related party under a loan agreement signed on 12 February 2013. On 16 April 2013, the Company's share capital increased by the nominal amount of Euros 88,499.70 through the issue and placing in circulation of 884,997 new Class B shares without voting rights. The share capital increase enabled Grifols to issue the number of shares needed to pay the price for the acquisition of Progenika in shares and thus return the Lender the non-voting shares that were lent pursuant to the provisions of the Loan Agreement (see note 15 (a)).

Additionally, the Group and the vendor shareholders granted each other call and put option rights over the shares representing 35% (32.9% after Ekarpen capital increase mentioned below) of the remaining share capital held by the aforementioned sellers, which may be exercised in three years. The purchase price of the shares subject to the put and call option amounted to Euros 21,701 thousand, increased at the rate of 5% per annum and was treated as a financial liability. The conditions of the payment of these shares will be the same as the initial acquisition.

Grifols, Progenika and the investment vehicle EKARPEN SPE, S.A. (hereinafter “Ekarpen”), owned by the Basque Government, Kutxabank, Caja Laboral—Euskadiko Kutxa, Lagun Aro and the Provincial Governments of the Basque Country, agreed that Ekarpen would increase share capital by Euros 5,000 thousand, pursuant to which it would receive new shares representing approximately 6.5% of Progenika’s share capital. These shares are subject to a call and put option which may be exercised at the end of a five-year period for a purchase price of Euros 5,000 thousand and were treated as financial liability. The call option has premium costs of Euros 300 thousand for each of the five years.

As the non-controlling shareholders do not have present access to the economic benefits associated with the underlying ownership interests related to shares under the put and call options, the Group applied the anticipated-acquisition method. Under this method, Grifols recognised the contract as an anticipated acquisition of the underlying non-controlling interest, as if the put option had already been exercised by the non-controlling shareholders.

Progenika specialises in the development of technology for personalised medicine, focusing on the design and manufacture of in-vitro genome and proteome-based diagnostic tests, disease prognosis and prediction and monitoring of responses to pharmacological treatment. It has also developed its own technology for the production of DNA chips for diagnosis and prognosis and it is an international leader in this field. In particular, Progenika has pioneered the development of molecular biology tests for the performance of transfusional compatibility studies.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date (or the amount by which the business combination cost exceeds the fair value of the net assets acquired) are provided below:

| | Thousands of Euros |
|---|---|
| Payment in cash | 18,505 |
| Payment in Class B shares | 18,505 |
| Deferred acquisition costs (put and call option) | 26,701 |
| Total cost of the business combination | 63,711 |
| Fair value of net assets acquired | 23,195 |
| Goodwill (note 7) | 40,516 |
| Payment in cash | 36,904 |
| Cash and cash equivalents of the acquired company | (2,283) |
| Net cash outflow for the acquisition | 34,621 |

Had the acquisition taken place at 1 January 2013, the Group's revenue and consolidated profit for the year ended 31 December 2013 would not have varied significantly.

At the date of acquisition the consolidated amounts of recognised assets, liabilities and contingent liabilities are as follows:

| | Fair value |
|---|---|
| | Thousands of Euros |
| Intangible assets | 29,585 |
| Property, plant and equipment | 7,277 |
| Non-current financial assets | 210 |
| Deferred tax assets (note 27) | 11,549 |
| Inventories | 481 |
| Trade and other receivables | 10,177 |
| Other current assets | 151 |
| Cash and cash equivalents | 2,283 |
| Total assets | 61,713 |
| Non-current financial liabilities | 18,792 |
| Deferred tax liabilities (note 27) | 6,678 |
| Current financial liabilities | 5,540 |
| Trade and other payables | 1,592 |
| Current provisions (note 19 (b)) | 37 |
| Other current liabilities | 4,167 |
| Total liabilities and contingent liabilities | 36,806 |
| Total net assets of the business acquired | 24,907 |
| Non-controlling interests | (1,712) |
| Total net assets acquired | 23,195 |

The fair value of intangible assets (primarily the currently marketed products) was calculated based on "excess earnings" (income approach), whereby the asset is measured after deducting charges or rentals that must be settled to enable use of the remaining assets required to operate the intangible asset being measured.

Definitive goodwill generated in the acquisition includes the future development of unique technology and products, as well as the workforce and other synergies related to the R&D activity and is allocated to the Diagnostic segment. Goodwill is not tax deductible.

**(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 his involvement in the subsidiaries when the returns obtained can vary depending on the economic development of the subsidiaries.

The income, expenses and cash flows of subsidiaries are included in the consolidated financial statements 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 unrealised 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 financial statements of consolidated subsidiaries have been prepared as of the same date and for the same reporting period as the financial statements 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 accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases.

Investments in associates are initially recognised 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.

The excess of the cost of the investment over the Group's share of the fair values of the identifiable net assets is recognised 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 recognised as income when determining the investor's share of the profit or loss of the associate for the year in which it was acquired.

The accounting policies of associates have been harmonised in terms of timing and measurement, applying the policies described for subsidiaries.

The Group's share of the profit or loss of an associate from the date of acquisition is recognised as an increase or decrease in the value of the investments, with a credit or debit to share of the profit or loss for the year of "equity-accounted investees" in the consolidated statement of profit or loss (consolidated statement of comprehensive income). The Group's share of other comprehensive income of associates from the date of acquisition is recognised as an increase or decrease in the investments in associates with a balancing entry recognised by type in other comprehensive income. The distribution of dividends is recognised as a decrease in the value of the investment. The Group's share of profit or loss, including impairment losses recognised by the associates, is calculated based on income and expenses arising from application of the acquisition method.

The Group's share of the profit or 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 recognised using the acquisition method. Entities acquired prior to that date were recognised 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 recognised as equity when the increase takes place and borrowing costs are deducted from the financial liability when it is recognised.

At the acquisition date the Group recognises 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 recognises 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.

Assets and liabilities assumed 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 recognised 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 recognised in profit or loss.

When a business combination has been provisionally determined, net identifiable assets have initially been recognised 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 recognised 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 recognised in consolidated profit or loss. The contingent consideration classified, where applicable, as equity is not subject to subsequent change, with settlement being recognised in equity. The contingent consideration classified, where applicable, as a provision is recognised 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 recognised 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 recognised as goodwill, whilst the shortfall, once the costs of the business combination and the fair values of net assets acquired have been reconsidered, is recognised in profit or loss.

**(c) Non-controlling interests**

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recognised 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 recognised 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 or loss for the year (and in consolidated comprehensive income for the year) is disclosed separately in the consolidated statement of profit or loss (consolidated statement of comprehensive income).

The consolidated profit or 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 recognised as a separate transaction.

The increase and reduction of non-controlling interests in a subsidiary in which control is retained is recognised 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 recognised 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 recognised 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.

Investments in joint arrangements are accounted for using the equity method.

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 financial statements 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 recognised 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 recognised in profit or 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 recognised in other comprehensive income.

**(f) Borrowing costs**

In accordance with IAS 23 "Borrowing Costs", since 1 January 2009 the Group recognises 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 capitalisation is determined as the actual borrowing costs incurred, less any investment income on the temporary investment of those funds. Capitalised 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 capitalised cannot exceed the amount of borrowing costs incurred during that period. The capitalised 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 capitalising 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 capitalising borrowing costs when all or substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Nevertheless, capitalisation of borrowing costs is suspended when active development is interrupted for extended periods.

**(g) Property, plant and equipment**

(i) *Initial recognition*

Property, plant and equipment are recognised at cost or deemed cost, less accumulated depreciation and any accumulated impairment losses. 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. Capitalised production costs are recognised by allocating the costs attributable to the asset to "Self-constructed non-current assets" in the consolidated statement of profit or loss.

At 1 January 2004 the Group opted to apply the exemption regarding fair value and revaluation as deemed cost as permitted by IFRS 1 First time Adoption of International Financial Reporting Standards.

(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 capitalised. Costs of day-to-day servicing are recognised in profit or loss as incurred.

Replacements of property, plant and equipment which qualify for capitalisation are recognised 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 amortised, 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.

(ii) *Internally generated intangible assets*

Any research and development expenditure incurred during the research phase of projects is recognised as an expense when incurred.

Costs related with development activities are capitalised 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 capitalised by allocating the costs attributable to the asset to self-constructed non-current assets in the consolidated statement of profit or 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 recognised as an expense, except where they increase the future economic benefits expected to be generated by the assets.

(iii) *Other intangible assets*

Other intangible assets are carried at cost, or at fair value if they arise on business combinations, less accumulated amortisation and impairment losses.

Intangible assets with indefinite useful lives are not amortised but tested for impairment at least annually.

(iv) *Intangible assets acquired in business combinations*

The cost of identifiable intangible assets acquired in the business combination of the Progenika Group includes the fair value of the currently marketed products sold and which are classified under “Other intangible assets” and “Development costs”.

The cost of identifiable intangible assets acquired in the business combination of Talecris includes the fair value of currently marketed products sold and which are classified in “Other intangible assets”.

(v) *Useful life and amortisation 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 amortised 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 | 20% - 33% |
| Concessions, patents, licences, trademarks and similar | Straight line | 7% - 20% |
| Computer software | Straight line | 16% - 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 amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

**(i) Impairment of goodwill, other intangible assets and other non-financial assets subject to depreciation or amortisation**

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation 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 recognised in the consolidated statement of profit or 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 recognised 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 recognised 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 recognised in consolidated profit or 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 amortisation, had no impairment loss been recognised.

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 amortisation or depreciation, had no impairment loss been recognised.

**(j) Leases**

(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 recognises 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 recognised as an expense in the years in which they are incurred.

- Operating leases

Lease payments under an operating lease (excluding incentives) are recognised 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 recognised on the basis of the same criteria for property, plant and equipment. Investments are amortised 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 or loss on the sale is recognised immediately in the consolidated statement of profit or loss for the year;

- If the sale price is below fair value, any profit or loss is recognised immediately in the consolidated statement of profit or 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.

**(k) Financial instruments**

(i) *Classification of financial instruments*

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument set out in IAS 32, Financial Instruments: Presentation.

Financial instruments are classified into the following categories for valuation purposes: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. Financial instruments are classified into different categories based on the nature of the instruments and the Group's intentions on initial recognition.

Regular way purchases and sales of financial assets are recognised using trade date accounting, i.e. when the Group commits itself to purchase or sell an asset.

a) Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are those which are classified as held for trading or which the Group designated as such on initial recognition.

A financial asset or financial liability is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- It forms 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 financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value through profit or loss.

The Group does not reclassify any financial assets or liabilities from or to this category while they are recognised in the consolidated balance sheet.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other financial asset

categories. These assets are recognised initially at fair value, including transaction costs, and subsequently measured at amortised cost using the effective interest method.

c) Financial assets and financial liabilities carried at cost

Investments in equity instruments whose fair value cannot be reliably measured and derivative instruments that are linked to these instruments and that must be settled by delivery of such unquoted equity instruments, are measured at cost. Nonetheless, if the financial assets or liabilities can be reliably measured subsequently on an ongoing basis, they are accounted for at fair value and any gain or loss is recognised in accordance with their classification.

(ii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) *Fair value*

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised within different levels of a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than prices included in Level 1 that are observable for the asset or liability, either directly (i.e. derived from prices) or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised within different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(iv) *Amortised cost*

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

(v) *Impairment of financial assets carried at cost*

The amount of the impairment loss on assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed and are therefore recognised directly against the value of the asset and not as an allowance account.

(vi) *Impairment of financial assets carried at amortised cost*

In the case of financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used.

The Group recognises impairment losses and unrecoverable loans and receivables and debt instruments by recognising an allowance account for financial assets. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the allowance account.

The impairment loss is recognised in profit or loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recognised. The impairment loss is reversed against the allowance account.

(vii) *Financial liabilities*

Financial liabilities, including trade and other payables, which are not classified at fair value through profit or loss, are initially recognised at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

(viii) *Derecognition of financial assets*

The Group applies the criteria for derecognition of financial assets to part of a financial asset or part of a group of similar financial assets or to a financial asset or group of similar financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Where the Group retains the contractual rights to receive cash flows, it only derecognises financial assets when it has assumed a contractual obligation to pay the cash flows to one or more recipients and if the following requirements are met:

- Payment of the cash flows is conditional on their prior collection;

- The Group is unable to sell or pledge the financial asset, and

- The cash flows collected on behalf of the eventual recipients are remitted without material delay and the Group is not entitled to reinvest the cash flows. This criterion is not applicable to investments in cash or cash equivalents made by the Group during the settlement period from the collection date to the date of required remittance to the eventual recipients, provided that interest earned on such investments is passed on to the eventual recipients.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case:

- If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

- If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. The associated liability is measured in such a way that the carrying amount of the transferred asset and the associated liability is equal to the amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost, or to the fair value of the rights and obligations retained by the Group, if the transferred asset is measured at fair value. The Group continues to recognise any income arising on the transferred asset to the extent of its continuing involvement and recognises any expense incurred on the associated liability. Recognised changes in the fair value of the transferred asset and the associated liability are accounted for consistently with each other in profit or loss or equity, following the general recognition criteria described previously, and are not offset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognised in liabilities. Transaction costs are recognised in profit or loss using the effective interest method.

(ix) *Derecognition and modifications of financial liabilities*

A financial liability, or part of it, is derecognised when the Group either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(l) Hedge accounting**

Derivative financial instruments are initially recognised using the same criteria as those described for financial assets and financial liabilities. Derivative financial instruments that do not meet the hedge accounting requirements are classified and measured as financial assets and financial liabilities at fair value through profit or loss. Derivative financial instruments which qualify for hedge accounting are initially measured at fair value.

At the inception of the hedge the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

(i) *Cash flow hedges*

The Group recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in other comprehensive income. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised with a debit or credit to finance costs or finance income.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss and under the same caption of the consolidated statement of profit or loss (consolidated statement of comprehensive income).

**(m) Equity instruments**

The Group's acquisition of equity instruments of the Parent is recognised 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 recognised in consolidated profit or 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.

**(n) Inventories**

Inventories are measured at the lower of cost and net realisable 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 haemoderivatives is human plasma, which is obtained from our donation centres 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 recognised 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 recognised 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 recognised as a reduction in the cost of the inventories acquired.

When the cost of inventories exceeds net realisable value, materials are written down to net realisable 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 recognised write-down is reversed against profit or 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 realisable value because of changed economic circumstances. The reversal of the

write-down is limited to the lower of the cost and revised net realisable value of the inventories. Write-downs may be reversed with a credit to "Changes in inventories of finished goods and work in progress" and "Supplies".

**(o) 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.

**(p) Government grants**

Government grants are recognised 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 recognised as deferred income in the consolidated balance sheet. Income from capital grants is recognised in the consolidated statement of profit or 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 recognised in the consolidated statement of profit or loss.

(iii) *Interest rate grants*

Financial liabilities comprising implicit assistance in the form of below-market interest rates are initially recognised at fair value. The difference between this value, adjusted where necessary for the issue costs of the financial liability and the amount received, is recognised as a government grant based on the nature of the grant awarded.

**(q) Employee benefits**

(i) *Defined contribution plans*

The Group recognises the contributions payable to a defined contribution plan in exchange for a service in the period in which contributions are accrued. Accrued contributions are recognised as an employee benefit expense in the corresponding consolidated statement of profit or loss in the year that the contribution was made.

(ii) *Termination benefits*

Termination benefits are recognised at the earlier of the date when the Group can no longer withdraw the offer of those benefits and when the Group recognises 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 recognises 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 recognised when the absences occur.

The Group recognises 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 income statement as an expense for the year, with the corresponding increase in equity. The amount recognised 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 recognised 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

**(r) Provisions**

Provisions are recognised 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.

The amount recognised 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 recognised 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 is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

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 or loss item where the corresponding expense was recognised.

**(s) Revenue recognition**

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. Revenue is presented net of VAT and any other amounts or taxes which are effectively collected on the behalf of third parties. Volume or other types of discounts for prompt payment are recognised as a reduction in revenues if considered probable at the time of revenue recognition.

(i) *Sale of goods*

The Group recognises revenue from the sale of goods when:

- It has transferred to the buyer the significant risks and rewards of ownership of the goods;
- It retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue and the costs incurred or to be incurred can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group participates in the government-managed Medicaid programmes in the United States, accounting for Medicaid rebates by recognising 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 programme and any new information regarding changes in the programme regulations and guidelines that would affect rebate amounts. Outstanding Medicaid claims, Medicaid payments and inventory levels are analysed 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 recognises 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 authorised 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 recognised 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 recognised only to the extent of costs incurred that are recoverable.

(iii) *Interest income*

Until June 2012 the Group has been recognising interest receivable from the different Social Security affiliated bodies in Spain, to which it provides goods or services, on an accrual basis, and only for those bodies to which historically claims have been made and from which interest has been collected. As a result of the terms imposed by the Spanish Government in 2012 regarding the waiver of late payment interest on overdue receivables, the Group modified its estimate regarding late payment interest. Since June 2012 the Group has only been recognising late payment interest on receivables from Social Security affiliated bodies on the date on which delayed invoices are collected, as it is highly likely that they will be collected as of that date provided that the Spanish Government has not imposed the waiver of late payment interest.

**(t) Income taxes**

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 recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(i) *Taxable temporary differences*

Taxable temporary differences are recognised 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 recognised provided that:

- It is probable that sufficient taxable income will be available against which the deductible temporary difference can be utilised, 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 utilised.

(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 realised 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 recognised in the consolidated balance sheet. At year end the Group assesses whether deferred tax assets which were previously not recognised 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 recognised amounts and intends either to settle on a net basis, or to realise 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 realise 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 recognised in the consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

**(u) 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.

**(v) 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 realised 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 realised 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 financial statements are authorised for issue.

**(w) 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 minimise 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 recognised 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 financial statements.

The Group's risk management policies are established to identify and analyse 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 a 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 recognises impairment based on its best estimate of the losses incurred on trade and other receivables. The main impairment losses recognised 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 17 March 2014 the Group concluded its debt refinancing process. The total debt refinanced amounts to US Dollars 5,500 million (Euros 4,075 million) and represents the Group's entire debt, including the US Dollars 1,500 million bridge loan obtained for the acquisition of Novartis' transfusional diagnostic unit. Following the refinancing process, the Group's debt structure consists of a US Dollars 4,500 million non-current loan with institutional investors and banks segmented in two tranches (Term Loan A and Term Loan B), and a US Dollars 1,000 million bond issuance (Senior Unsecured Notes).

At 28 October 2015 the Group has received an additional loan from the European Investment Bank up to Euros 100 million to support investment in R&D mainly. The financial conditions include a fixed interest rate for a tenor of ten years with a grace period of two years.

At 31 December 2015 the Group has total cash and cash equivalents of Euros 1,143 million (1,079 million at 31 December 2014). The Group also has approximately Euros 469 million in unused credit facilities, including Euros 275 million on the revolving credit facility.

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 in those countries with long collection periods.

**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 optimising 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, recognised 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 2015 and 2014 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 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.

With the objective of managing interest-rate risks in cash flows, the Group manages cash flow interest rate risks through variable to fixed interest rate swaps.

A significant part of the financing obtained accrues interest at fixed rates. This fixed interest debt (Senior Unsecured Notes) amounts to US Dollars 1,000 million, which represents approximately 19% of the Group's total debt in US Dollars. The additional loan received from the European Investment Bank of Euros 100 million represents approximately 20% of the Group's total debt in Euros.

For the remaining senior debt in US Dollars, which totals US Dollars 3,849 million, the Group has partially contracted a variable to fixed interest rate swap. At 31 December 2015 the nominal part of this hedging instrument amounts to US Dollars 694 million. This nominal part will decrease over the term of the debt, based on the scheduled repayments of the principal. The purpose of these swaps is to convert borrowings at variable interest rates into fixed interest rate debt. Through these swaps the Group undertakes to exchange the difference between fixed interest and variable interest with other parties periodically. The difference is calculated based on the contracted notional amount (see notes 15 (f) and 30). The notional amount of the swap contracted by the Group hedges 18% (26% at 31 December 2014) of the senior variable interest rate debt denominated in US Dollars at 31 December 2015.

Senior debt in Euros represents approximately 10% of the Group's total Senior debt at 31 December 2015 (9% at 31 December 2014). The total senior debt is at variable rates. In order to manage the cash flow interest rate risks a hedging operation has taken place by contracting derivative financial instruments consisting of variable to fixed interest rate swaps. The nominal

part of this hedging instrument amounts to Euros 100 million, representing hedging of 25% of the senior variable interest rate debt denominated in Euros at 31 December 2015 and 31 December 2014 (see notes 15 (f) and 30).

The fair value of interest rate swaps contracted to reduce the impact of rises in variable interest rates (Libor and Euribor) is accounted for on a monthly basis. These derivative financial instruments comply with hedge accounting requirements.

Total fixed-interest debt plus interest rate hedging represent a total of 36% of debt at 31 December 2015 (40% at 31 December 2014).

(iii) Market price risk

Price risk affecting raw materials is mitigated by the vertical integration of the haemoderivatives 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 2015, the ROE stood at 16% (18% in December 2014). The ROE is calculated by dividing profit attributable to the Parent by the equity attributable to the Parent.
- In accordance with the senior secured debt contract, at 31 December 2015 the net financial debt should be less than 5.00 times adjusted EBITDA. In 2015 the leverage ratio is 3.19 times adjusted EBITDA (3.01 times adjusted EBITDA at 31 December 2014).
- Consideration of the Company's credit rating (see note 20).

The Parent held Class A and B treasury stock equivalent to 0.17% of its capital at 31 December 2015 (0.82% at 31 December 2014). 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 financial statements.

Group companies are divided into three areas: companies from the industrial area, companies from the commercial area and companies from the services area. Within each of these areas, activities are organised 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: cash and cash equivalents, public entities, deferred tax assets and liabilities and loans and borrowings.

- Statement of profit or loss: finance result and income tax.

There have been no significant inter-segment sales.

**(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.
- Raw materials: including sales of intermediate biological products and the rendering of manufacturing services to third party companies.

Details of net sales by groups of products for 2015, 2014 and 2013 as a percentage of net sales are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Bioscience | | | |
| Haemoderivatives | 3,032,110 | 2,512,704 | 2,448,082 |
| Other haemoderivatives | 1 | 805 | 742 |
| Diagnostic | | | |
| Transfusional medicine | 667,886 | 595,686 | 102,350 |
| In vitro diagnosis | 23,566 | 24,336 | 27,989 |
| Hospital | | | |
| Fluid therapy and nutrition | 45,621 | 53,771 | 55,553 |
| Hospital supplies | 50,624 | 41,029 | 41,578 |
| Raw materials and others | 114,755 | 127,053 | 65,438 |
| Total | 3,934,563 | 3,355,384 | 2,741,732 |

The Group has concluded that the haemoderivative 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 the Group sets to manage its revenue as they respond to specific economical environments. The main framework of the Group is consistent with this geographical segment grouping, including the monitoring of its commercial operations and its information systems.

For management purposes, the Group excludes the Raw Material and Others segment from the geographical details as it relates to operations which do not form part of the Group's core business. Sales and assets of the Raw Material and Others segment correspond mainly to the United States.

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 customer**

Revenues from a Bioscience segment customer represent approximately 10.1% of the Group's total revenues (10.9% in 2014 and 11.2% in 2013).

**(7) Goodwill**

Details of and movement in this caption of the consolidated balance sheet at 31 December 2014 are as follows:

| | | Thousands of Euros | | | |
|---|---|---|---|---|---|
| | Segment | Balance at 31/12/2013 | Business Combination | Translation differences | Balance at 31/12/2014 |
| **Net value** | | | | | |
| Grifols UK.Ltd. (UK) | Bioscience | 8,242 | — | 580 | 8,822 |
| Grifols Italia.S.p.A. (Italy) | Bioscience | 6,118 | — | — | 6,118 |
| Biomat USA. Inc. (USA) | Bioscience | 110,281 | — | 14,988 | 125,269 |
| Plasmacare. Inc. (USA) | Bioscience | 37,268 | — | 5,065 | 42,333 |
| Grifols Australia Pty Ltd. (Australia) / Medion Diagnostics AG (Switzerland) | Diagnostic | 9,385 | — | 328 | 9,713 |
| Grifols Therapeutics, Inc. (USA) | Bioscience | 1,611,331 | — | 218,984 | 1,830,315 |
| Araclon Biotech, S.L. (Spain) | Diagnostic | 6,000 | — | — | 6,000 |
| Progenika Biopharma, S.A. (Spain) | Diagnostic | 40,516 | — | — | 40,516 |
| Grifols Diagnostic (Novartis) (USA, Switzerland and Hong Kong) | Diagnostic | — | 988,404 | 117,242 | 1,105,646 |
| | | 1,829,141 | 988,404 | 357,187 | 3,174,732 |
| | | | (note 3(b)) | | |

Details of and movement in this caption of the consolidated balance sheet at 31 December 2015 are as follows:

| | | Thousands of Euros | | | | |
|---|---|---|---|---|---|---|
| | Segment | Balance at 31/12/2014 | Business Combination | Impairment | Translation differences | Balance at 31/12/2015 |
| **Net value** | | | | | | |
| Grifols UK.Ltd. (UK) | Bioscience | 8,822 | — | — | 540 | 9,362 |
| Grifols Italia.S.p.A. (Italy) | Bioscience | 6,118 | — | — | — | 6,118 |
| Biomat USA, Inc. and Plasmacare, Inc. (USA) | Bioscience | 167,602 | — | — | 19,305 | 186,907 |
| Grifols Australia Pty Ltd. (Australia) / Medion Diagnostics AG (Switzerland) | Diagnostic | 9,713 | — | — | 248 | 9,961 |
| Grifols Therapeutics, Inc. (USA) | Bioscience | 1,830,315 | — | — | 210,822 | 2,041,137 |
| Araclon Biotech, S.L. (Spain) | Diagnostic | 6,000 | — | — | — | 6,000 |
| Progenika Biopharma, S.A. (Spain) | Diagnostic | 40,516 | — | — | — | 40,516 |
| Grifols Diagnostic (Novartis) (USA, Switzerland and Hong Kong) | Diagnostic | 1,105,646 | — | — | 126,712 | 1,232,358 |
| VCN Bioscience, S.L. (Spain) | Bioscience | — | 2,590 | (2,590) | — | — |
| | | 3,174,732 | 2,590 | (2,590) | 357,627 | 3,532,359 |
| | | | (note 3(a)) | | | |

**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 organised 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.

Due to the acquisition of Novartis' Diagnostic business unit in 2014, the Group has decided to group Araclon, Progenika and Australia into a single CGU for the Diagnostic business since the recent acquisition will support 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.

The CGUs established by Management are:

- Bioscience

- Diagnostic

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 calculated as the present value of the future cash flows discounted at a discount rate considering the related inherent risk.

This value in use and fair value less costs of disposal 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 of the CGUs for 2014 were as follows:

| | Perpetual Growth rate | Pre-tax discount rate |
|---|---|---|
| Bioscience | 2% | 8.20% |
| Diagnostic | 2% | 9.00% |

The key assumptions used in calculating impairment of the CGUs for 2015 have been as follows:

| | Perpetual Growth rate | Pre-tax discount rate |
|---|---|---|
| Bioscience | 2% | 9.10% |
| Diagnostic | 2% | 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 coherent with the forecasts included in industry reports. The discount rate used reflects specific risks related to the CGU.

As the acquisition of Novartis diagnostic unit is a recent transaction and as the recoverable amount of the Bioscience CGU is much higher than the carrying amount of the Bioscience segment's net assets, specific information from the impairment test sensitivity analysis is not included.

At 31 December 2015 Grifols' stock market capitalisation totals Euros 12,993 million (Euros 10,723 million at 31 December 2014).

**(8) Other Intangible Assets**

Details of other intangible assets and movement during the years ended 31 December 2015 and 2014 are included in Appendix III, which forms an integral part of these notes to the consolidated financial statements.

Intangible assets acquired from Talecris mainly include currently marketed products. Identifiable intangible assets correspond to Gamunex and have been recognised at fair value at the acquisition date of Talecris and classified as currently marketed products. Intangible assets recognised comprise the rights on the Gamunex product, its commercialisation 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 recognised at fair value at the acquisition date of Progenika and classified as currently marketed products (see note 3(c)).

The cost and accumulated amortisation of currently marketed products acquired from Talecris and Progenika at 31 December 2014 is as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Balance at 31/12/2013 | Additions | Translation differences | Balance at 31/12/2014 |
| Cost of currently marketed products—Gamunex | 870,133 | — | 118,253 | 988,386 |
| Cost of currently marketed products—Progenika | 23,792 | — | — | 23,792 |
| Accumulated amortisation of currently marketed products—Gamunex | (74,928) | (29,875) | (13,254) | (118,057) |
| Accumulated amortisation of currently marketed products—Progenika | (1,983) | (2,376) | — | (4,359) |
| Carrying amount of currently marketed products | 817,014 | (32,251) | 104,999 | 889,762 |

The cost and accumulated amortisation of currently marketed products acquired from Talecris and Progenika at 31 December 2015 is as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Balance at 31/12/2014 | Additions | Translation differences | Balance at 31/12/2015 |
| Cost of currently marketed products—Gamunex | 988,386 | — | 113,846 | 1,102,232 |
| Cost of currently marketed products—Progenika | 23,792 | — | — | 23,792 |
| Accumulated amortisation of currently marketed products—Gamunex | (118,057) | (35,697) | (14,643) | (168,397) |
| Accumulated amortisation of currently marketed products—Progenika | (4,359) | (2,379) | — | (6,738) |
| Carrying amount of currently marketed products | 889,762 | (38,076) | 99,203 | 950,889 |

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 amortised on a straight-line basis.

At 31 December 2015 the residual useful life of currently marketed products is 25 years and 5 months (26 years and 5 months at 31 December 2014).

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 amortised on a straight-line basis.

At 31 December 2015 the residual useful life of currently marketed products acquired from Progenika is 7 years and 2 months (8 years and 2 months at 31 December 2014).

**(a) Self—constructed intangible assets**

At 31 December 2015 the Group has recognised Euros 10,497 thousand as self-constructed intangible assets (Euros 12,759 thousand at 31 December 2014).

**(b) Purchase commitments**

At 31 December 2015 the Group has intangible asset purchase commitments amounting to Euros 709 thousand (Euros 348 thousand at 31 December 2014).

**(c) Intangible assets with indefinite useful lives and other intangible in progress**

At 31 December 2015 the Group has plasma centre licenses with indefinite useful lives under intangible assets for a carrying amount of Euros 29,119 thousand (Euros 26,177 thousand at 31 December 2014).

The Group has also an amount of Euros 24,499 thousand as development costs in progress (Euros 22,175 thousand at 31 December 2014).

The Group has recognised an amount of Euros 64,060 thousand at 31 December 2015 (Euros 40,539 thousand at 31 December 2014) corresponding to payments relating to license rights due to the Aradigm acquisition (see note 10).

**(d) Losses on disposal of intangible assets**

Total losses incurred on disposals of intangible assets in 2015 amount to Euros 265 thousand (losses of Euros 5.5 million in 2014).

**(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 analysed for each of the intangible assets in progress by calculating its recoverable amount based on their fair value.

**(9) Property, Plant and Equipment**

Details of property, plant and equipment and movement in the consolidated balance sheet at 31 December 2015 and 2014 are included in Appendix IV, which forms an integral part of this note to the consolidated financial statements.

Property, plant and development under construction at 31 December 2015 and 2014 mainly comprise investments made to extend the companies' equipment and to increase their productive capacity.

The additions to property, plant and equipment relate mainly to the repurchase from related parties of industrial assets in the United States and Spain for a total amount of Euros 232 million (US Dollars 263 million) and Euros 45 million, respectively (see note 31). The Group has exercised the options to purchase some of the assets at fair value included in the corresponding sales and leaseback agreements.

In 2015, the Group sold a building acquired in 2014 to a related party for an amount of Euros 12 million, which corresponds to its acquisition price (see note 31).

**(a) Insurance**

Group policy is to contract sufficient insurance coverage for the risk of damage to property, plant and equipment. At 31 December 2015 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 2015 amount to Euros 6.529 million (Euros 1 million in 2014).

**(c) Assets under finance lease**

The Group had contracted the following types of property, plant and equipment under finance leases at 31 December 2014:

| | Thousands of Euros | | |
|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying amount |
| Land and buildings | 2,642 | (908) | 1,734 |
| Plant and machinery | 34,048 | (14,120) | 19,928 |
| | 36,690 | (15,028) | 21,662 |

The Group has contracted the following types of property, plant and equipment under finance leases at 31 December 2015:

| | Thousands of Euros | | |
|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying amount |
| Land and buildings | 2,089 | (1,102) | 987 |
| Plant and machinery | 34,314 | (15,971) | 18,343 |
| | 36,403 | (17,073) | 19,330 |

Details of minimum lease payments and the present value of finance lease liabilities, disclosed by maturity date, are detailed in note 20 (c).

During 2014, the Group signed a sale and leaseback contract for some plasma centers with the non-related company Store Capital Acquisitions, LLC (see note 9(f)).

**(d) Self—constructed property, plant and equipment**

At 31 December 2015 the Group has recognised Euros 61,721 thousand as self -constructed property, plant and equipment (Euros 43,041 thousand at 31 December 2014).

**(e) Purchase commitments**

At 31 December 2015 the Group has property, plant and equipment purchase commitments amounting to Euros 48,649 thousand (Euros 44,661 thousand at 31 December 2014).

**(f) Sale and leaseback of buildings**

*Sale and leaseback of Plasma Centers*

On 19 September 2014, the Group signed a contract for the sale and leaseback of eight plasma centers owned by Grifols Shared Services North America, Inc. (formerly Grifols Inc.) to Store Capital Acquisitions, LLC (hereinafter "the lessor"). The transaction includes mainly land and buildings.

The leaseback has been classified as an operating lease. The sale price was US Dollars 18.5 million (Euros 13.6 million) which has been collected in cash. As a result of the transaction, the Group recognised a net profit of Euro 481 thousand. The prices paid for the properties were established based on appraisals made by independent appraisers.

The main terms of the operating lease contract for the building are as follows:

- Compulsory initial lease term: fifteen years
- The annual rent was established at US Dollars 1,391thousand for all plasma centers during first year, with annual increases of 2.5% or 1.5 times inflation rate.
- Option to extend the lease by a five-year period at the discretion of the Grifols Group up to a maximum of twenty years.

The rental expense incurred by the Group in 2015 for the operating lease contracts amounted to Euros 1,244 thousand (Euros 274 thousand in 2014).

**(g) Impairment**

A group of assets forming part of the Hospital segment has been tested for impairment due to the decrease in 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 10.1% and a perpetual growth rate of 2% (10.5% and 2% respectively in fiscal year 2014).

**(10) Equity Accounted Investees**

Details of this caption in the consolidated balance sheet at 31 December 2015 and 2014 are as follows:

| | | Thousands of Euros | | Thousands of Euros |
|---|---|---|---|---|
| | % ownership | 31/12/2015 | % ownership | 31/12/2014 |
| Aradigm Corporation | 35.00% | 19,799 | 35.00% | 23,689 |
| TiGenix N.V. | 19.28% | 7,199 | 21.30% | 8,545 |
| Kiro Robotics, S.L. | 50.00% | 15,608 | 50.00% | 22,062 |
| Alkahest, Inc. | 47.58% | 34,122 | — | — |
| | | 76,728 | | 54,296 |

The Group has determined that it has significant influence or joint control over these investments and has not considered any of them as material.

An aggregate summary of the impact on the consolidated statement of profit or loss and consolidated statement of comprehensive income is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Profit / (Loss) | | | |
| Consolidated statement of profit or loss | (8,280) | (6,582) | (1,165) |
| Other consolidated comprehensive income | 2,673 | 1,287 | (359) |
| | (5,607) | (5,295) | (1,524) |

**Alkahest, Inc.**

On March 4, 2015, the Group has acquired 47.58% of the equity of Alkahest, Inc. ("Alkahest") for Euros 33 million (US Dollar 37.5 million) in the form of a cash payment in exchange for 47.58% of Alkahest's shares following the closing of the transaction. In addition Grifols will provide a further payment of US Dollar 12.5 million as collaboration fees and fund the development of plasma-based products, which may be commercialized by the Group throughout the world. Alkahest will receive milestone payments and royalties on sales of such products by Grifols.

**Kiro Robotics**

On 19 September 2014 the Group subscribed a capital increase of the company Kiro Robotics, S.L. ("Kiro Robotics") for an amount of Euros 21 million, which represents 50% of the voting and economic rights of Kiro Robotics. The capital increase has been paid by means of a monetary contribution.

Grifols has also entered into *a joint venture & shareholders' agreement* (the "Joint Venture Agreement") with Kiro Robotics' 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 Robotics, whether these are the Board of Directors or any other internal managing and governing bodies.

The Joint Venture foresees that the shareholders shall comply with a lock-up period of four years from the signing of the Joint Venture Agreement. At the end of this period, any transfer of shares will be

subject to the usual limitations in this kind of transactions, including call or put options, preferential acquisition rights, and tag-along and drag-along rights.

Kiro Robotics is a Spanish company with registered office in Mondragon/Arrasate, Guipúzcoa, founded in 2011 as a spin-off of the Corporación Mondragon medical division. Kiro Robotics develops technologies that improve the efficiency, safety and service quality in the compounding of intravenous medication in hospital pharmacies. Its product, Kiro Oncology, means that a new generation of robots is able to automatically prepare intravenous medication for chemotherapy treatments.

In addition to marketing these products worldwide, from January 2016 Grifols will directly distribute them in Spain, Portugal and Latin America.

Currently, Kiro Robotics has a multidisciplinary team of experienced professionals in automation, engineering and hospital pharmacy, dedicated to the development, validation and manufacturing of new products and applications in this field and also to customer servicing.

This transaction is included in the Hospital division.

The acquisition of Kiro Robotics gives rise to a joint control business which is accounted for as an "Investment in equity-accounted investee", as none of the shareholders control the decisions regarding relevant activities nor the governing bodies of the company.

**Aradigm Corporation**

On 20 May 2013 the Group announced the signing of a worldwide exclusive licensing agreement with Aradigm Corporation to develop and commercialise Pulmaquin and Lipoquin, on the condition that Grifols, S.A. would participate in the capital increase.

On 27 August 2013 the Group acquired a 35% interest in Aradigm Corporation for a total of US Dollars 26 million (Euros 20.6 million) and, therefore, the exclusive worldwide licensing agreement to develop and commercialise Pulmaquin and Lipoquin became effective. All shares have the same voting and economic rights.

Aradigm's headquarters are based in Hayward, California, and its shares trade in the Nasdaq OTC BB market.

Pulmaquin and Lipoquin are inhaled ciprofloxacin formulations for the treatment of severe respiratory diseases, including non-cystic fibrosis bronchiectasis. Aradigm has completed phase 2b clinical trials with Pulmaquin and Lipoquin in bronchiectasis patients.

Aradigm has been granted orphan drug designation for liposomal ciprofloxacin for cystic fibrosis in the US and the EU and for the combination of liposomal ciprofloxacin and free ciprofloxacin for bronchiectasis in the US.

Grifols and Aradigm have agreed to advance the formulations of Pulmaquin and Lipoquin into phase III clinical trials in bronchiestasis.

Pulmaquin will complement Grifols' existing pulmonary business activity.

Grifols will be responsible for all development and clinical expenses up to a maximum of US Dollars 65 million for the bronchiectasis indication. In addition, Aradigm will also be entitled to receive cash payments of up to a maximum of US Dollars 25 million from Grifols, upon achievement of development milestones. Grifols will be responsible for all commercialisation activities and will pay Aradigm royalties on worldwide sales of products. In relation to this agreement, Grifols paid an amount of US Dollars 13 million (Euros 9 million) as upfront licensing fees, which was capitalised under "Other intangible assets" at 31 December 2013. During fiscal year 2014 and 2015, additional payments have been made and the amount capitalised under other intangible assets amounts to Euros 40.5 million and 64.0 million respectively (see note 8(c)).

The acquisition of Aradigm is accounted for as an "Investment in equity-accounted investee", as Grifols does not control the decisions regarding relevant activities nor the governing bodies of the company.

**TiGenix N.V.**

On 19 November 2013, the Group company Gri-Cel, S.A., acquired 21.3%, through the subscription of a capital increase with exclusion of preferential subscription right, of the biotechnology company TiGenix N.V. (hereinafter TiGenix), which is listed on NYSE Euronext Brussels (TIG), with head office in Lovaina and offices in Madrid and Sittard-Geleen (the Netherlands). During 2015, TiGenix carried out two capital increases that Grifols has not subscribed. After these capital increases Grifols interest decreases to 19,28%. Despite this decreased investment, the Group continues to hold significant influence.

TiGenix holds a 100% interest in TiGenix, S.A. (formerly Cellerix, S.A.), which engages in research and development of stem cells taken from fatty tissue. Phase III clinical trials are currently at an advanced stage for the treatment of complex perianal fistulas in patients with Crohn's disease ("Cx601"), and the product achieved orphan drug status from the European Medicines Agency.

The price paid for 21.30% of TiGenix was Euros 12 million.

On March 6, 2015 the Group subscribed Euros 25 million of convertible bonds issued by TiGenix (see note 11).

**(11) Financial Assets**

Details of non-current financial assets on the consolidated balance sheet at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Non-current deposits and guarantees | 4,033 | 4,356 |
| Loan to associates (note 31) | 25,000 | 300 |
| Other non-current financial assets | 1,355 | 4,355 |
| Total non-current financial assets | 30,388 | 9,011 |

On March 6, 2015, our subsidiary, Grifols Worldwide Operations Limited, subscribed Euros 25 million aggregate principal amount of 9% convertible bonds due 2018 issued by TiGenix. The Group indirectly owns 19.28% of the common stock of TiGenix. Interest on the convertible bonds is payable on

September 6 and March 6 of each year, and as of the date of these consolidated financial statements, TiGenix had paid us an amount of Euros 1,125 thousand on the convertible bonds.

During the periods or upon the events described in the indenture governing the convertible bonds, the convertible bonds are convertible into common stock of TiGenix. As of the date of these consolidated financial statements, the conversion rate was 106,224.77 shares of TiGenix common stock per Euros 100,000 principal amount of convertible bonds.

Details of other current financial assets on the consolidated balance sheet at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Deposits and guarantees | 509 | 476 |
| Current loans to third parties | 30 | 26 |
| Current loans to associates | 755 | |
| Total other current financial assets | 1,294 | 502 |

**(12) Inventories**

Details of inventories at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Goods for resale | 180,516 | 141,956 |
| Raw materials and supplies | 366,627 | 342,747 |
| Work in progress and semi-finished goods | 610,592 | 499,302 |
| Finished goods | 296,270 | 225,940 |
| | 1,454,005 | 1,209,945 |
| Less, inventory provision | (22,614) | (15,888) |
| | 1,431,391 | 1,194,057 |

Movement in the inventory provision was as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Balance at 1 January | 15,888 | 31,919 | 44,741 |
| Net charge for the year | 6,099 | (15,016) | (10,030) |
| Business combinations | — | 2,201 | — |
| Net cancellations for the year | (195) | (4,421) | (528) |
| Translation differences | 822 | 1,205 | (2,264) |
| Balance at 31 December | 22,614 | 15,888 | 31,919 |

**(13) Trade and Other Receivables**

Details at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Trade receivables | 375,546 | 514,844 |
| Receivables from associates (note 31) | 70 | 33 |
| Bad debt provision (note 30) | (13,210) | (14,092) |
| **Trade receivables** | **362,406** | **500,785** |
| Other receivables | 25,880 | 12,314 |
| Personnel | 379 | 463 |
| Advances for fixed assets | 0 | 2,620 |
| Other advances | 6,178 | 4,826 |
| Taxation authorities, VAT recoverable | 25,112 | 11,317 |
| Other public entities | 2,971 | 3,830 |
| **Other receivables** | **60,520** | **35,370** |
| **Current income tax assets** | **60,270** | **79,593** |
| | **483,196** | **615,748** |

**Other receivables**

During 2015, 2014 and 2013 certain companies of the Grifols Group have sold receivables from several public entities, without recourse, to certain financial institutions. Under some of these contracts, the Group receives an initial payment which usually amounts to 90% of the nominal amount of the receivables sold less the associated sale and purchase costs. The deferred collection (equivalent to the rest of the nominal amount) will be made by the Group once the financial institution has collected the nominal amount of the receivables (or the interest, if the balances are received after more than 36 months, depending on the terms of each particular contract) and this amount is recognised in the balance sheet as a balance receivable from the financial institution. The deferred amount (equivalent to the continuing involvement) totals Euros 4,520 thousand at 31 December 2015 (Euros 5,434 thousand at 31 December 2014), which does not differ significantly from its fair value and coincides with the amount of maximum exposure to losses. The financial institution makes the initial payment when the sale is completed and therefore, the bad debt risk associated with this part of the nominal amount of the receivables is transferred. The Group has transferred the credit risk and control of the receivables to certain financial institutions and has therefore derecognised the asset transferred, as the risks and rewards inherent to ownership have not been substantially retained.

Certain foreign Group companies have also entered into a contract to sell receivables without recourse to various financial institutions.

Total balances receivable without recourse sold to financial institutions through the aforementioned contracts in 2015 amount to Euros 787 million (Euros 465 million in 2014).

The finance cost of these operations for the Group totals approximately Euros 6,512 thousand which has been recognised under finance result in the consolidated statement of profit or loss for 2015 (Euros 6,271 thousand in 2014 and Euros 6,972 thousand in 2013) (see note 26).

Details of balances with related parties are shown in note 31.

**(14) Cash and Cash Equivalents**

Details of this caption of the consolidated balance sheet at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Current deposits | 404,301 | 288,649 |
| Cash in hand and at banks | 738,199 | 790,497 |
| Total cash and cash equivalents | 1,142,500 | 1,079,146 |

**(15) Equity**

Details of consolidated equity and movement are shown in the consolidated statement of changes in equity.

**(a) Share capital**

On 4 December 2012, the shareholders of Grifols approved a share capital increase through the issue of 16,328,212 new Class B non-voting shares, with a charge to voluntary reserves. This issue was executed in a public deed on 4 January 2013 and the shares were admitted for trading on the four Spanish stock exchanges and the Spanish Automated Quotation System on 14 January 2013.

On 16 April 2013 Grifols increased its share capital by issuing 884,997 Class B non-voting shares of Euros 0.10 par value each, with a share premium of Euros 23.02 per share. Therefore, the total amount of the share capital increase has been Euros 20,461 thousand, of which Euros 88 thousand corresponds to the par value and Euros 20,373 thousand to share premium. The board of directors has agreed to suppress the pre-emptive subscription rights in connection with the share capital increase.

The aforementioned share capital increase had enabled Grifols to return to the lender the non-voting shares to comply with the commitment with the vendors of Progenika shares pursuant to the provisions of the share loan agreement signed in February 2013 (see note 3 (c)).

At 31 December 2015, the Company's share capital amounts to Euros 119,603,705 and comprises:

- Class A shares: 213,064,899 ordinary shares of Euros 0.50 par value each, subscribed and fully paid and of the same class and series.

- Class B shares: 130,712,555 non-voting preference shares of 0.10 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 2015 and 2014.

At 31 December 2015 and 2014, the number of outstanding shares is equal to the total number of Company shares, less treasury stock.

On 4 January 2016 the Company's new shares resulting from the share split ruling on 3 December 2015 by the Company's board of directors (relevant event nº 231793) will start to be traded in accordance with the delegation of authorities by the shareholders at the general shareholders' meeting held on 29 May 2015. This share split entails that the nominal value of the new Class A shares will be Euro 0.25 per share (previously Euro 0.50 per share), whilst the nominal value of the new Class B shares will be Euro 0.05 per share (previously Euro 0.10 per share) (see note 32).

Movement in outstanding shares during 2014 is as follows:

| | Class A shares | Class B shares |
|---|---|---|
| Balance at 1 January 2014 | 213,064,899 | 130,711,902 |
| (Acquisition) / disposal of treasury stock (note 15 (d)) | (1,967,265) | (5,000) |
| Balance at 31 December 2014 | 211,097,634 | 130,706,902 |

Movement in outstanding shares during 2015 is as follows:

| | Class A shares | Class B shares |
|---|---|---|
| Balance at 1 January 2015 | 211,097,634 | 130,706,902 |
| (Acquisition) / disposal of treasury stock (note 15 (d)) | 1,967,265 | (2,013,632) |
| Balance at 31 December 2015 | 213,064,899 | 128,693,270 |

**(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 financial statements.

**(c) Reserves**

The drawdown of accumulated gains is subject to legislation applicable to each of the Group companies. At 31 December 2015, Euros 42,762 thousand equivalent to the carrying amount of development costs pending amortisation of certain Spanish companies (Euros 43,540 thousand at 31 December 2014) (see note 8) are, in accordance with applicable legislation, restricted reserves which cannot be distributed until these development costs have been amortised.

In May 2014 Araclon Biotech, S.L. increased capital by an amount of Euros 5 million. As a result, the Group increased its investment from 61.12% to 66.15%. The difference between the share capital increase carried out by the Group and the non-controlling interest was recognised as a Euros 1.7 million decrease in reserves.

In June 2015 Araclon Biotech, S.L. increased capital by an amount of Euros 6 million. As a result, the Group has increased its investment from 66.15% to 70.83%. The difference between the share capital increase carried out by the Group and the non-controlling interest has been recognised as a Euros 1.77 million decrease in reserves.

In May 2015 the company sold 1,967,265 treasury stocks (Class A Shares), generating a profit of Euros 2 million, recognized in reserves.

At 31 December 2015 and 2014 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 2015 and 2014 the legal reserve of the Company amounts to Euros 23,921 thousand.

Distribution of the legal reserves of Spanish companies is subject to the same restrictions as those of the Company and at 31 December 2015 the balance of the legal reserve of other Spanish companies amounts to Euros 1,521 thousand (Euros 1,504 thousand at 31 December 2014).

Other foreign Group companies have a legal reserve amounting to Euros 578 thousand at 31 December 2015 (Euros 587 thousand at 31 December 2014).

**(d) Treasury stock**

Movement in Class A treasury stock during 2014 is as follows:

| | No. of Class A shares | Thousands of Euros |
|---|---|---|
| Balance at 1 January 2014 | — | — |
| Acquisition of Class A shares | 1,967,265 | 69,134 |
| Balance at 31 December 2014 | 1,967,265 | 69,134 |

Movement in Class B treasury stock during 2014 is as follows:

| | No. of Class B shares | Thousands of Euros |
|---|---|---|
| Balance at 1 January 2014 | 653 | — |
| Acquisition of Class B shares | 5,000 | 118 |
| Balance at 31 December 2014 | 5,653 | 118 |

Movement in Class A treasury stock during 2015 is as follows:

| | No. of Class A shares | Thousands of Euros |
|---|---|---|
| Balance at 1 January 2015 | 1,967,265 | 69,134 |
| Disposal of Class A shares | (1,967,265) | (69,134) |
| Balance at 31 December 2015 | — | — |

Movement in Class B treasury stock during 2015 is as follows:

| | No. of Class B shares | Thousands of Euros |
|---|---|---|
| Balance at 1 January 2015 | 5,653 | 118 |
| Acquisition of Class B shares | 2,014,285 | 58,457 |
| Disposal of Class B shares | (653) | — |
| Balance at 31 December 2015 | 2,019,285 | 58,575 |

The Parent held Class A and B treasury stock equivalent to 0.17% of its capital at 31 December 2015 (0.82% at 31 December 2014).

**(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 2015 and the distribution approved for the year 2014 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Legal Reserve | — | — |
| Voluntary reserve | 28,898 | 17,096 |
| Dividends | 212,858 | 188,101 |
| Profit of the Parent | 241,756 | 205,197 |

The following dividends were paid in 2015:

| | 31/12/2015 | | |
|---|---|---|---|
| | % of par value | Euros per share | Thousands of Euros |
| Ordinary shares | 59% | 0.30 | 62,873 |
| Non-voting shares | 295% | 0.30 | 37,976 |
| Non-voting shares (preferred dividend) | 10% | 0.10 | 1,307 |
| Total dividends paid | | | 102,157 |

| | 31/12/2015 | | |
|---|---|---|---|
| | % of par value | Euros per share | Thousands of Euros |
| Ordinary shares (interim dividend) | 70% | 0.35 | 74,573 |
| Non-voting shares (interim dividend) | 350% | 0.35 | 45,043 |
| Total interim dividends paid | | | 119,615 |

The following dividends were paid in 2014:

| | 31/12/2014 | | |
|---|---|---|---|
| | % of par value | Euros per share | Thousands of Euros |
| Ordinary shares | 40% | 0.20 | 42,613 |
| Non-voting shares | 200% | 0.20 | 26,143 |
| Non-voting shares (preferred dividend) | 10% | 0.01 | 1,307 |
| Total dividends paid | | | 70,063 |

| | 31/12/2014 | | |
|---|---|---|---|
| | % of par value | Euros per share | Thousands of Euros |
| Ordinary shares (interim dividend)..... | 50% | 0.25 | 53,266 |
| Non-voting shares (interim dividend)..... | 250% | 0.25 | 32,678 |
| Total interim dividends paid..... | | | 85,944 |

At the meeting held on 23 October 2015, the Board of Directors of Grifols approved the distribution of interim dividend for 2015 of Euros 0.35 for each Class A and B share, recognizing a total of Euros 119.615 thousand as interim dividend.

At the general meeting held on 20 October 2014, the Board of Directors of Grifols approved the distribution of interim dividend for 2014 of Euros 0.25 for each Class A and B share, recognizing a total of Euros 85.944 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 V.

At a general meeting held on 29 May 2015 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 year ended 31 December 2014 and 2013 is presented in the consolidated statement of changes in equity.

**(f) Cash flow hedges**

In June and October 2011 Grifols contracted variable to fixed interest-rate swaps for initial nominal amounts of US Dollars 1,550 million and Euros 100 million, respectively, to hedge interest-rate risk on its senior debt. The Group has recognized these financial derivatives as cash flow hedges (see notes 5 (a) and 30).

Ineffective cash flow hedges recognized as finance income and cost in the consolidated statement of profit or loss (consolidated statement of comprehensive income) for 2015 amount to Euros 88 thousand (Euros 85 thousand in 2014).

**(g) Restricted Share Unit Compensation**

For the 2014 bonus, payable in 2015 the Group has set up a Restricted Share Unit Retention Plan (hereinafter RSU) for certain employees (see note 29). This commitment will be settled using equity instruments and the cumulative accrual amounts to Euros 3,399 thousand, net of tax.

**(16) 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 | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Profit for the year attributable to shareholders of the Parent (thousands of Euros) | 532,145 | 470,253 | 345,551 |
| Weighted average number of ordinary shares outstanding | 685,283,873 | 685,344,936 | 681,010,595 |
| Basic earnings per share (Euros per share) | 0.78 | 0.69 | 0.51 |

The weighted average of the ordinary shares outstanding (basic) has been calculated taking into consideration the share split carried out on 4 January 2016 as follows:

| | Number of shares | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Issued shares outstanding at 1 January | 685,344,935 | 687,554,908 | 685,417,646 |
| Effect of shares issued | — | — | 1,255,968 |
| Effect of treasury stock | (61,062) | (2,209,972) | (5,663,019) |
| Average weighted number of ordinary shares outstanding (basic) at 31 December | 685,283,873 | 685,344,936 | 681,010,595 |

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. At 31 December 2014 and 2013 basic and diluted earnings per share are the same, as no potential diluting effects exist.

The Restricted Share Unit Retention Plan (RSU) granted in March 2015 and payable in shares, assumes the existence of dilutive potential shares. The calculation of diluted earnings per share has been calculared as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Profit for the year attributable to shareholders of the Parent (thousands of Euros) | 532,145 | 470,253 | 345,551 |
| Weighted average number of ordinary shares outstanding (diluted) | 685,658,983 | 685,344,936 | 681,010,595 |
| Diluted earnings per share (Euros per share) | 0.78 | 0.69 | 0.51 |

The weighted average number of ordinary shares outstanding (diluted) has been calculated as follows:

| | Number of shares | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Issued shares outstanding at 1 January | 685,344,935 | 687,554,908 | 685,417,646 |
| Effect of shares issued | — | — | 1,255,968 |
| Effect of RSU shares | 375,110 | | |
| Effect of treasury stock | (61,062) | (2,209,972) | (5,663,019) |
| Average weighted number of ordinary shares outstanding (diluted) at 31 December | 685,658,983 | 685,344,936 | 681,010,595 |

**(17) Non-Controlling Interests**

Details of non-controlling interests and movement at 31 December 2014 are as follows:

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | Balance at 31/12/2013 | Additions | Capital increases | Translation differences | Balance at 31/12/2014 |
| Grifols (Thailand) Pte Ltd | 1,554 | 190 | — | 212 | 1,956 |
| Grifols Malaysia Sdn Bhd | 701 | 162 | — | 48 | 911 |
| Araclon Biotech, S.A. | 812 | (2,457) | 1,741 | — | 96 |
| Medion Grifols Diagnostic AG | (282) | (231) | — | (8) | (521) |
| GRI-CEI S/A Productos para transfusao | 1,721 | (20) | — | 21 | 1,722 |
| Progenika Biopharma, S.A. | 1,115 | (64) | — | (21) | 1,030 |
| Brainco Biopharma, S.L. | 381 | (725) | — | — | (344) |
| Abyntek Biopharma, S.L. | (60) | (25) | — | — | (85) |
| | 5,942 | (3,170) | 1,741 | 252 | 4,765 |

Details of non-controlling interests and movement at 31 December 2015 are as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 31/12/2014 | Additions | Business combinations/ Additions to consolidated Group | Capital increases | Translation differences | Balance at 31/12/2015 |
| Grifols (Thailand) Pte Ltd | 1,956 | 763 | — | — | (55) | 2,664 |
| Grifols Malaysia Sdn Bhd | 911 | 234 | — | — | (105) | 1,040 |
| Araclon Biotech, S.A. | 96 | (1,679) | — | 1,766 | — | 183 |
| Medion Grifols Diagnostic AG | (521) | 169 | — | — | (54) | (406) |
| GRI-CEI S/A Productos para transfusao | 1,722 | (165) | — | — | (411) | 1,146 |
| Progenika Biopharma, S.A. | 1,030 | 74 | — | — | (11) | 1,093 |
| Brainco Biopharma, S.L. | (344) | (29) | — | — | — | (373) |
| Abyntek Biopharma, S.L. | (85) | (8) | — | — | — | (93) |
| VCN Bioscience, S.L | — | (63) | (4) | | — | (67) |
| | 4,765 | (704) | (4) | 1,766 | (636) | 5,187 |
| | | | (note 3(a)) | | | |

**(18) Grants**

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Capital grants | 12,269 | 5,656 |
| Interest rate grants (preference loans) | 851 | 1,125 |
| | 13,120 | 6,781 |

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 of Euros 1,227 thousand have been transferred to the statement of profit and loss during the year at 31 December 2015 (Euros 849 thousand at 31 December 2014 and Euros 1,130 thousand at 31 December 2013).

## (19) Provisions

Details of provisions at 31 December 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| **Non-current provisions (a)** | **31/12/2015** | **31/12/2014** |
| Provisions for pensions and similar obligations | 3,482 | 3,536 |
| Other provisions | 1,498 | 3,417 |
| Non-current provisions | 4,980 | 6,953 |

| | Thousands of Euros | |
|---|---|---|
| **Current provisions (b)** | **31/12/2015** | **31/12/2014** |
| Trade provisions | 123,049 | 115,985 |
| Current provisions | 123,049 | 115,985 |

### (a) Non-current provisions

At 31 December 2015, 2014 and 2013 provisions for pensions and similar obligations mainly comprise a provision made by certain foreign subsidiaries in respect of labour commitments with certain employees.

Movement in provisions during 2013 is as follows:

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | **Balance at 31/12/2012** | **Net Charge** | **Cancellations** | **Translation differences** | **Balance at 31/12/2013** |
| Non-current provisions | 3,348 | 1,776 | (854) | (68) | 4,202 |
| | 3,348 | 1,776 | (854) | (68) | 4,202 |

Movement in provisions during 2014 is as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | **Balance at 31/12/2013** | **Net Charge** | **Cancellations** | **Reclassifications** | **Translation differences** | **Balance at 31/12/2014** |
| Non-current provisions | 4,202 | 2,427 | (166) | 427 | 63 | 6,953 |
| | 4,202 | 2,427 | (166) | 427 | 63 | 6,953 |

Movement in provisions during 2015 is as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | **Balance at 31/12/2014** | **Net Charge** | **Cancellations** | **Reclassifications** | **Translation differences** | **Balance at 31/12/2015** |
| Non-current provisions | 6,953 | 376 | (1,598) | (600) | (151) | 4,980 |
| | 6,953 | 376 | (1,598) | (600) | (151) | 4,980 |

**(b) Current provisions**

Movement in trade provisions during 2013 is as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 31/12/2012 | Business Combination | Net Charge | Cancellations | Translation differences | Balance at 31/12/2013 |
| Trade provisions | 55,139 | 37 | 418 | (2,050) | (2,085) | 51,459 |
| | 55,139 | 37 | 418 | (2,050) | (2,085) | 51,459 |
| | | (Note 3(c)) | | | | |

Movement in trade provisions during 2014 is as follows:

| | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance at 31/12/2013 | Business Combination | Net Charge | Cancellations | Reclasifications | Translation differences | Balance at 31/12/2014 |
| Trade provisions | 51,459 | 66,138 | (15,946) | (3,664) | 4,364 | 13,634 | 115,985 |
| | 51,459 | 66,138 | (15,946) | (3,664) | 4,364 | 13,634 | 115,985 |
| | | (Note 3(b)) | | | | | |

Movement in trade provisions during 2015 is as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 31/12/2014 | Net Charge | Cancellations | Reclasifications | Translation differences | Balance at 31/12/2015 |
| Trade provisions | 115,985 | (2,562) | (6,123) | 492 | 15,257 | 123,049 |
| | 115,985 | (2,562) | (6,123) | 492 | 15,257 | 123,049 |

**(20) Financial Liabilities**

This note provides information on the contractual conditions of the loans obtained by the Group, which are measured at amortised cost, except the financial derivatives, which are measured at fair value. 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 2015 and 2014 are as follows:

| Financial liabilities | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Non-current obligations (a) | 781,416 | 679,069 |
| Senior secured debt (b) | 3,664,252 | 3,358,341 |
| Other loans (b) | 120,326 | 24,888 |
| Finance lease liabilities (c) | 5,852 | 9,275 |
| Financial derivatives (note 30) | — | 34,486 |
| Other non-current financial liabilities (e) | 25,808 | 48,571 |
| **Total non-current financial liabilities** | **4,597,654** | **4,154,630** |
| Current obligations (a) | 79,531 | 65,603 |
| Senior secured debt (b) | 74,165 | 52,402 |
| Other loans (b) | 27,002 | 36,562 |
| Financial derivatives (note 30) | 7,375 | — |
| Finance lease liabilities (c) | 5,656 | 8,234 |
| Other current financial liabilities (e) | 68,768 | 31,925 |
| **Total current financial liabilities** | **262,497** | **194,726** |

On 17 March 2014 the Group concluded the debt refinancing process of its debt. The total debt refinanced amounts to US Dollars 5,500 million (Euros 4,075 million) and represents Grifols entire debt, including the US Dollars 1,500 million bridge loan obtained for the acquisition of Novartis' transfusional diagnostics unit. Following the refinancing process, Grifols' debt structure consists of a US Dollars 4,500 million long-term loan with institutional investors and banks segmented in two tranches (Term Loan A and Term Loan B), and a US Dollars 1,000 million bond issuance (Senior Unsecured Notes).

On 28 October 2015 the Group has received an additional loan from the European Investment Bank up to Euros 100 million at a fixed interest rate for a tenor of ten years with a grace period of two years. The loan will be used to support some investments in R&D which are mainly focused on searching new applications for plasmatic proteins.

**(a) Senior Unsecured Notes**

On 5 March 2014, Grifols Worldwide Operations Limited, a 100% subsidiary of Grifols, S.A., issued US Dollars 1,000 million Senior Unsecured Notes (the "Notes") that will mature in 2022 and will bear annual interest at a rate of 5.25%. These notes replaced the Senior Unsecured Notes issued in 2011 amounting to US Dollars 1,100 million, with a maturity in 2018 and at interest rate of 8.25%. On 29 May 2014 the Notes have been admitted to listing in the Irish Stock Exchange.

The costs of refinancing Senior Unsecured Notes amounted to Euros 67.6 million, including the cost of cancellation. These costs were included as transaction costs together with other costs deriving from the debt issue and will be taken to profit or loss in accordance with the effective interest rate. Based on the analysis of the quantitative and qualitative factors, the Group concluded that the renegotiation of conditions of the Senior Unsecured Notes did not trigger a derecognition of the liability. Unamortised

financing costs from the Senior Unsecured Notes amount to Euros 137 million at 31 December 2015 (Euros 145 million at 31 December 2014).

Details of movement in the Senior Unsecured Notes at 31 December 2014 are as follows:

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | Opening outstanding balance 01/01/14 | Issue | Redemption and repayments | Translation differences | Closing outstanding balance 31/12/14 |
| Senior Unsecured Notes (nominal amount) | 797,622 | 729,980 | (807,932) | 103,985 | 823,655 |
| Total | 797,622 | 729,980 | (807,932) | 103,985 | 823,655 |

Details of movement in the High Yield Senior Unsecured Notes at 31 December 2015 are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | Opening outstanding balance 01/01/15 | Translation differences | Closing outstanding balance 31/12/15 |
| Senior Unsecured Notes (nominal amount) | 823,655 | 94,872 | 918,527 |
| Total | 823,655 | 94,872 | 918,527 |

At 31 December 2015 and 2014 the current obligations caption includes the issue of bearer promissory notes to Group employees, as follows:

| | 31/12/2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 05/05/14 | 05/05/15 | 3,000 | 4.25% | 55,845 | (273) | (780) |

| | 31/12/2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 05/05/15 | 04/05/16 | 3,000 | 4.00% | 68,778 | (390) | (912) |

### (b) Loans and borrowings

Details of loans and borrowings at 31 December 2015 and 2014 are as follows:

| | | | | | Thousands of Euros | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 31/12/2015 | | 31/12/2014 | |
| Credit | Currency | Interest rate | Date awarded | Maturity date | Amount extended | Carrying amount | Amount extended | Carrying amount |
| Senior debt—Tranche B | Euros | Euribor + 3% | 27/02/2014 | 28/02/2021 | 400,000 | 389,000 | 400,000 | 393,000 |
| Senior debt—Tranche A | US Dollars | Libor + 2.5% | 27/02/2014 | 29/02/2020 | 642,969 | 558,579 | 576,559 | 540,524 |
| Senior debt—Tranche B | US Dollars | Libor + 3% | 27/02/2014 | 28/02/2021 | 2,965,308 | 2,903,114 | 2,676,880 | 2,630,035 |
| Total senior debt | | | | | 4,008,277 | 3,850,693 | 3,653,439 | 3,563,559 |
| EIB Loan | Euros | 2.70% | 20/11/2015 | 20/11/2025 | 100,000 | 100,000 | — | — |
| Revolving Credit | US Dollars | Libor + 2.5% | 27/02/2014 | 27/02/2019 | 275,558 | — | 247,097 | — |
| Other non-current loans | Euros | Euribor− Euribor+4% | 10/07/2013 | 30/09/2024 | 33,000 | 20,326 | 49,800 | 24,888 |
| Loan transaction costs | | | | | — | (186,441) | — | (205,218) |
| **Non-current loans and borrowings** | | | | | **4,416,835** | **3,784,578** | **3,950,336** | **3,383,229** |
| Senior debt—Tranche B | Euros | Euribor + 3% | 27/02/2014 | 28/02/2021 | (*) | 4,000 | (*) | 4,000 |
| Senior debt—Tranche A | US Dollars | Libor + 2.5% | 27/02/2014 | 29/02/2020 | (*) | 44,204 | (*) | 25,224 |
| Senior debt—Tranche B | US Dollars | Libor + 3% | 27/02/2014 | 28/02/2021 | (*) | 29,852 | (*) | 26,769 |
| Total senior debt | | | | | — | 78,056 | — | 55,993 |
| Other current loans | | 1.08% - 14.50% | | | 205,260 | 27,002 | 182,450 | 36,562 |
| Loan transaction costs | | | | | — | (3,891) | — | (3,591) |
| **Current loans and borrowings** | | | | | **205,260** | **101,167** | **182,450** | **88,964** |

(*) See amount granted under non-current debt

Current loans and borrowings include accrued interest amounting to Euros 519 thousand as at 31 December 2015 (Euros 189 thousand at 31 December 2014).

On 17 March 2014 the Group refinanced its Senior Secured Debt. The new senior debt consists of a Term Loan A ("TLA"), which amounts to US Dollars 700 million with a 2.50% margin over US Libor and maturity in 2020 and a Term Loan B ("TLB") that amounts to US Dollars 3,250 million and Euros 400 million with a 3.00% margin over Libor and Euribor respectively and maturity in 2021. Furthermore, the embedded floor included in the former senior debt, was terminated.

The present value discounted from cash flows under the new agreement, including costs for fees paid and discounted using the original effective interest rate differs by less than 10% of the present value discounted from cash flows remaining in the original debt, whereby the new agreement is not substantially any different to the original agreement.

The costs of refinancing the senior debt amounted to Euros 115.6 million. The termination of the embedded derivatives of the senior debt formed part of the refinancing and the resulting change in the fair values amounting to Euros 23.8 million reduced the financing cost. Based on the analysis of the quantitative and qualitative factors, the Group concluded that the renegotiation of conditions of the senior debt did not trigger a derecognition of the liability. Therefore, the net amount of the financing cost reduced the previous amount recognised and will form part of the amortised cost over the duration of the debt. Unamortised financing costs from the senior secured debt amount to Euros 190 million at 31 December 2015 (Euros 209 million at 31 December 2014).

The terms and conditions of the senior secured debt are as follows:

- **Tranche A:** Senior Debt Loan repayable in six years
    - **US Tranche A** :
        - Original Principal Amount of US Dollars 700 million.
        - Applicable margin of 250 basis points (bp) linked to US Libor 1 month.
        - No floor over US Libor.

Details of Tranche A by maturity at 31 December 2015 are as follows:

| | US Tranche A | | |
|---|---|---|---|
| | Currency | Principal in thousands of US Dollars | Principal in thousands of Euros |
| Maturity | | | |
| 2016 | US Dollars | 48,125 | 44,204 |
| 2017 | US Dollars | 52,500 | 48,223 |
| 2018 | US Dollars | 52,500 | 48,223 |
| 2019 | US Dollars | 380,625 | 349,614 |
| 2020 | US Dollars | 122,500 | 112,519 |
| Total | US Dollars | **656,250** | **602,783** |

- **Tranche B:** seven year loan divided into two tranches: US Tranche B and Tranche B in Euros.
    - **US Tranche B :**
        - Original Principal Amount of US Dollars 3,250 million.
        - Applicable margin of 300 basis points linked to US Libor 1 month
        - No floor over US Libor.
    - **Tranche B in Euros:**
        - Original Principal Amount of Euros 400 million.
        - Applicable margin of 300 basis points linked to Euribor 1 month.
        - No floor over Euribor

Details of Tranche B by maturity at 31 December 2015 are as follows:

| | US Tranche B | | | US Tranche B in Euros | |
|---|---|---|---|---|---|
| | Currency | Principal in thousands of US Dollars | Principal in thousands of Euros | Currency | Principal in thousands of Euros |
| Maturity | | | | | |
| 2016 | US Dollars | 32,500 | 29,852 | Euros | 4,000 |
| 2017 | US Dollars | 32,500 | 29,852 | Euros | 4,000 |
| 2018 | US Dollars | 32,500 | 29,852 | Euros | 4,000 |
| 2019 | US Dollars | 32,500 | 29,852 | Euros | 4,000 |
| 2020 | US Dollars | 32,500 | 29,852 | Euros | 4,000 |
| 2021 | US Dollars | 3,030,625 | 2,783,706 | Euros | 373,000 |
| Total | US Dollars | **3,193,125** | **2,932,966** | **Euros** | **393,000** |

- **US Dollar 300 million committed credit revolving facility:** Amount maturing on 27 February 2019. At 31 December 2015 no amount has been drawn down on this facility.

The issue of senior unsecured notes and senior secured debt is subject to compliance with a leverage ratio covenant. At 31 December 2015 the Group complies with this covenant.

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 Worldwide Operations Limited and are guaranteed on a senior unsecured basis by Grifols, S.A. and the subsidiaries of Grifols, S.A. that are guarantors and co-borrower under the New Credit Facilities. The guarantors are Grifols, S.A., Biomat USA, Inc., Grifols Biologicals Inc., Grifols Shared Services North America, Inc., Grifols Diagnostic Solutions Inc., Grifols Therapeutics, Inc., Instituto Grifols, S.A. and Grifols Worldwide Operations USA, Inc.

**(c) Finance lease liabilities**

Details of minimum payments and the present value of finance lease liabilities, by maturity date, are as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2015 | | | 31/12/2014 | | |
| | Minimum payments | Interest | Present Value | Minimum payments | Interest | Present Value |
| Maturity at: | | | | | | |
| Less than one year | 6,158 | 502 | 5,656 | 9,306 | 1,072 | 8,234 |
| Two years | 2,914 | 336 | 2,578 | 5,538 | 464 | 5,074 |
| Three years | 2,271 | 220 | 2,051 | 2,521 | 304 | 2,217 |
| Four years | 897 | 72 | 825 | 1,767 | 183 | 1,584 |
| Five years | 305 | 9 | 296 | 337 | 43 | 294 |
| More than five years | 106 | 4 | 102 | 114 | 8 | 106 |
| Total | 12,651 | 1,143 | 11,508 | 19,583 | 2,074 | 17,509 |

**(d) Credit rating**

In October 2015 Moody's Investors Service confirmed the 'Ba2' corporate family rating and 'Ba1' rating to the senior secured bank debt and 'B1' rating to the unsecured notes that were used to refinance the existing debt structure. The outlook was amended from negative to stable.

In June 2015 Standard & Poor's affirmed its 'BB' rating on Grifols and assigned 'BB' and 'B+' issue ratings to Grifols' senior secured debt and senior unsecured notes that were used to refinance the existing debt structure. The outlook for the rating is stable.

**(e) Other financial liabilities**

At 31 December 2015 "other financial liabilities" include interest-free loans extended by governmental institutions amounting to Euros 22,432 thousand (Euros 21,435 thousand at 31 December 2014). The portion of the loans considered a grant and still to be taken to profit or loss amounts to Euros 851 thousand (Euros 1,125 thousand at 31 December 2014) (see note 18).

At 31 December 2015 "other current financial liabilities" include Euros 24,824 thousand relating to the put and call option extended by the Group and the shareholders of Progenika (see note 3(c)) (Euros 28,724 thousand included in "other non-current liabilities" at 31 December 2014).

At 31 December 2015 and 2014 "other current financial liabilities" also include approximately Euros 39,232 thousand and Euros 26,601 thousand, respectively, which have been collected directly from Spanish Social Security affiliated bodies and transferred to financial institutions (see note 13).

Details of the maturity of other financial liabilities are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Maturity at: | | |
| Up to one year | 68,768 | 31,925 |
| Two years | 4,598 | 32,927 |
| Three years | 9,424 | 3,920 |
| Four years | 2,992 | 3,696 |
| Five years | 2,579 | 2,363 |
| Over five years | 6,215 | 5,665 |
| | 94,576 | 80,496 |

## (21) Trade and Other Payables

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| **Suppliers** | **409,986** | **439,631** |
| VAT payable | 7,138 | 8,083 |
| Taxation authorities, withholdings payable | 23,135 | 18,700 |
| Social security payable | 10,375 | 8,129 |
| Other public entities | 65,523 | 56,053 |
| **Other payables** | **106,171** | **90,965** |
| **Current income tax liabilities** | **16,196** | **87,462** |
| | **532,353** | **618,058** |

### 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.

## (22) Other Current Liabilities

Details at 31 December are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Salaries payable | 124,433 | 126,102 |
| Other payables | 1,040 | 1,408 |
| Deferred income | 3,837 | 13,460 |
| Advances received | 5,354 | 6,913 |
| Other current liabilities | 134,664 | 147,883 |

**(23) Net Revenues**

Net revenues are mainly generated from the sale of goods.

The distribution of net consolidated revenues for 2015, 2014 and 2013 by segment is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Bioscience | 3,032,111 | 2,513,510 | 2,448,824 |
| Diagnostic | 691,452 | 620,022 | 130,339 |
| Hospital | 96,245 | 94,800 | 97,131 |
| Raw Material and others | 114,755 | 127,052 | 65,438 |
| | 3,934,563 | 3,355,384 | 2,741,732 |

The geographical distribution of net consolidated revenues is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| USA and Canada | 2,505,791 | 2,042,700 | 1,694,361 |
| Spain | 207,641 | 214,558 | 200,036 |
| European Union | 455,276 | 448,244 | 356,289 |
| Rest of the world | 651,100 | 522,830 | 425,608 |
| Subtotal | 3,819,808 | 3,228,332 | 2,676,294 |
| Raw Materials and others | 114,755 | 127,052 | 65,438 |
| Consolidated | 3,934,563 | 3,355,384 | 2,741,732 |

Details of discounts and other reductions to gross income are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Gross sales | 4,579,759 | 3,704,597 | 2,915,496 |
| Chargebacks | (488,072) | (221,129) | (58,065) |
| Cash discounts | (46,150) | (32,255) | (28,831) |
| Volume rebates | (49,458) | (38,409) | (50,505) |
| Medicare and Medicaid | (25,710) | (22,690) | (18,961) |
| Other discounts | (35,806) | (34,730) | (17,402) |
| Net sales | 3,934,563 | 3,355,384 | 2,741,732 |

Movement in discounts and other reductions to gross income during 2013 were as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Chargebacks | Cash discounts | Volume rebates | Medicare / Medicaid | Other discounts | Total |
| **Balance at 31 December 2012** | 6,306 | 2,120 | 10,319 | 6,784 | (30) | 25,499 |
| Current estimate related to sales made in current and prior year | 58,065 | 28,831 | 50,505 | 18,961 | 17,402 | 173,764[(1)] |
| (Actual returns or credits in current period related to sales made in current period) | (41,209) | (25,428) | (33,510) | (15,948) | (17,167) | (133,262)[(2)] |
| (Actual returns or credits in current period related to sales made in prior periods) | (5,201) | (2,112) | (8,252) | (1,901) | 27 | (17,439)[(3)] |
| Translation differences | (983) | (144) | (765) | (339) | (22) | (2,253) |
| **Balance at 31 December 2013** | **16,978** | **3,267** | **18,297** | **7,557** | **210** | **46,309** |

Movement in discounts and other reductions to gross income during 2014 were as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Chargebacks | Cash discounts | Volume rebates | Medicare / Medicaid | Other discounts | Total |
| **Balance at 31 December 2013** | 16,978 | 3,267 | 18,297 | 7,557 | 210 | 46,309 |
| Current estimate related to sales made in current and prior year | 221,129 | 32,255 | 38,409 | 22,690 | 34,730 | 349,213[(1)] |
| (Actual returns or credits in current period related to sales made in current period) | (186,046) | (28,628) | (29,819) | (17,121) | (33,480) | (295,094)[(2)] |
| (Actual returns or credits in current period related to sales made in prior periods) | 1,626 | (2,137) | (5,167) | 1,596 | 3,002 | (1,080)[(3)] |
| Translation differences | 4,744 | (19) | (690) | 101 | (1,288) | 2,848 |
| **Balance at 31 December 2014** | **58,431** | **4,738** | **21,030** | **14,823** | **3,174** | **102,196** |

Movement in discounts and other reductions to gross income during 2015 were as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | Chargebacks | Cash discounts | Volume rebates | Medicare / Medicaid | Other discounts | Total |
| **Balance at 31 December 2014** | 58,431 | 4,738 | 21,030 | 14,823 | 3,174 | 102,196 |
| Current estimate related to sales made in current and prior year | 488,072 | 46,150 | 49,458 | 25,710 | 35,806 | 645,196[(1)] |
| (Actual returns or credits in current period related to sales made in current period) | (428,041) | (44,867) | (18,211) | (18,402) | (34,059) | (543,580)[(2)] |
| (Actual returns or credits in current period related to sales made in prior periods) | — | (246) | (25,051) | (11,257) | (1,791) | (38,345)[(3)] |
| Translation differences | 7,716 | 127 | 2,454 | 1,594 | 2,237 | 14,128 |
| **Balance at 31 December 2015** | **126,178** | **5,902** | **29,680** | **12,468** | **5,367** | **179,595** |

(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

**(24) Personnel Expenses**

Details of personnel expenses by function are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Cost of sales | 592,037 | 479,055 | 412,660 |
| Research and development | 76,780 | 66,857 | 57,012 |
| Selling general & administration expenses | 269,718 | 253,489 | 203,944 |
| | 938,535 | 799,401 | 673,616 |

Details by nature are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Wages and salaries | 756,570 | 639,639 | 549,703 |
| Contributions to pension plans (note 29) | 14,587 | 15,589 | 10,233 |
| Other social charges | 22,071 | 17,279 | 14,059 |
| Social Security | 145,307 | 126,894 | 99,621 |
| | 938,535 | 799,401 | 673,616 |

**(25) Expenses by Nature**

**(a) Amortisation and depreciation**

Expenses for the amortisation and depreciation of intangible assets and property, plant and equipment, incurred during 2015, 2014 and 2013 classified by functions are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Cost of sales | 110,898 | 81,226 | 69,091 |
| Research and development | 13,654 | 13,053 | 12,018 |
| Selling, general & administration expenses | 65,203 | 95,193 | 47,360 |
| | 189,755 | 189,472 | 128,469 |

**(b) Other operating income and expenses**

Other operating income and expenses incurred during 2015, 2014 and 2013 by function are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Cost of sales | 426,531 | 315,483 | 202,860 |
| Research and development | 118,667 | 85,501 | 54,854 |
| Selling, general & administration expenses | 403,944 | 356,612 | 344,215 |
| | 949,142 | 757,596 | 601,929 |

Details by nature are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Changes in trade provisions | (763) | (18,032) | 5,168 |
| Professional services | 173,990 | 134,062 | 121,467 |
| Commissions | 20,474 | 20,002 | 18,327 |
| Supplies and auxiliary materials | 115,471 | 89,244 | 78,993 |
| Operating leases (note 28) | 70,496 | 87,504 | 69,522 |
| Freight | 83,352 | 70,760 | 54,177 |
| Repair and maintenance expenses | 81,087 | 62,054 | 55,242 |
| Advertising | 47,860 | 59,912 | 48,115 |
| Insurance | 19,501 | 17,842 | 16,178 |
| Royalties | 9,386 | 9,723 | 3,831 |
| Travel expenses | 52,606 | 45,014 | 33,258 |
| External services | 56,743 | 65,717 | 43,681 |
| Other | 218,939 | 113,794 | 53,970 |
| **Other operating income&expenses** | 949,142 | 757,596 | 601,929 |

**(26) Finance Result**

Details are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Finance income | 5,841 | 3,069 | 4,869 |
| Finance cost from Senior Unsecured Notes | (72,783) | (62,936) | (91,002) |
| Finance cost from senior debt | (161,624) | (145,438) | (133,480) |
| Finance cost from sale of receivables (note 13) | (6,512) | (6,271) | (6,972) |
| Capitalised interest | 9,795 | 5,152 | 9,131 |
| Other finance costs | (9,211) | (15,542) | (17,668) |
| Finance costs | (240,335) | (225,035) | (239,991) |
| Change in fair value of financial derivatives (note 30) | (25,206) | (20,984) | (1,786) |
| Impairment and gains / (losses) on disposal of financial instruments | — | (5) | 792 |
| Exchange differences | (12,140) | (18,472) | (1,303) |
| Finance result | (271,840) | (261,427) | (237,419) |

During 2015 the Group has capitalised interest at a rate of between 5.2% and 5.26% based on the financing received (between 5.28% and 6.7% during 2014) (see note 4 (f)).

**(27) Taxation**

Grifols, S.A. is authorised to file consolidated tax returns in Spain with Diagnostic Grifols, S.A., Movaco, S.A., Laboratorios Grifols, S.A., Instituto Grifols, S.A., Grifols Worldwide Operations Spain, S.A. (formerly Logister, S.A), Biomat, S.A., Grifols Viajes, S.A., Grifols International, S.A., Grifols Engineering, S.A., and Gri-Cel, S.A.. 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 28% tax, which may be reduced by certain deductions.

The North American company Grifols Shared Services North America, Inc. is also authorised to file consolidated tax returns in the USA with Grifols Biologicals Inc., Grifols USA, LLC., Biomat USA, Inc., Grifols Therapeutics Inc. and Talecris Plasma Resources, Inc. The profits of the companies domiciled in the USA, determined in accordance with prevailing tax legislation, are subject to tax of approximately 37.5% of taxable income, which may be reduced by certain deductions.

**(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 | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Profit before income tax from continuing operations | 690,250 | 589,680 | 497,536 |
| Tax at 28% (30% for 2014 and 2013) | 193,270 | 176,904 | 149,261 |
| Permanent differences | (2,709) | (9,026) | (3,771) |
| Effect of different tax rates | (24,524) | (29,253) | 28,950 |
| Tax credits (deductions) | (19,487) | (22,913) | (24,465) |
| Prior year income tax expense | 2,723 | (1,391) | (2,175) |
| Other income tax expenses/(income) | 9,536 | 8,276 | 7,682 |
| Total income tax expense | 158,809 | 122,597 | 155,482 |
| Deferred tax | 24,357 | 4,765 | 14,922 |
| Current tax | 134,452 | 117,832 | 140,560 |
| Total income tax expense | 158,809 | 122,597 | 155,482 |

The effect of the different tax rates is basically due to a change of country mix in profits

In accordance with tax legislation modifications issued in Spain for fiscal years 2015 and 2016, the Group has recalculated the impact of adjusting deferred tax assets and liabilities to tax rates of 28% and 25%, respectively. The impact recognised under "Total income tax expense" amounts to Euros 0.3 million in fiscal year 2015 (Euros 4.4 million in fiscal year 2014).

**(b) Deferred tax assets and liabilities**

Details of deferred tax assets and liabilities are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | Tax effect | | |
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Assets | | | |
| Provisions | 38,004 | 58,966 | 746 |
| Inventories | 37,141 | 35,110 | 18,972 |
| Tax credits (deductions) | 42,533 | 34,892 | 8,404 |
| Tax loss carryforwards | 30,668 | 18,240 | 4,615 |
| Other | 6,961 | 1,838 | 398 |
| Fixed assets, amortisation and depreciation | — | — | 1,466 |
| Subtotal, assets | 155,307 | 149,046 | 34,601 |
| Goodwill | (77,755) | (56,615) | — |
| Fixed assets, amortisation and depreciation | (10,409) | (7,579) | — |
| Intangible assets | (349) | (2,407) | — |
| Subtotal, net liabilities | (88,513) | (66,601) | — |
| Deferred assets, net | 66,794 | 82,445 | 34,601 |
| Liabilities | | | |
| Goodwill | (35,877) | (29,706) | (42,039) |
| Intangible assets | (404,617) | (361,469) | (318,128) |
| Fixed assets | (119,858) | (110,929) | (121,667) |
| Debt cancellation costs | (77,514) | (83,315) | (55,755) |
| Inventories | (32,351) | (24,242) | — |
| Cash flow hedges | (982) | (821) | — |
| Subtotal, liabilities | (671,199) | (610,482) | (537,589) |
| Tax credits (deductions) | — | — | 5,298 |
| Tax loss carryforwards | 7,097 | 6,268 | 6,184 |
| Inventories | — | — | 8,187 |
| Cash flow hedges | — | — | 15,293 |
| Provisions | 22,085 | 50,078 | 40,693 |
| Other | 10,452 | 15,350 | 7,845 |
| Subtotal, net assets | 39,634 | 71,696 | 83,500 |
| Net deferred Liabilities | (631,565) | (538,786) | (454,089) |

Movement in deferred tax assets and liabilities is as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| **Deferred tax assets and liabilities** | **31/12/2015** | **31/12/2014** | **31/12/2013** |
| Balance at 1 January | (456,341) | (419,488) | (429,129) |
| Movements during the year | (24,357) | (4,766) | (14,922) |
| Movements in equity during the year | (10,960) | (3,864) | (4,227) |
| Business combination (note 3) | — | 34,899 | 4,871 |
| Translation differences | (73,113) | (63,122) | 23,919 |
| Balance at 31 December | (564,771) | (456,341) | (419,488) |

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.

Details of deferred tax assets and liabilities on items directly debited and credited to equity during the year are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | Tax effect | | |
| | **31/12/2015** | **31/12/2014** | **31/12/2013** |
| Cash flow hedges (note 15 (f)) | (10,960) | (3,864) | (4,227) |
| | (10,960) | (3,864) | (4,227) |

The remaining assets and liabilities recognised in 2015, 2014 and 2013 were recognised in the statement of profit or loss.

Estimated net deferred tax liabilities to be reversed in a period of less than 12 months amount to Euros 53.747 thousand at 31 December 2015 (Euros 38,288 thousand at 31 December 2014).

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 recognised as deferred tax assets the tax effect of the tax loss carryforwards of Group companies, which amount to Euros 67.955 thousand (Euros 59,045 thousand at 31 December 2014).

**(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 federal income tax for the years ended 1 June 2011, 31 December 2010 and 31 December 2011

- Grifols Shared Services North America, Inc. and subsidiaries:
    - Notification of an inspection of State Income tax in North Carolina and New York states (tax years 2012 to 2014), Illinois state (tax year 2011) and Michigan state (tax years 2011 to 2013).
    - Notification of an inspection of withholding payroll in North Carolina state for tax years 2012 to 2014.
- Grifols S.A, Instituto Grifols, S.A Movaco, S.A. and Biomat, S.A.: Income Tax Audit, Withholdings and VAT Audit for the tax years ended, 2010, 2011 and 2012 that were initiated as of July 2014. In October 2015 the tax audit has been extended to Biomat, S.A.
- Grifols Deutschland GmbH: notification of an inspection of payroll tax for the tax years ended 2011 to 2014.
- Grifols Italia, S.p.A.: notification of inspection of corporate tax, withholding and VAT for the tax year 2012, which has been initiated as of the first quarter of 2015

Group management does not expect any significant liability to derive from these inspections.

**(28) Operating Leases**

**(a) Operating leases (as lessee)**

At 31 December 2015, 2014 and 2013 the Group leases buildings and warehouses from third parties under operating leases.

Operating lease installments of Euros 70,496 thousand have been recognised as an expense for the year ended at 31 December 2015 (Euros 87,504 thousand at 31 December 2014 and Euros 69,522 thousand at 31 December 2013) and comprise minimum lease payments.

Future minimum payments on non-cancellable operating leases at 31 December 2015, 2014 and 2013 are as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Maturity at: | | | |
| Up to 1 year | 77,951 | 44,331 | 52,520 |
| Between 1 and 5 years | 126,644 | 109,531 | 156,413 |
| More than 5 years | 101,319 | 51,689 | 52,708 |
| Total future minimum payments | 305,914 | 205,551 | 261,641 |

**(b) Operating leases (as lessor)**

At 31 December 2015, 2014 and 2013 the Group has no lease contracts as lessor.

**(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.

**(c) Obligations with personnel**

The Group's annual contribution to defined contribution pension plans of Spanish Group companies for 2015 has amounted to Euros 647 thousand (Euros 621 thousand for 2014).

In successive years this contribution will be defined through labour negotiations.

The agreement entered into by Grifols, S.A. (hereinafter Grifols) on 10 November 2013, for the acquisition of the Diagnostic business of Novartis International AG (hereinafter the Business), stipulates that Grifols shall be under the obligation to hire those employees who render services in the Business and to pay them the same or comparable salaries and, in certain jurisdictions, Grifols shall undertake to retain these workers in employment for two years after the effective transfer of the Business.

In the event that control is taken of the Company, the Group has agreements with 78 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 two years of their salary in different circumstances.

**Restricted Share Unit Retention Plan**

For the bonus of 2014, payable in 2015, the Group established a Restricted Share Unit Retention Plan (RSU Plan), for eligible employees. By this plan, the employee can 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 the date of payment of the 2014 bonus, and no cash dividends will be paid in respect of these shares.

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.

This commitment is treated as equity-settled and the amount is Euros 4,532 thousand.

**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 3% of employee contributions and 50% of the next 2%. Group and employee contributions are fully vested when contributed. The plan assets are held in trust and invested as directed

by the plan participants. The total cost of matching contributions to the savings plan was US Dollars 12.7 million for 2015 (US Dollars 16.9 million for 2014). Costs of contributions derived from the Defined Contribution Plan were included in the savings plan for the year 2014 since the acquisition of the Novartis Diagnostic Unit in January 2014. The recognition of the cost of these contributions was consistent with each participant's salary. In 2015 this cost has been terminated.

**Other plans**

The Group has a defined benefit pension plan for certain Talecris Biotherapeutics, GmbH employees in Germany as required by statutory law. The pension cost relating to this plan was not material for the periods presented.

**(d) Purchase commitments**

Details of the Group's commitments mainly to purchase plasma at 31 December 2015 are as follows:

| | Thousands of Euros |
|---|---|
| 2016 | 4,884 |
| 2017 | 3,254 |
| 2018 | 1,202 |
| 2019 | 1,061 |

**(e) Judicial procedures and arbitration**

Details of legal proceedings in which the Company or Group companies are involved are as follows:

- The Group continues carrying out an internal investigation, already started prior to the acquisition of Talecris, in relation to possible breaches of the Foreign Corrupt Practices Act (FCPA) of which Talecris was aware in the context of a review unrelated to this matter. This FCPA investigation is being carried out by an external legal advisor. In principle, the investigation was focused on sales to certain Central and Eastern European countries, specifically Belarus and Russia, although trading practices in Brazil, China, Georgia, Iran and Turkey are also being investigated, in addition to other countries considered necessary.

  In July 2009, the Talecris Group voluntarily contacted the U.S. Department of Justice (DOJ) to inform them of an internal investigation that the Group was carrying out regarding possible breaches of the FCPA in certain sales to certain central and East European countries and to offer the Group's collaboration in any investigation that the DOJ wanted to carry out. As a result of this investigation the Group suspended shipments to some of these countries. In certain cases, the Group had safeguards in place which led to terminating collaboration with consultants and suspending or terminating relations with distributors in those countries under investigation as circumstances warranted.

  As a consequence of the investigation, the agreement with Talecris' Turkish distributor was terminated and a settlement agreement was reached between the parties. In November 2012, the Group was notified by the DOJ that the proceedings would be closed, without prejudice to the fact

that they could be re-opened in the future should new information arise. The Group continues with the in-depth review of potential irregular practices.

Furthermore, an investigation was opened in Italy, in relation with the criminal prosecution in Naples against 5 employees of the Company, including the former General Manager.

From these 5 employees of the Company initially charged, the Naples Tribunal resolved discharging 3 of them, continuing the judicial process only against the remaining 2 employees. Additionally, the Company has finalized the internal investigation opened in Italy as consequence of the indicated judicial proceedings, and in November 2015 a meeting took place with the DOJ to report on the conclusions derived from the investigation.

Although the Naples judicial proceedings is still under legal dispute and DOJ's final decision, after the meeting held last November, is still pending, the Company as well as its legal advisors consider the likelihood of this issue affecting the financial statements of the Company to be remote.

Additionally to the above and as part of the in-depth review of potential irregular practices that the Group is carrying out in relation to its recent acquisitions, the Company opened internal investigations in Mexico as well as in the Czech Republic to review the commercial practices in such countries. Both investigations have finalized, without having detected any significant practice that could imply a breach of the FCPA.

The legal advisors recommend limiting disclosure of the aforementioned information in these consolidated financial statements, because the matter is currently under legal dispute.

- As a result of the acquisition of the transfusional Diagnostic unit, the Group considers that there could have existed inadequate commercial and contractual practices which could originate in potential contingencies.

## (30) Financial Instruments

### Classification

Disclosure of financial instruments by nature, category and fair value is as follows:

| | Thousand of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2014 | | | | | | | |
| | Carrying amount | | | | Fair Value | | | |
| | Loans and receivables | Financial instruments held for trading | Debts and payables | Total | Level 1 | Level 2 | Level 3 | Total |
| Non-current financial assets | 8,711 | — | — | 8,711 | | | | |
| Other current financial assets | 502 | — | — | 502 | | | | |
| Trade and other receivables | 520,545 | — | — | 520,545 | | | | |
| Cash and cash equivalents | 1,079,146 | — | — | 1,079,146 | | | | |
| **Financial assets not measured at fair value** | **1,608,904** | — | — | **1,608,904** | | | | |
| Financial derivatives | — | (34,486) | — | (34,486) | — | (38,846) | — | (38,846) |
| **Financial liabilities at fair value** | — | **(34,486)** | — | **(34,486)** | | | | |
| Senior Unsecured Notes | — | — | (689,879) | (689,879) | (842,188) | — | — | (842,188) |
| Promissory Notes | — | — | (54,793) | (54,793) | | | | |
| Senior secured debt | — | — | (3,410,743) | (3,410,743) | (3,628,353) | — | — | (3,628,353) |
| Other bank loans | — | — | (61,450) | (61,450) | | | | |
| Finance lease payables | — | — | (17,509) | (17,509) | | | | |
| Other financial liabilities | — | — | (80,496) | (80,496) | | | | |
| Trade and other payables | — | — | (439,631) | (439,631) | | | | |
| Debts with associates | — | — | (3,059) | (3,059) | | | | |
| Other current liabilities | — | — | (21,781) | (21,781) | | | | |
| **Financial liabilities not measured at fair value** | — | — | **(4,779,341)** | **(4,779,341)** | | | | |
| | **1,608,904** | **(34,486)** | **(4,779,341)** | **(3,204,923)** | | | | |

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.

| | Thousand of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2015 | | | | | | | |
| | Carrying amount | | | | Fair Value | | | |
| | Loans and receivables | Financial instruments held for trading | Debts and payables | Total | Level 1 | Level 2 | Level 3 | Total |
| Non-current financial assets | 30,388 | — | — | 30,388 | | | | |
| Other current financial assets | 1,294 | — | — | 1,294 | | | | |
| Trade and other receivables | 394,464 | — | — | 394,464 | | | | |
| Cash and cash equivalents | 1,142,500 | — | — | 1,142,500 | | | | |
| **Financial assets not measured at fair value** | **1,568,646** | **—** | **—** | **1,568,646** | | | | |
| Financial derivatives | — | (7,375) | — | (7,375) | — | (7,375) | — | (7,375) |
| **Financial liabilities at fair value** | **—** | **(7,375)** | **—** | **(7,375)** | | | | |
| Senior Unsecured Notes | — | — | (793,472) | (793,472) | (927,712) | — | — | (927,712) |
| Promissory Notes | — | — | (67,475) | (67,475) | | | | |
| Senior secured debt | — | — | (3,738,417) | (3,738,417) | (3,929,517) | — | — | (3,929,517) |
| Other bank loans | — | — | (147,328) | (147,328) | | | | |
| Finance lease payables | — | — | (11,508) | (11,508) | | | | |
| Other financial liabilities | — | — | (94,576) | (94,576) | | | | |
| Trade and other payables | — | — | (409,986) | (409,986) | | | | |
| Debts with associates | — | — | (443) | (443) | | | | |
| Other current liabilities | — | — | (10,231) | (10,231) | | | | |
| **Financial liabilities not measured at fair value** | **—** | **—** | **(5,273,436)** | **(5,273,436)** | | | | |
| | **1,568,646** | **(7,375)** | **(5,273,436)** | **(3,712,165)** | | | | |

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.

**Financial derivatives**

At 31 December 2015 and 2014 the Group has recognised the following derivatives:

| | | | | Thousands of Euros | | |
|---|---|---|---|---|---|---|
| Financial derivatives | Currency | Notional amount at 31/12/2015 | Notional amount at 31/12/2014 | Value at 31/12/15 | Value at 31/12/14 | Maturity |
| Interest rate swap (cash flow hedges) | US Dollar | 694,445,000 | 1,017,842,500 | (6,789) | (31,439) | 30/06/2016 |
| Interest rate swap (cash flow hedges) | Euros | 100,000,000 | 100,000,000 | (586) | (3,047) | 31/03/2016 |
| Swap Option | Euros | 100,000,000 | 100,000,000 | — | — | 31/03/2016 |
| Total (note 20) | | | | (7,375) | (34,486) | |

Financial derivatives are measured based on observable market data (level 2 of fair value hierarchy). Regarding the valuation of derivative instruments, the selection of the appropriate data within the alternatives requires the use of judgement in qualitative factors such as, which methodology and valuation models are used, and in quantitative factors, data required to be included within the chosen models.

**(a) Derivative financial instruments at fair value through profit or loss**

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 or loss.

As a result of the refinancing process entered into on 27 February 2014 some of the derivatives were cancelled. The new Credit Agreement conditions did not include any embedded floor within the existing tranches; so as a result, the embedded derivative included in the Senior Secured was eliminated. The decrease in the value of the embedded derivatives amounted to US Dollars 27 million (Euros 19.6 million) and Euros 4.2 million at 27 February 2014, therefore reducing the refinanced senior debt (see note 20).

As there were no existing floors in the new loan tranches, the Company sold during 2014 the swap floor derivative contracts for a total amount of US Dollar 1.9 million each.

**(b) Hedging derivative financial instruments**

See note 15(f).

In June 2011, the Group subscribed two derivatives in order to comply with the mandatory hedging according to the Credit Agreement: a step-up interest rate swap and a swap floor, which originally had notional amounts of US Dollars 1,550 million each. The amortising step up interest rate swap has not been changed due to the improvement of the new Credit Agreement and the notional amount at the end of December 2015 stands at US Dollars 694 million. The existing Swap has quarterly amortisations, in order to always remain below the amounts borrowed to avoid being over hedged. The interest rate swap complies with the criteria required for hedge accounting.

At the end of December 2015, the Company has derivatives in place that qualify for hedge accounting:

- A Step-Up Swap derivative to hedge the US Dollar Libor interest rate with a notional amount of US Dollar 694 million amortising and;

- A Step-Up Swap derivative to hedge Euribor interest rate with a fixed notional amount of Euros 100 million until maturity.

**Credit risk**

**(a) Exposure to credit risk**

The carrying amount of financial assets represents the maximum exposure to credit risk. At 31 December 2015 and 2014 the maximum level of exposure to credit risk is as follows:

| | | Thousands of Euros | |
|---|---|---|---|
| **Carrying amount** | **Note** | **31/12/2015** | **31/12/2014** |
| Non-current financial assets | 11 | 30,388 | 8,711 |
| Other current financial assets | | 1,294 | 502 |
| Trade receivables | 13 | 362,406 | 500,752 |
| Other receivables | 13 | 32,058 | 19,793 |
| Cash and cash equivalents | 14 | 1,142,500 | 1,079,146 |
| | | 1,568,646 | 1,608,904 |

The maximum level of exposure to risk associated with receivables at 31 December 2015 and 2014, by geographical area, is as follows.

| | Thousands of Euros | |
|---|---|---|
| **Carrying amount** | **31/12/2015** | **31/12/2014** |
| Spain | 56,160 | 58,949 |
| EU countries | 61,720 | 89,020 |
| United States of America | 134,872 | 210,460 |
| Other European countries | 6,329 | 45,178 |
| Other regions | 135,383 | 116,938 |
| | 394,464 | 520,545 |

Details of balances receivable by country such as Greece, Italy, Spain and Portugal at 31 December 2014 are as follows:

| | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balances with public entities | | | Balance with third parties | | | |
| | **Balance (1)** | **Balance past due** | **Provision for doubtful receivables (2)** | **Balance (3)** | **Balance past due** | **Provision for doubtful receivables (4)** | **Net debt (1)+(2)+(3)+(4)** |
| Greece | — | — | — | 2,094 | — | — | 2,094 |
| Italy | 13,075 | 2,630 | — | 18,153 | 12,188 | (2,678) | 28,550 |
| Spain | 31,913 | 7,350 | — | 8,836 | 4,286 | (696) | 40,053 |
| Portugal | 7,484 | 6,621 | (3,838) | 1,224 | 914 | (23) | 4,847 |
| | 52,472 | 16,601 | (3,838) | 30,307 | 17,388 | (3,397) | 75,544 |

Details of balances receivable by country such as Greece, Italy, Spain and Portugal at 31 December 2015 are as follows:

| | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balances with public entities | | | Balance with third parties | | | |
| | Balance (1) | Balance past due | Provision for doubtful receivables (2) | Balance (3) | Balance past due | Provision for doubtful receivables (4) | Net debt (1)+(2)+(3)+(4) |
| Greece | — | — | — | 1,815 | 854 | — | 1,815 |
| Italy | 11,918 | 7,294 | (144) | 12,332 | 5,308 | (2,777) | 21,329 |
| Spain | 33,937 | 4,079 | — | 11,431 | 6,978 | (707) | 44,661 |
| Portugal | 2,664 | 1,394 | (460) | 202 | 68 | (26) | 2,380 |
| | 48,519 | 12,767 | (604) | 25,780 | 13,208 | (3,510) | 70,185 |

Provision has been made for balances receivable from Portuguese and Italian public entities on the basis of the best estimate of their expected collection in view of the current situation regarding negotiations. The Group does not currently have any reason to consider that the receivables from public entities in Spain will not be recoverable.

**(b) Impairment losses**

Details of the maturity of trade receivables, net of impairment provisions are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Not matured | 321,450 | 425,841 |
| Less than 1 month | 21,610 | 51,836 |
| 1 to 4 months | 25,680 | 18,902 |
| 4 months to 1 year | 10,858 | 12,885 |
| More than one year | 14,866 | 11,081 |
| | 394,464 | 520,545 |

Unimpaired receivables that are past due mainly relate to public entities.

Movement in the bad debt provision was as follows:

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2013 |
| Opening balance | 14,092 | 16,073 | 12,799 |
| Business combination | — | 764 | 722 |
| Net charges for the year | 1,800 | (2,013) | 4,750 |
| Net cancellations for the year | (2,984) | (1,144) | (1,617) |
| Translation differences | 302 | 412 | (581) |
| Closing balance | 13,210 | 14,092 | 16,073 |

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 31/12/14 | Contractual flows | 6 months or less | 6 - 12 months | 1-2 years | 2- 5 years | More than 5 years |
| **Financial liabilities** | | | | | | | | |
| Bank loans | 20 | 3,472,193 | 4,366,533 | 116,100 | 91,966 | 194,841 | 1,074,190 | 2,889,436 |
| Other financial liabilities | 20 | 80,496 | 80,496 | 28,852 | 3,073 | 32,927 | 13,250 | 2,394 |
| securities | 20 | 744,672 | 1,214,352 | 88,003 | 21,621 | 43,242 | 172,968 | 888,518 |
| Finance lease payables | 20 | 17,509 | 19,086 | 4,715 | 4,358 | 5,324 | 4,636 | 53 |
| Payable to associates | 31 | 3,059 | 3,059 | 3,059 | — | — | — | — |
| Payable to suppliers | 21 | 439,631 | 439,631 | 438,201 | 1,430 | — | — | — |
| Other current liabilities | 22 | 21,781 | 21,781 | 21,166 | 615 | — | — | — |
| Financial liabilities for hedging derivatives | 20 | 34,486 | 40,835 | 21,329 | 13,038 | 6,468 | — | — |
| Total | | 4,813,827 | 6,185,773 | 721,425 | 136,101 | 282,802 | 1,265,044 | 3,780,401 |

| | | Thousands of Euros | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Carrying amount | Note | Carrying amount at 31/12/15 | Contractual flows | 6 months or less | 6 - 12 months | 1-2 years | 2- 5 years | More than 5 years |
| **Financial liabilities** | | | | | | | | |
| Bank loans | 20 | 3,885,745 | 4,959,027 | 129,631 | 118,796 | 252,659 | 4,404,772 | 53,169 |
| Other financial liabilities | 20 | 94,576 | 94,576 | 40,294 | 28,474 | 3,932 | 19,620 | 2,256 |
| securities | 20 | 860,947 | 1,311,506 | 103,643 | 24,111 | 48,223 | 192,891 | 942,638 |
| Finance lease payables | 20 | 11,508 | 12,650 | 4,450 | 1,708 | 2,918 | 3,571 | 3 |
| Payable to associates | 31 | 443 | 443 | 443 | — | — | — | — |
| Payable to suppliers | 21 | 409,986 | 409,986 | 409,381 | 605 | — | — | — |
| Other current liabilities | 22 | 10,231 | 10,231 | 9,606 | 625 | — | — | — |
| Financial liabilities for hedging derivatives | 20 | 7,375 | 7,375 | 7,375 | — | — | — | — |
| Total | | 5,280,811 | 6,805,794 | 704,823 | 174,319 | 307,732 | 4,620,854 | 998,066 |

**Currency risk**

The Group's exposure to currency risk is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2014 | |
| | Euros(*) | Dollars(**) |
| Trade receivables | 2,850 | 2,197 |
| Receivables from Group companies | 34,962 | 9,461 |
| Loans to Group companies | 435,310 | 201,250 |
| Cash and cash equivalents | 46,152 | 13,847 |
| Trade payables | (11,399) | (2,617) |
| Payables to Group companies | (27,609) | (4,645) |
| Loans from Group companies | (107,430) | (4,261) |
| Bank loans | (397,000) | — |
| Balance sheet exposure | (24,164) | 215,232 |

(*) Balances in Euros in subsidiaries with US Dollars functional currency

(**) Balances in US Dollars in subsidiaries with Euros functional currency

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | |
| | Euros(*) | Dollars(**) |
| Trade receivables | 12,234 | 9,762 |
| Receivables from Group companies | 38,650 | 289,754 |
| Loans to Group companies | 711,674 | 258,409 |
| Cash and cash equivalents | 98,983 | 13,780 |
| Trade payables | (9,003) | (7,760) |
| Payables to Group companies | (37,678) | (2,613) |
| Loans from Group companies | (373,102) | (3,971) |
| Bank loans | (493,000) | — |
| Balance sheet exposure | (51,242) | 557,361 |

(*) 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 2015 and 2014 year ends are as follows:

| | Closing exchange rate | |
|---|---|---|
| Euros | 31/12/2015 | 31/12/2014 |
| US Dollars | 1.0887 | 1.2141 |

A sensitivity analysis for foreign exchange fluctuations is as follows:

Had the US Dollar strengthened by 10% against the Euro at 31 December 2015, equity would have increased by Euros 300,372 thousand (Euros 265,166 thousand at 31 December 2014) and profit due to foreign exchange differences would have increased by Euros 50,612 thousand (Euros 19,107 thousand at 31 December 2014). 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 2015 and 2014 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 | |
|---|---|---|
| | **31/12/2015** | **31/12/2014** |
| Fixed-interest financial instruments | | |
| Financial liabilities | (1,756,393) | (1,762,136) |
| | (1,756,393) | (1,762,136) |
| Variable-interest financial instruments | | |
| Financial liabilities | (3,190,883) | (2,681,071) |
| | (3,190,883) | (2,681,071) |
| | (4,947,276) | (4,443,207) |

**(b) Sensitivity analysis**

If the interest rate should have been 100 basis points higher during 2015, the interest expense would have increased by Euros 40.3 million, the finance cost due to changes in the value of derivatives would have been Euros 8.6 million lower and equity would have increased by Euros 2.2 million. So, net effect on cash interest payments should have been Euros 31.7 million.

If the interest rate should have been 100 basis points higher during 2014, the interest expense would have increased by Euros 31 million, the finance cost due to changes in the value of derivatives would have been Euros 9 million lower and equity would have increased by Euros 7.2 million. So, net effect on cash interest payments should have been Euros 22 million.

**(31) Balances and Transactions with Related Parties**

Details of balances with related parties are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2014 |
| Receivables from associates (note 13) | 70 | 33 |
| Loans to associates (note 11) | 25,755 | 300 |
| Debts with associates | (443) | (3,059) |
| Debts with key management personnel | (3,962) | (4,267) |
| Payables to members of the board of directors | (475) | (600) |
| Payables to other related parties | (10,178) | (9,855) |
| | 10,767 | (17,448) |

Payables are included in suppliers and trade payables (see note 21).

**(a) Group transactions with related parties**

Group transactions with related parties during 2013 were as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Associates | Key management personnel | Other related parties | Board of directors of the Company |
| Net sales | 263 | — | — | — |
| Other service expenses | — | — | (5,849) | (1,269) |
| Operating lease expense (note 9) | — | — | (23,985) | — |
| Remuneration | — | (9,130) | — | (4,405) |
| R&D agreements | (9,802) | — | — | — |
| Finance costs | (36) | — | (210) | — |
| | (9,575) | (9,130) | (30,044) | (5,674) |

Group transactions with related parties during 2014 were as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Associates | Key management personnel | Other related parties | Board of directors of the Company |
| Net sales | 272 | — | — | — |
| Other service expenses | — | — | (7,733) | (1,094) |
| Operating lease expense (note 9) | — | — | (24,030) | — |
| Remuneration | — | (9,369) | — | (4,631) |
| R&D agreements | (26,740) | — | — | — |
| Finance costs | (49) | — | — | — |
| | (26,517) | (9,369) | (31,763) | (5,725) |

Group transactions with related parties during 2015 are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Associates | Key management personnel | Other related parties | Board of directors of the Company |
| Net sales | 317 | — | — | — |
| Other service expenses | (361) | — | (6,938) | (845) |
| Operating lease expense (note 9) | — | — | (4,900) | — |
| Remuneration | — | (9,447) | — | (3,443) |
| R&D agreements | (18,400) | — | — | — |
| Purchase of Fixed Assets (note 9) | — | — | (276,457) | — |
| Sale of Fixed Assets (note 9) | — | — | 12,000 | — |
| Finance Income | 1,916 | — | — | — |
| | (16,528) | (9,447) | (276,295) | (4,288) |

Every year the Group contributes 0.7% of its profits before tax to a non-profit organisation.

"Other service expenses" include contributions to non-profit organisations totalling Euros 5,224 thousand in 2015 (Euros 4,262 thousand in 2014 and Euros 2,779 thousand in 2013).

Interest expense to related parties for the year 2013 included interest accrued on the loan of Class B shares (see note 3 (c) and 15).

During 2011 one of the Company's directors signed a three-year consulting services contract. The director will receive annual fees of US Dollars 1 million for these services and an additional bonus of US Dollars 2 million for complying with certain conditions. During 2014, this contract was renewed for an additional year for an amount of US Dollar 1 Million. In 2015, this contract has been extended for two years for an amount of US Dollar 1 Million for each year.

Directors representing shareholders' interests have received remuneration of Euros 50 thousand during 2015 (100 thousand in 2014 and 2013).

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) Events after the Reporting Period**

- On January 2016, Grifols has acquired the 30% of the equity of AlbaJuna Therapeutics, S.L. for Euros 3.75 million in the form of cash payment to finance the development and production of

therapeutic antibodies against HIV. The initial investment will be increased upon achievements of agreed development milestones.

AlbaJuna Therapeutics is a spin-off from the AIDS Investigation Institute IrsiCaixa, jointly driven by Obra Social "la Caixa" and the Health Department of the Generalitat de Catalunya. It was founded to promote the preclinical and clinical development of monoclonal antibodies that both neutralize the HIV action in the human body and increase the activity of natural killer cells, which are responsible for the destruction of infected cells.

- On 4 January 2016 the Company's new shares resulting from the share split ruling on 3 December 2015 by the Company's board of directors (relevant event n° 231793) will start to be traded in accordance with the delegation of authorities by the shareholders at the general shareholders' meeting held on 29 May 2015. This share split entails that the nominal value of the new Class A shares will be Euro 0.25 per share (previously Euro 0.50 per share), whilst the nominal value of the new Class B shares will be Euro 0.05 per share (previously Euro 0.10 per share)

- The Group has announced the acquisition of a further 32.93% stake in Progenika for Euros 25million following the exercise of call and put options agreed in February 2013. As a result, Grifols now controls 89.08% of Progenika's share capital. Grifols paid 50% of this investment in Grifols B shares (876,777 shares) and the remaining 50% in cash.

**(33) Condensed Consolidating Financial Information**

The High Yield Senior Unsecured Notes were issued by Grifols Shared Services North America Inc. (formerly Grifols, Inc.), which is a wholly-owned subsidiary of Grifols, S.A., and are jointly and severally, irrevocably and fully and unconditionally guaranteed by Grifols, S.A. and certain other of its wholly-owned subsidiaries ('the Guarantors'). Supplemental condensed consolidating financial information is presented in Appendix VI comprising the Group's income statements and cash flow statements, both consolidated, for Fiscal 2013and its consolidated balance sheet as at December 31, 2013, showing the amounts attributable to Grifols, S.A., Grifols Shared Services North America Inc. (formerly Grifols, Inc.) and those of its other subsidiaries that were Guarantors as at December 31, 2013 separately from the amounts attributable to those of its subsidiaries that were not Guarantors.

On 5 March 2014, Grifols Worldwide Operations Limited, a wholly-owned subsidiary of Grifols, S.A., had issued the Senior Unsecured Notes (the "Notes"). These notes had replaced the High Yield Senior Unsecured Notes issued in 2011. The Notes had been issued by Grifols Worldwide Operations Limited and are guaranteed on a senior unsecured basis by Grifols, S.A. and the subsidiaries of Grifols, S.A. that are guarantors and co-borrower under the New Credit Facilities. Supplemental condensed consolidating financial information is presented in Appendix VI comprising the Group's income statement and cash flow statement, both consolidated, for Fiscal Year 2014 and Fiscal Year 2015 and its consolidated balance sheet as at December 31, 2014 and December 31, 2015, showing the amounts attributable to Grifols, S.A., Grifols Worldwide Operations Limited and those of its other subsidiaries that were Guarantors as at December 31, 2014 and December 31, 2015 separately from the amounts attributable to those of its subsidiaries that were not Guarantors.

The condensed consolidated financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered", which is included in Appendix VI.

# APPENDIX I
# GRIFOLS, S.A. AND SUBSIDIARIES
## Information on Group Companies, Associates and others for the years ended 31 December 2015, 2014 and 2013

| Name | Registered Offices | Acquisition / Incorporation date | Activity | Statutory Activity | 31/12/2015 % shares | | 31/12/2014 % shares | | 31/12/2013 % 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. | 99,998% | 0,002% | 99,998% | 0,002% | 99,998% | 0,002% |
| 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.) | 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% | 99,970% | 0,030% | — | 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. | 99,999% | 0,001% | 99,999% | 0,001% | 99,998% | 0,002% |
| 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, Inc. | 5555 Valley Boulevard Los Angeles (California) United States | 2003 | Industrial | Plasma fractioning and the production of haemoderivatives. | — | 100,000% | — | 100,000% | — | 100,000% |
| PlasmaCare, Inc. (merged with Biomat USA, Inc in 2015) | 1128 Main Street, Suite 300 Cincinnati (Ohio) United States | 2006 | Industrial | Procuring human plasma. | — | — | — | 100,000% | — | 100,000% |

| Name | Registered Offices | Acquisition / Incorporation date | Activity | Statutory Activity | 31/12/2015 % shares | | 31/12/2014 % shares | | 31/12/2013 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| Grifols Australia Pty Ltd | Unit 5/80 Fairbank<br>Clayton South<br>Victoria 3149<br>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<br>3186 Düngingen<br>Switzerland | 2009 | Industrial | Development and manufacturing activities in the area of biotechnology and diagnostics. | 80,000% | — | 80,000% | — | 80,000% | — |
| Grifols Therapeutics, Inc. | 4101 Research Commons<br>(Principal Address),<br>79 T.W. Alexander Drive,<br>Research Triangle Park,<br>North Carolina 277709,<br>United States | 2011 | Industrial | Plasma fractioning and the production of haemoderivatives. | — | 100,000% | — | 100,000% | — | 100,000% |
| Talecris Plasma Resources, Inc. | 4101 Research Commons<br>(Principal Address),<br>79 T.W. Alexander Drive,<br>Research Triangle Park,<br>North Carolina 277709,<br>United States | 2011 | Industrial | Procuring human plasma. | — | 100,000% | — | 100,000% | — | 100,000% |
| GRI-CEI, S/A Produtos para transfusao | Rua Umuarama,<br>263 Condominio Portal da Serra<br>Vila Perneta<br>CEP 83.325-000 Pinhais<br>Paraná, Brazil | 2012 | Industrial | Production of bags for the extraction, separation, conservation and transfusion of blood components. | 60,000% | — | 60,000% | — | 60,000% | — |
| Grifols Worldwide Operations Limited | Grange Castle Business Park,<br>Grange Castle, Clondalkin,<br>Dublin 22,<br>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,<br>Edificio 504<br>48160 Derio (Vizcaya)<br>Spain | 2013 | Industrial | Development, production and commercialisation of biotechnological solutions. | 56,150% | — | 56,150% | — | 56,150% | — |
| Proteomika, S.L.U (merged with Progenika Biopharma, S.A. in 2015) | Parque Tecnológico de Vizcaya,<br>Edificio 504<br>48160 Derio (Vizcaya)<br>Spain | 2013 | Industrial | Development, production and commercialisation of biotechnological solutions. | — | — | — | 56,150% | — | 56,150% |
| Progenika Latina, S.A. de CV | Periferico Sur N° 4118 Int 8<br>Col. Jardines del Pedregal<br>CP 01900 Alvaro Obregon<br>DF Mexico | 2013 | Industrial | Development, production and commercialisation of biotechnological solutions. | — | 56,150% | — | 56,150% | — | 56,150% |
| Progenika Inc. | Corporation Service Company,<br>2711 Centerville Road,<br>Suite 400,<br>Wilmington, DE 19808<br>United States | 2013 | Industrial | Development, production and commercialisation of genetic tools, diagnostic equipment and therapeutic systems and products for personalised medicine and the highest quality healthcare in general. | — | 56,150% | — | 56,150% | — | 56,150% |
| Preventia 2.0 Genetics, S.L. (merged with Progenika Biopharma S.A in 2014) | Calle Ercilla 17 - 3°<br>48009 Bilbao-Vicaya<br>Spain | 2013 | Industrial | Research, development and commercialisation of diagnostic products, treatment of diseases and rendering of related services. | — | — | — | — | — | 56,150% |

| Name | Registered Offices | Acquisition / Incorporation date | Activity | Statutory Activity | 31/12/2015 % shares | | 31/12/2014 % shares | | 31/12/2013 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| Brainco Biopharma, S.L. | Parque Tecnológico de Vizcaya, Edificio 504 48160 Derio (Vizcaya) Spain | 2013 | Industrial | Development of products for the treatment and diagnosis of psychiatric illnesses | — | 28,423% | — | 28,423% | — | 28,423% |
| Abyntek Biopharma, S.L. | Parque Tecnológico de Vizcaya, Edificio 504 48160 Derio (Vizcaya) Spain | 2013 | Industrial | Research, development and transfer of biotechnological products and processes, as well as the commercialiation of products and services related to the biosciences. | — | 45,129% | — | 43,763% | — | 43,763% |
| 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. | — | 52,067% | — | 56,150% | — | 56,150% |
| 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% | — | — |
| Grifols Asia Pacific Pte, Ltd | 501 Orchard Road n°20-01 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) Estados Unidos | 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% | — |

| Name | Registered Offices | Acquisition / Incorporation date | Activity | Statutory Activity | 31/12/2015 % shares | | 31/12/2014 % shares | | 31/12/2013 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| 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. | 100,000% | — | — | 100,000% | 99,900% | 0,100% |
| 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, Ltda. | 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% | — | 100,000% | — | 100,000% | — |
| Grifols France, S.A.R.L. | Arteparc, Rue de la Belle du Canet, Bât. D, Route de la Côted'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 street 00-844 Warsaw, Poland | 2003 | Commercial | Distribution and sale of pharmaceutical, cosmetic and other products. | 100,000% | — | 100,000% | — | 100,000% | — |

| Name | Registered Offices | Acquisition / Incorporation date | Activity | Statutory Activity | 31/12/2015 % shares | | 31/12/2014 % shares | | 31/12/2013 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| 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 | 1970 | 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% | 99,990% | 0,010% |
| Medion Diagnostics GmbH | Lochamer Schlag, 12D 82166 Gräfelfing Germany | 2009 | Commercial | Distribution and sale of biotechnological and diagnostic products. | — | 80,000% | — | 80,000% | — | 80,000% |
| 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. | 99,000% | 1,000% | 99,000% | 1,000% | 99,000% | 1,000% |
| 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% | — |

| Name | Registered Offices | Acquisition / Incorporation date | Activity | Statutory Activity | 31/12/2015 % shares | | 31/12/2014 % shares | | 31/12/2013 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| 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 Bershire House, 25 Westlands Road Hong Kong | 2014 | Commercial | Distribution and sale of diagnostic products. | — | 100,000 % | — | 100,000% | — | — |
| Grifols Japan K.K. | Hilton Plaza West Office Tower, 19th floor. 2-2, Umeda 2-chome, Kita-ku Osaka-shi Japón | 2014 | Commercial | Research, development, import and export and commercialisation of pharmaceutical products, devices and diagnostic instruments. | 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. | 99,990% | 0,010% | 99,990% | 0,010% | — | — |
| 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% |

| Name | Registered Offices | Acquisition / Incorporation date | Activity | Statutory Activity | 31/12/2015 % shares | | 31/12/2014 % shares | | 31/12/2013 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| 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 % |
| Arrahona Optimus, S.L. (merged with Grifols, S.A. in 2015) | Avenida de la Generalitat 152 Sant Cugat del Valles (Barcelona) Spain | 2008 | Services | Development and construction of offices and business premises. | — | — | 99,995% | 0,005% | 99,990% | 0,010% |
| 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, S.L | Avenida Diagonal 477 Barcelona | 2015 | Services | Manufacturing buildings for rent | 100,000% | — | — | — | — | — |
| Gri-Cel, S.A. | 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% | 0,001% | 99,999% |
| Araclon Biotech, S.L. | Paseo de Sagasta, 17 2° 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. | — | 70,830% | — | 66,150% | — | 61,120% |
| 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. | — | 68,010% | — | — | — | — |
| **Equity accounted investees** | | | | | | | | | | |
| Nanotherapix, S.L. | Avenida de la Generalitat 152 Sant Cugat del Valles (Barcelona) Spain | 2010 | Research | Development, validation and production of the technology required to implement the use of genetic and cellular therapy for the treatment of human and animal pathologies. | — | 51,000% | — | 51,000% | — | 51,000% |

| Name | Registered Offices | Acquisition / Incorporation date | Activity | Statutory Activity | 31/12/2015 % shares | | 31/12/2014 % shares | | 31/12/2013 % shares | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| 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. | — | — | — | 49,450% | — | 40,000% |
| 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. | 35,000% | — | 35,000% | | 35,000% | — |
| 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. | — | 19,280% | — | 21,300% | — | 21,300% |
| Mecwins, S.L. | Avenida Fernandos Casas Novoa, 37 Santiago de Compostela Spain | 2013 | Research | Research and production of nanotechnological, biotechnological and chemical solutions. | — | 8,42% | — | 9,35% | — | 14,038% |
| Kiro Robotics S.L. | Polígono Bainuetxe, 5, 2° planta, Aretxabaleta, Guipúzcoa Spain | 2014 | Research | Development of machines and equipment to automate and control key points of hospital processes, and hospital pharmacy processes. | 50,000% | — | 50,000% | — | — | — |
| 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% | — | — | — | — |

This appendix forms an integral part of note 2 to the consolidated financial statements.

## APPENDIX II

## GRIFOLS, S.A. AND SUBSIDIARIES
## Operating Segments for the years ended 31 December 2015, 2014 and 2013
## (Expressed in thousands of Euros)

| | Bioscience | | | Hospital | | | Diagnostic | | | Raw materials & others | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014* | 2013* | 2015 | 2014* | 2013* | 2015 | 2014* | 2013* | 2015 | 2014* | 2013* | 2015 | 2014* | 2013* |
| Revenues from external customers | 3.032.111 | 2.513.510 | 2.448.824 | 96.245 | 94.800 | 97.131 | 691.452 | 620.022 | 130.339 | 114.755 | 127.052 | 65.438 | 3.934.563 | 3.355.384 | 2.741.732 |
| **Total operating income** | **3.032.111** | **2.513.510** | **2.448.824** | **96.245** | **94.800** | **97.131** | **691.452** | **620.022** | **130.339** | **114.755** | **127.052** | **65.438** | **3.934.563** | **3.355.384** | **2.741.732** |
| **Profit/(Loss) for the segment** | **907.847** | **835.171** | **980.835** | **(4.299)** | **(4.256)** | **139** | **84.147** | **86.258** | **(3.819)** | **88.408** | **106.446** | **38.970** | **1.076.103** | **1.023.619** | **1.016.125** |
| Unallocated expenses | | | | | | | | | | (105.734) | (165.930) | (280.005) | (105.734) | (165.930) | (280.005) |
| **Operating profit** | | | | | | | | | | | | | **970.369** | **857.689** | **736.120** |
| **Finance result** | | | | | | | | | | | | | **(271.839)** | **(261.427)** | **(237.419)** |
| **Share of profit/(loss) of equity accounted investee** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(8.280)** | **(6.582)** | **(1.165)** | **(8.280)** | **(6.582)** | **(1.165)** |
| Income tax expense | | | | | | | | | | | | | (158.809) | (122.597) | (155.482) |
| **Profit for the year after tax** | | | | | | | | | | | | | **531.441** | **467.083** | **342.054** |
| **Segment assets** | **6.074.971** | **5.013.457** | **4.501.977** | **91.877** | **94.971** | **81.500** | **1.794.389** | **1.628.232** | **215.990** | **1.321** | **794** | **394** | **7.962.558** | **6.737.454** | **4.799.861** |
| Equity accounted investments | — | — | — | — | — | — | — | — | — | 76.728 | 54.296 | 35.765 | 76.728 | 54.296 | 35.765 |
| Unallocated assets | | | | | | | | | | 1.562.429 | 1.657.999 | 1.005.410 | 1.562.429 | 1.657.999 | 1.005.410 |
| **Total assets** | | | | | | | | | | | | | **9.601.715** | **8.449.749** | **5.841.036** |
| **Segment liabilities** | **387.086** | **256.710** | **230.412** | **3.159** | **9.429** | **241** | **192.730** | **233.165** | **14.801** | **—** | **—** | **—** | **582.975** | **499.304** | **245.454** |
| Unallocated liabilities | — | — | — | — | — | — | — | — | — | 5.717.351 | 5.287.557 | 3.488.378 | 5.717.351 | 5.287.557 | 3.488.378 |
| **Total liabilities** | | | | | | | | | | | | | **6.300.326** | **5.786.861** | **3.733.832** |
| **Other information:** | | | | | | | | | | | | | | | |
| Amortisation and depreciation | 137.870 | 95.725 | 91.350 | 5.710 | 5.273 | 5.695 | 31.875 | 24.768 | 15.492 | 14.301 | 63.706 | 15.932 | **189.756** | **189.472** | **128.469** |
| Expenses that do not require cash payments | 627 | 4.053 | (11.090) | 108 | (74) | 141 | 4.630 | (3.578) | 337 | 4.794 | (6.215) | 2.979 | 10.159 | (5.814) | (7.633) |
| Additions for the year of property, plant & equipment and intangible assets | 421.020 | 188.698 | 129.475 | 7.972 | 14.241 | 8.514 | 68.740 | 46.272 | 24.408 | 79.082 | 42.981 | 19.582 | **576.814** | **292.192** | **181.979** |

* As a result of the acquisitions made and the related changes in the organizational structure due to the integration process, the Group has reviewed the allocation of costs to the between segments, which has lead to an increase of the portion of allocated costs. The comparative figures for the year 2014 have been restated accordingly, resulting on a reduction of the portion of unallocated costs compared to the previous presentation of Euro 154 million. As a result of changes to systems, it is impracticable to restate the 2013 comparative figures and, therefore, the segment information relating to 2013 is not comparable to the 2015 and 2014 segment figures included in these consolidated financial statements.

This appendix forms an integral part of note 6 to the consolidated financial statements.

**APPENDIX II**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Reporting by geographical area**
**for the years ended 31 December 2015, 2014 and 2013**
**(Expressed in thousands of Euros)**

| | Spain | | | Rest of European Union | | | USA + Canada | | | Rest of World | | | Subtotal | | | Raw material & others | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| **Net Revenue** | **207.641** | **214.558** | **200.036** | **455.276** | **448.244** | **356.289** | **2.505.791** | **2.042.700** | **1.694.361** | **651.100** | **522.830** | **425.608** | **3.819.808** | **3.228.332** | **2.676.294** | **114.755** | **127.052** | **65.438** | **3.934.563** | **3.355.384** | **2.741.732** |
| **Assets by geographical area** | **719.557** | **689.220** | **933.722** | **2.406.847** | **1.888.235** | **280.510** | **6.175.558** | **5.542.660** | **4.487.429** | **298.432** | **328.840** | **138.981** | **9.600.394** | **8.448.955** | **5.840.642** | **1.321** | **794** | **394** | **9.601.715** | **8.449.749** | **5.841.036** |
| **Other information:** | | | | | | | | | | | | | | | | | | | | | |
| Additions for the year of property, plant & equipment and intangible assets | 113.652 | 53.223 | 55.978 | 51.943 | 69.366 | 14.847 | 400.065 | 160.195 | 106.274 | 11.154 | 9.408 | 4.880 | 576.814 | 292.192 | 181.979 | 0 | — | | 576.814 | 292.192 | 181.979 |

This appendix forms an integral part of note 6 to the consolidated financial statements.

**APPENDIX III**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Changes in Other Intangible Assets**
**for the year ended 31 December 2015**
**(Expressed in thousands of Euros)**

| | Balances at 31/12/2014 | Additions | Business combinations | Transfers | Disposals | Translation differences | Balances at 31/12/2015 |
|---|---|---|---|---|---|---|---|
| Development costs | 108,029 | 5,066 | — | 2 | (626) | 217 | 112,688 |
| Concessions, patents, licenses brands & similar | 55,994 | 12 | — | — | (1,258) | 4,501 | 59,249 |
| Computer software | 116,992 | 20,285 | — | 371 | (1,167) | 8,495 | 144,976 |
| Currently marketed products | 1,012,178 | — | — | — | — | 113,846 | 1,126,024 |
| Other intangible assets | 103,767 | 19,070 | — | — | (943) | 12,144 | 134,068 |
| Total cost of intangible assets | 1,396,990 | 44,433 | — | 373 | (3,994) | 139,203 | 1,377,003 |
| Accum. amort. of development costs | (62,767) | (5,120) | — | — | 484 | (148) | (67,551) |
| Accum. amort of concessions, patents, licenses, brands & similar | (23,144) | (924) | — | — | 1,099 | (988) | (23,957) |
| Accum. amort. of computer software | (68,303) | (11,864) | — | 137 | 991 | (4,158) | (83,197) |
| Accum. amort. of currently marketed products | (122,416) | (38,076) | — | — | — | (14,643) | (175,135) |
| Accum. amort. of other intangible assets | (52,016) | (7,561) | — | — | — | (6,050) | (65,627) |
| Total accum. amort intangible assets | (328,646) | (63,545) | — | 137 | 2,574 | (25,987) | (415,467) |
| Impairment of other intangible assets | 17 | 17 | — | — | — | — | 34 |
| **Carrying amount of intangible assets** | **1,068,361** | **(19,095)** | **—** | **510** | **(1,420)** | **113,216** | **1,161,572** |

This appendix forms an integral part of note 8 to the consolidated financial statements.

**APPENDIX III**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Changes in Other Intangible Assets**
**for the year ended 31 December 2014**
**(Expressed in thousands of Euros)**

| | Balances at 31/12/2013 | Additions | Business combinations | Transfers | Disposals | Translation differences | Balances at 31/12/2014 |
|---|---|---|---|---|---|---|---|
| Development costs | 111,788 | 4,218 | — | — | (8,075) | 98 | 108,029 |
| Concessions, patents, licenses, brands & similar | 52,807 | 33 | — | — | — | 3,154 | 55,994 |
| Computer software | 97,627 | 15,935 | — | 3,625 | (8,404) | 8,209 | 16,992 |
| Currently marketed products | 893,925 | — | — | — | — | 118,253 | 1,012,178 |
| Other intangible assets | 11,526 | 30,959 | 50,705 | — | — | 10,607 | 103,797 |
| Total cost of intangible assets | 1,167,673 | 51,145 | 50,705 | 3,625 | (16,479) | 140,321 | 1,396,990 |
| Accum. amort. of development costs | (57,830) | (5,283) | — | — | 475 | (129) | (62,767) |
| Accum. amort of concessions, patents, licenses, brands & similar | (21,418) | (1,026) | — | — | — | (700) | (23,144) |
| Accum. amort. of computer software | (63,115) | (7,295) | — | 50 | 6,142 | (4,085) | (68,303) |
| Accum. amort. of currently marketed products | (76,911) | (32,251) | — | — | — | (13,254) | (122,416) |
| Accum. amort. of other intangible assets | (1,940) | (45,368) | — | — | — | (4,708) | (52,016) |
| Total accum. amort intangible assets | (221,214) | (91,223) | — | 50 | 6,617 | (22,876) | (328,646) |
| Impairment of other intangible assets | (24) | 41 | — | — | — | — | 17 |
| **Carrying amount of intangible assets** | **946,435** | **(40,037)** | **50,705** | **3,675** | **(9,862)** | **117,445** | **1,068,361** |

(note 3(b))

This appendix forms an integral part of note 8 to the consolidated financial statements.

**APPENDIX IV**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Movement in Property, Plant and Equipment**
**for the year ended**
**31 December 2015**
**(Expressed in thousands of Euros)**

| | Balances at 31/12/2014 | Additions | Business combination | Transfers | Disposals | Translation differences | Balances at 31/12/2015 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Land and buildings | 305,268 | 228,802 | — | 55,604 | (12,279) | 36,081 | 613,476 |
| Plant and machinery | 1,150,832 | 146,228 | 23 | 65,308 | (19,918) | 88,557 | 1,431,030 |
| Under construction | 208,534 | 157,352 | — | (121,669) | (100) | 19,493 | 263,610 |
| | 1,664,634 | 532,382 | 23 | (757) | (32,297) | 144,131 | 2,308,116 |
| **Accumulated depreciation:** | | | | | | | |
| Buildings | (31,096) | (10,477) | — | — | 316 | (2,800) | (44,057) |
| Plant and machinery | (482,610) | (115,733) | (7) | 247 | 12,373 | (30,639) | (616,369) |
| | (513,706) | (126,210) | (7) | 247 | 12,689 | (33,439) | (660,426) |
| **Impairment of other property, plant and equipment** | (3,146) | (90) | — | — | — | (52) | (3,288) |
| **Carrying amount** | **1,147,782** | **406,082** | **16** | **(510)** | **(19,608)** | **110,640** | **1,644,402** |

(note 3 (a))

This appendix forms an integral part of note 9 to the consolidated financial statements.

**APPENDIX IV**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Movement in Property, Plant and Equipment**
**for the year ended**
**31 December 2014**
**(Expressed in thousands of Euros)**

| | Balances at 31/12/2013 | Additions | Business combination | Transfers | Disposals | Translation differences | Balances at 31/12/2014 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Land and buildings | 209,663 | 27,866 | 47,619 | 3,596 | (11,368) | 27,892 | 305,268 |
| Plant and machinery | 920,871 | 83,538 | 35,979 | 46,078 | (20,739) | 85,105 | 1,150,832 |
| Under construction | 109,865 | 129,643 | 2,914 | (53,197) | (9) | 19,318 | 208,534 |
| | 1,240,399 | 241,047 | 86,512 | (3,523) | (32,116) | 132,315 | 1,664,634 |
| **Accumulated depreciation:** | | | | | | | |
| Buildings | (22,760) | (7,021) | — | (3) | 1,216 | (2,528) | (31,096) |
| Plant and machinery | (372,854) | (91,228) | (6,816) | (149) | 17,626 | (29,189) | (482,610) |
| | (395,614) | (98,249) | (6,816) | (152) | 18,842 | (31,717) | (513,706) |
| **Impairment of other property, plant and equipment** | (4,547) | 2,263 | (855) | — | — | (7) | (3,146) |
| **Carrying amount** | **840,238** | **145,061** | **78,841** | **(3,675)** | **(13,274)** | **100,591** | **1,147,782** |

(note 3 (b))

This appendix forms an integral part of note 9 to the consolidated financial statements.

**APPENDIX V**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Statement of Liquidity for Distribution of Interim Dividend 2015**
**(Expressed in thousands of Euros)**

| | Thousands of Euros |
|---|---|
| Forecast profits distributable for 2015: | |
| Projected profits of taxes until 31/12/2015 | 250,687 |
| Less, charges required to legal reserve | 0 |
| Estimated profits distributable for 2015 | 250,687 |
| Interim dividend distributed | 119,615 |
| Forecast cash for the period 23 October 2015 to 23 October 2016: | |
| Cash balances at 23 October 2015 | 5,748 |
| Projected amounts collected | 418,467 |
| Projected payments, including interim dividend | 368,821 |
| Projected cash balances at 23 October 2016 | 55,394 |

This appendix forms an integral part of note 15 to the consolidated financial statements.

**APPENDIX V**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Statement of Liquidity for Distribution of Interim Dividend 2014**
**(Expressed in thousands of Euros)**

| | Thousands of Euros |
|---|---|
| Forecast profits distributable for 2014: | |
| Projected profits net of taxes until 31/12/2014 | 211,556 |
| Less, charge required to legal reserve | 0 |
| Estimated profits distributable for 2014 | 211,556 |
| Interim dividend distributed | 85,944 |
| Forecast cash for the period 20 October 2014 to 20 October 2015: | |
| Cash balances at 20 October 2014 | 67,048 |
| Projected amounts collected | 508,971 |
| Projected payments, including interim dividend | 383,137 |
| Projected cash balances at 20 October 2015 | 192,882 |

This appendix forms an integral part of note 15 to the consolidated financial statements.

**APPENDIX VI**
**GRIFOLS, S.A. AND SUBSIDIARIES**
**Condensed Consolidated Balance Sheets**
**at 31 December 2015**

| Assets | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | 31/12/15 |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| **Non-current assets** | | | | | | |
| Goodwill | 0 | 0 | 1,237,901 | 24,134 | 2,270,324 | 3,532,359 |
| Other intangible assets | 11,085 | 69,773 | 1,011,007 | 39,391 | 30,316 | 1,161,572 |
| Property, plant and equipment | 83,612 | 65,552 | 1,277,288 | 201,351 | 16,599 | 1,644,402 |
| Investments in Subsidiaries | 1,686,413 | 65,977 | 3,788,746 | 45,517 | (5,586,653) | 0 |
| Advances and notes between parent and associates | 473,878 | 3,297,709 | 1,126,575 | 192,885 | (5,066,047) | 25,000 |
| Investments in equity- accounted investees | 0 | 0 | 0 | 0 | 76,728 | 76,728 |
| Non-current financial assets | 1,595 | 113 | 1,130 | 3,215 | (665) | 5,388 |
| Deferred tax assets | 8,058 | 0 | 33,275 | 35,456 | (9,995) | 66,794 |
| **Total non-current assets** | **2,264,641** | **3,499,124** | **8,475,922** | **541,949** | **(8,269,393)** | **6,512,243** |
| **Current assets** | | | | | | |
| Inventories | 4,195 | 1,113,103 | 223,284 | 238,347 | (147,538) | 1,431,391 |
| Trade and other receivables | | | | | | |
| Trade receivables | 46,014 | 595,321 | 924,864 | 669,317 | (1,873,110) | 362,406 |
| Other receivables | 9,791 | 2,295 | 17,480 | 41,470 | (10,516) | 60,520 |
| Current income tax assets | 18,032 | 103 | 40,422 | 1,909 | (196) | 60,270 |
| Trade and other receivables | 73,837 | 597,719 | 982,766 | 712,696 | (1,883,822) | 483,196 |
| Advances and notes between parent and associates | 32,165 | 17,186 | 8,401 | 26,932 | (83,930) | 754 |
| Other current financial assets | 88 | 0 | 0 | 452 | 0 | 540 |
| Other current assets | 5,131 | 3,017 | 16,724 | 17,895 | (11,676) | 31,091 |
| Cash and cash equivalents | 3,099 | 996,103 | 56,840 | 86,458 | 0 | 1,142,500 |
| **Total current assets** | **118,515** | **2,727,128** | **1,288,015** | **1,082,780** | **(2,126,966)** | **3,089,472** |
| **Total assets** | **2,383,156** | **6,226,252** | **9,763,937** | **1,624,729** | **(10,396,359)** | **9,601,715** |

This appendix forms an integral part of note 33 to the consolidated financial statements

| Equity and liabilities | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | 31/12/15 |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| **Equity** | | | | | | |
| Share capital | 119,604 | 0 | 14,224 | 117,421 | (131,645) | 119,604 |
| Share premium | 910,728 | 56,505 | 1,793,469 | 144,018 | (1,993,992) | 910,728 |
| Reserves | 238,403 | 27,361 | 1,554,925 | 107,258 | (556,886) | 1,371,061 |
| Treasury stock | (58,575) | 0 | 0 | (378) | 378 | (58,575) |
| Interim Dividend | (119,615) | (263,312) | 0 | 0 | 263,312 | (119,615) |
| Other stockholders' contribution | 0 | 0 | 1,811 | 476 | (2,287) | 0 |
| Profit for the year attributable to the Parent | 241,510 | 258,644 | 242,886 | 133,067 | (343,962) | 532,145 |
| **Total equity** | 1,332,055 | 79,198 | 3,607,315 | 501,862 | (2,765,082) | 2,755,348 |
| Cash flow hedges | 0 | 5,068 | 449 | 0 | (2,188) | 3,329 |
| Other comprehensive income | 3,399 | 0 | 0 | (364) | 0 | 3,035 |
| Translation differences | 0 | 58,212 | 867,802 | 19,893 | (411,416) | 534,491 |
| Other comprehensive income | 3,399 | 63,280 | 868,251 | 19,529 | (413,604) | 540,855 |
| **Equity attributable to the Parent** | **1,335,454** | **142,478** | **4,475,566** | **521,391** | **(3,178,686)** | **3,296,203** |
| Non-controlling interests | 0 | 0 | 0 | 0 | 5,187 | 5,187 |
| **Total equity** | **1,335,454** | **142,478** | **4,475,566** | **521,391** | **(3,173,499)** | **3,301,390** |
| **Liabilities** | | | | | | |
| Grants | 193 | 0 | 8,944 | 5,412 | (1,429) | 13,120 |
| Provisions | 0 | 0 | 635 | 4,345 | 0 | 4,980 |
| Non-current financial liabilities | 24,393 | 4,070,759 | 696,988 | 18,553 | (213,039) | 4,597,654 |
| Advances and notes between parent and subsidiaries | 887,717 | 1,347,204 | 2,932,632 | (97,628) | (5,069,925) | 0 |
| Deferred tax liabilities | 8,635 | 6,153 | 543,235 | 24,497 | 49,045 | 631,565 |
| **Total non-current liabilities** | **920,938** | **5,424,116** | **4,182,434** | **(44,821)** | **(5,235,348)** | **5,247,319** |
| **Current liabilities** | | | | | | |
| Provisions | 0 | 0 | 117,782 | 14,952 | (9,685) | 123,049 |
| Current financial liabilities | 31,568 | 94,830 | 100,205 | 35,911 | (17) | 262,497 |
| Advances and notes between parent and subsidiaries | 17,090 | 3,493 | 30,454 | 32,623 | (83,660) | 0 |
| Debts with associates | 443 | 0 | 0 | 0 | 0 | 443 |
| Trade and other payables | | | | | | |
| Suppliers | 47,143 | 551,530 | 710,734 | 986,325 | (1,885,746) | 409,986 |
| Other payables | 20,639 | 3,444 | 70,641 | 11,447 | 0 | 106,171 |
| Current income tax liabilities | 0 | 5,473 | 0 | 8,611 | 2,112 | 16,196 |
| Total trade and other payables | 67,782 | 560,447 | 781,375 | 1,006,383 | (1,883,634) | 532,353 |
| Other current liabilities | 9,881 | 888 | 76,121 | 58,290 | (10,516) | 134,664 |
| **Total current liabilities** | **126,764** | **659,658** | **1,105,937** | **1,148,159** | **(1,987,512)** | **1,053,006** |
| **Total liabilities** | **1,047,702** | **6,083,774** | **5,288,371** | **1,103,338** | **(7,222,860)** | **6,300,325** |
| **Total equity and liabilities** | **2,383,156** | **6,226,252** | **9,763,937** | **1,624,729** | **(10,396,359)** | **9,601,715** |

This appendix forms an integral part of note 33 to the consolidated financial statements

**GRIFOLS, S.A. AND SUBSIDIARIES**
**Condensed Consolidated Balance Sheets**
**at 31 December 2014**

| Assets | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | 31/12/14 |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| **Non-current assets** | | | | | | |
| Goodwill | 0 | 0 | 1,130,634 | 22,224 | 2,021,874 | 3,174,732 |
| Other intangible assets | 6,286 | 52,579 | 935,890 | 39,037 | 34,569 | 1,068,361 |
| Property, plant and equipment | 78,052 | 33,307 | 869,344 | 167,079 | 0 | 1,147,782 |
| Investments in Subsidiaries | 1,641,832 | 29,145 | 3,396,726 | 40,427 | (5,108,130) | 0 |
| Advances and notes between parent and subsidiaries | 16,410 | 53,127 | 0 | 2,175 | (71,412) | 300 |
| Investments in equity- accounted investees | 0 | 0 | 0 | 0 | 54,296 | 54,296 |
| Non-current financial assets | 4,134 | 112 | 1,275 | 3,190 | 0 | 8,711 |
| Deferred tax assets | 11,422 | 0 | 29,381 | 33,631 | 8,011 | 82,445 |
| **Total non-current assets** | **1,758,136** | **168,270** | **6,363,250** | **307,763** | **(3,060,792)** | **5,536,627** |
| **Current assets** | | | | | | |
| Inventories | 3,724 | 814,631 | 343,678 | 196,372 | (164,348) | 1,194,057 |
| Trade and other receivables | | | | | | |
| Trade receivables | 32,883 | 289,052 | 825,977 | 572,274 | (1,219,434) | 500,752 |
| Other receivables | 8,051 | 2,549 | 5,855 | 27,837 | (8,889) | 35,403 |
| Current income tax assets | 47,191 | 44 | 30,358 | 2,000 | 0 | 79,593 |
| Trade and other receivables | 88,125 | 291,645 | 862,190 | 602,111 | (1,228,323) | 615,748 |
| Advances and notes between parent and subsidiaries | 222,111 | 2,663,515 | 213,199 | 98,293 | (3,197,118) | 0 |
| Other current financial assets | 9 | 0 | 0 | 493 | 0 | 502 |
| Other current assets | 4,891 | 965 | 13,692 | 4,121 | 0 | 23,669 |
| Cash and cash equivalents | 23,505 | 878,286 | 83,744 | 93,611 | 0 | 1,079,146 |
| **Total current assets** | **342,365** | **4,649,042** | **1,516,503** | **995,001** | **(4,589,789)** | **2,913,122** |
| **Total assets** | **2,100,501** | **4,817,312** | **7,879,753** | **1,302,764** | **(7,650,581)** | **8,449,749** |

This appendix forms an integral part of note 33 to the consolidated financial statements

| Equity and liabilities | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | 31/12/14 |
|---|---|---|---|---|---|---|
| | | | (expressed in thousands of euros) | | | |
| **Equity** | | | | | | |
| Share capital | 119,604 | 0 | 14,224 | 116,313 | (130,537) | 119,604 |
| Share premium | 910,728 | 56,505 | 1,793,469 | 108,808 | (1,958,782) | 910,728 |
| Reserves | 221,628 | (2,675) | 1,495,892 | 54,604 | (681,112) | 1,088,337 |
| Treasury stock | (69,252) | 0 | 0 | (378) | 378 | (69,252) |
| Interim Dividend | (85,944) | (230,000) | 0 | 0 | 230,000 | (85,944) |
| Profit for the year attributable to the Parent | 202,660 | 289,696 | 40,655 | 88,358 | (151,116) | 470,253 |
| **Total equity** | 1,299,424 | 113,526 | 3,344,240 | 367,705 | (2,691,169) | 2,433,726 |
| Cash flow hedges | 0 | 4,816 | 449 | 0 | (21,076) | (15,811) |
| Other comprehensive income | 0 | 0 | 0 | (406) | 0 | (406) |
| Translation differences | 0 | 30,281 | 443,331 | 13,915 | (246,913) | 240,614 |
| Other comprehensive income | 0 | 35,097 | 443,780 | 13,509 | (267,989) | 224,397 |
| **Equity attributable to the Parent** | **1,299,424** | **148,623** | **3,788,020** | **381,214** | **(2,959,158)** | **2,658,123** |
| Non-controlling interests | 0 | 0 | 0 | 0 | 4,765 | 4,765 |
| **Total equity** | **1,299,424** | **148,623** | **3,788,020** | **381,214** | **(2,954,393)** | **2,662,888** |
| **Liabilities** | | | | | | |
| Grants | 106 | 0 | 2,166 | 6,073 | (1,564) | 6,781 |
| Provisions | 0 | 0 | 988 | 5,965 | 0 | 6,953 |
| Non-current financial liabilities | 46,649 | 4,298,767 | 14,562 | 99,735 | (305,083) | 4,154,630 |
| Deferred tax liabilities | 8,334 | 3,681 | 438,728 | 2,945 | 85,098 | 538,786 |
| **Total non-current liabilities** | **55,089** | **4,302,448** | **456,444** | **114,718** | **(221,549)** | **4,707,150** |
| **Current liabilities** | | | | | | |
| Provisions | 0 | 0 | 140,075 | 22,078 | (46,168) | 115,985 |
| Current financial liabilities | 6,762 | 64,946 | 81,244 | 43,347 | (1,573) | 194,726 |
| Debts with associates | 639,917 | 91,928 | 2,481,525 | (23,827) | (3,186,484) | 3,059 |
| Trade and other payables | | | | | | |
| Suppliers | 42,675 | 160,785 | 782,331 | 686,165 | (1,232,325) | 439,631 |
| Other payables | 16,468 | 1,851 | 58,603 | 14,043 | 0 | 90,965 |
| Current income tax liabilities | 30,004 | 45,848 | 49 | 11,561 | 0 | 87,462 |
| Total trade and other payables | 89,147 | 208,484 | 840,983 | 711,769 | (1,232,325) | 618,058 |
| Other current liabilities | 10,162 | 883 | 91,462 | 53,465 | (8,089) | 147,883 |
| **Total current liabilities** | **745,988** | **366,241** | **3,635,289** | **806,832** | **(4,474,639)** | **1,079,711** |
| **Total liabilities** | **801,077** | **4,668,689** | **4,091,733** | **921,550** | **(4,696,188)** | **5,786,861** |
| **Total equity and liabilities** | **2,100,501** | **4,817,312** | **7,879,753** | **1,302,764** | **(7,650,581)** | **8,449,749** |

This appendix forms an integral part of note 33 to the consolidated financial statements

**GRIFOLS, S.A. AND SUBSIDIARIES**
**Condensed Consolidated Statement of Profit or Loss**
**for the year ended 31 December 2015**
**(Expressed in thousands of Euros)**

| | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | |
| Net revenue | 102,942 | 2,580,371 | 2,927,826 | 3,889,952 | (5,566,528) | 3,934,563 |
| Cost of sales | (25,833) | (1,870,731) | (2,035,195) | (3,152,501) | 5,080,695 | (2,003,565) |
| **Gross Profit** | **77,109** | **709,640** | **892,631** | **737,451** | **(485,833)** | **1,930,998** |
| Research and Development | (7,479) | (125,614) | (142,601) | (39,446) | 90,947 | (224,193) |
| Sales, General and Administration expenses | (123,032) | (248,568) | (276,880) | (506,443) | 418,488 | (736,435) |
| **Operating Expenses** | **(130,511)** | **(374,182)** | **(419,481)** | **(545,889)** | **509,435** | **(960,628)** |
| **Operating Results** | **(53,402)** | **335,458** | **473,150** | **191,562** | **23,602** | **970,370** |
| Finance income | 16,310 | 174,353 | 55,550 | 9,713 | (250,085) | 5,841 |
| Finance expenses | (44,242) | (203,935) | (177,033) | (24,842) | 209,717 | (240,335) |
| Change in fair value of financial instruments | — | 3,925 | — | — | (29,131) | (25,206) |
| Impairment and gains/(losses) on disposal of financial instruments | 70 | 823 | (3,645) | (225) | 2,977 | — |
| Exchange losses | (18,403) | (15,189) | 19,957 | 1,353 | 142 | (12,140) |
| Dividends | 313,092 | — | — | 110 | (313,202) | — |
| **Finance result** | **266,827** | **(40,023)** | **(105,171)** | **(13,891)** | **(379,582)** | **(271,840)** |
| Share of losses of equity accounted investees | — | — | — | — | (8,280) | (8,280) |
| **Profit before income tax from continuing operations** | **213,425** | **295,435** | **367,979** | **177,671** | **(364,260)** | **690,250** |
| Income tax expense | 28,085 | (36,791) | (125,093) | (44,604) | 19,594 | (158,809) |
| **Profit after income tax from continuing operations** | **241,510** | **258,644** | **242,886** | **133,067** | **(344,666)** | **531,441** |
| **Consolidated profit for the period** | **241,510** | **258,644** | **242,886** | **133,067** | **(344,666)** | **531,441** |
| Profit attributable to the Parent | 241,509 | 258,644 | 242,886 | 133,068 | (343,962) | 532,145 |
| Loss attributable to non-controlling interest | — | — | — | — | (704) | (704) |

This appendix forms an integral part of note 33 to the consolidated financial statements

**GRIFOLS, S.A. AND SUBSIDIARIES**
**Condensed Consolidated Statement of Profit or Loss**
**for the year ended 31 December 2014**
**(Expressed in thousands of Euros)**

| | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | |
| Net revenue | 90,616 | 2,096,938 | 2,940,867 | 3,119,906 | (4,892,943) | 3,355,384 |
| Cost of sales | (6,986) | (1,352,604) | (2,061,558) | (2,501,496) | 4,266,474 | (1,656,170) |
| **Gross Profit** | **83,630** | **744,334** | **879,309** | **618,410** | **(626,469)** | **1,699,214** |
| Research and Development | (6,384) | (99,519) | (147,414) | (36,118) | 108,682 | (180,753) |
| Sales, General and Administration expenses | (122,008) | (244,353) | (297,702) | (450,218) | 453,509 | (660,772) |
| **Operating Expenses** | **(128,392)** | **(343,872)** | **(445,116)** | **(486,336)** | **562,191** | **(841,525)** |
| **Operating Results** | **(44,762)** | **400,462** | **434,193** | **132,074** | **(64,278)** | **857,689** |
| Finance income | 13,356 | 131,455 | 4,560 | 1,951 | (148,253) | 3,069 |
| Finance expenses | (54,151) | (140,897) | (386,758) | (16,141) | 372,912 | (225,035) |
| Change in fair value of financial instruments | 2,250 | (13,476) | (18,608) | 0 | 8,850 | (20,984) |
| Impairment and gains/(losses) on disposal of financial instruments | 3,555 | (16,393) | (4,961) | (1,444) | 19,238 | (5) |
| Exchange losses | (16,982) | (27,209) | 18,774 | 2,137 | 4,808 | (18,472) |
| Dividends | 271,685 | 0 | 0 | 12 | (271,697) | 0 |
| **Finance result** | **219,713** | **(66,520)** | **(386,993)** | **(13,485)** | **(14,142)** | **(261,427)** |
| Share of losses of equity accounted investees | 0 | 0 | 0 | 0 | (6,582) | (6,582) |
| **Profit before income tax from continuing operations** | **174,951** | **333,942** | **47,200** | **118,589** | **(85,002)** | **589,680** |
| Income tax expense | 27,709 | (44,246) | (6,545) | (30,231) | (69,284) | (122,597) |
| **Profit after income tax from continuing operations** | **202,660** | **289,696** | **40,655** | **88,358** | **(154,286)** | **467,083** |
| **Consolidated profit for the period** | **202,660** | **289,696** | **40,655** | **88,358** | **(154,286)** | **467,083** |
| Profit attributable to the Parent | 202,660 | 289,696 | 40,655 | 88,358 | (151,116) | 470,253 |
| Loss attributable to non-controlling interest | 0 | 0 | 0 | 0 | (3,170) | (3,170) |

This appendix forms an integral part of note 33 to the consolidated financial statements

**GRIFOLS, S.A. AND SUBSIDIARIES**

**Condensed Consolidated Statement of Profit or Loss**
**for the year ended 31 December 2013**

**(Expressed in thousands of Euros)**

| | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | |
| Net revenue | 85,589 | 86,330 | 4,404,773 | 612,151 | (2,447,111) | 2,741,732 |
| Cost of sales | (6,006) | 0 | (3,034,940) | (341,642) | 2,058,708 | (1,323,880) |
| **Gross Profit** | **79,583** | **86,330** | **1,369,833** | **270,509** | **(388,403)** | **1,417,852** |
| Research and Development | (4,350) | (19,358) | (112,404) | (14,271) | 27,112 | (123,271) |
| Sales, General and Administration expenses | (126,655) | (114,492) | (386,140) | (261,009) | 329,835 | (558,461) |
| **Operating Expenses** | **(131,005)** | **(133,850)** | **(498,544)** | **(275,280)** | **356,947** | **(681,732)** |
| **Operating Results** | **(51,422)** | **(47,520)** | **871,289** | **(4,771)** | **(31,456)** | **736,120** |
| Finance income | 4,775 | 5,912 | 3,596 | 622 | (10,036) | 4,869 |
| Finance expenses | (24,195) | (208,700) | (10,923) | (6,128) | 9,955 | (239,991) |
| Change in fair value of financial instruments | (757) | (1,113) | 0 | 84 | 0 | (1,786) |
| Impairment and gains/(losses) on disposal of financial instruments | (7,256) | 0 | (3,545) | (12,663) | 24,256 | 792 |
| Exchange losses | 6,778 | (52) | (3,941) | (4,012) | (76) | (1,303) |
| Dividends | 222,693 | 0 | 0 | 12 | (222,705) | 0 |
| **Finance result** | **202,038** | **(203,953)** | **(14,813)** | **(22,085)** | **(198,606)** | **(237,419)** |
| Share of losses of equity accounted investees | 0 | 0 | 0 | 0 | (1,165) | (1,165) |
| **Profit before income tax from continuing operations** | **150,616** | **(251,473)** | **856,476** | **(26,856)** | **(231,227)** | **497,536** |
| Income tax expense | 20,791 | 75,240 | (268,274) | 1,034 | 15,727 | (155,482) |
| **Profit after income tax from continuing operations** | **171,407** | **(176,233)** | **588,202** | **(25,822)** | **(215,500)** | **342,054** |
| **Consolidated profit for the period** | **171,407** | **(176,233)** | **588,202** | **(25,822)** | **(215,500)** | **342,054** |
| Profit attributable to the Parent | 171,407 | (176,233) | 588,202 | (25,822) | (212,003) | 345,551 |
| Loss attributable to non-controlling interest | 0 | 0 | 0 | 0 | (3,497) | (3,497) |

This appendix forms an integral part of note 33 to the consolidated financial statements

**GRIFOLS, S.A. AND SUBSIDIARIES**
**Condensed Consolidated Statement of Cash Flows**
**for the year ended 31 December 2015**

| | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| | (expressed in thousands of euros) | | | | | |
| **Cash flows from operating activities** | | | | | | |
| **Profit before tax** | **213,425** | **295,435** | **367,979** | **177,671** | **(364,260)** | **690,250** |
| **Adjustments for:** | **(273,323)** | **(73,936)** | **363,967** | **45,991** | **397,865** | **460,564** |
| Amortisation and depreciation | 10,198 | 8,443 | 132,491 | 36,170 | 2,453 | 189,755 |
| Other adjustments: | (283,521) | (82,379) | 231,476 | 9,821 | 395,412 | 270,809 |
| (Profit)/losses on equity accounted investments | — | — | — | — | 8,280 | 8,280 |
| Impairment of assets and net provision charges | (86) | (17,886) | 3,453 | (1,522) | 15,477 | (564) |
| (Profit)/losses on disposal of fixed assets | 355 | 6 | 5,183 | 1,177 | — | 6,721 |
| Government grants taken to income | (14) | — | (682) | (1,291) | 133 | (1,854) |
| Finance cost/(income) | (283,776) | 24,412 | 122,663 | 10,188 | 382,642 | 256,129 |
| Other adjustments | — | (88,911) | 100,859 | 1,269 | (11,120) | 2,097 |
| **Changes in operating assets and liabilities** | **(4,306)** | **(105,499)** | **(71,805)** | **101,161** | **3,391** | **(77,058)** |
| Change in inventories | (470) | (204,639) | 160,018 | (42,168) | (33,382) | (120,641) |
| Change in trade and other receivables | (17,531) | (272,428) | (8,035) | (96,631) | 539,030 | 144,405 |
| Change in current financial assets and other current assets | (125) | (1,941) | (1,456) | (13,718) | 11,675 | (5,565) |
| Change in current trade and other payables | 13,820 | 373,509 | (222,332) | 253,678 | (513,932) | (95,257) |
| **Other cash flows from operating activities** | **294,917** | **(87,327)** | **(195,094)** | **(29,795)** | **(313,679)** | **(330,978)** |
| Interest paid | (45,155) | (184,188) | (178,990) | (20,743) | 257,696 | (171,380) |
| Interest recovered | 17,471 | 176,272 | 59,996 | 8,751 | (258,174) | 4,316 |
| Dividends received | 313,091 | — | — | 110 | (313,201) | — |
| Income tax (paid)/received | 9,510 | (79,411) | (76,100) | (17,913) | — | (163,914) |
| **Net cash from operating activities** | **230,713** | **28,673** | **465,047** | **295,028** | **(276,683)** | **742,778** |
| **Cash flows from investing activities** | | | | | | |
| Payments for investments | (75,088) | (109,096) | (460,796) | (64,947) | 62,510 | (647,417) |
| Group companies and business units | (55,432) | (39,222) | (5,500) | 25,950 | 15,595 | (58,609) |
| Property, plant and equipment and intangible assets | (22,742) | (44,535) | (455,592) | (90,400) | 46,249 | (567,020) |
| Property, plant and equipment | (14,751) | (25,283) | (444,340) | (80,826) | 42,613 | (522,587) |
| Intangible assets | (7,991) | (19,252) | (11,252) | (9,574) | 3,636 | (44,433) |
| Other financial assets | 3,086 | (25,339) | 296 | (497) | 666 | (21,788) |
| Proceeds from the sale of investments | 12,000 | (1) | 58,054 | 3,614 | (59,360) | 14,307 |
| Property, plant and equipment | 12,000 | (1) | 58,054 | 3,614 | (59,360) | 14,307 |
| **Net cash used in investing activities** | **(63,088)** | **(109,097)** | **(402,742)** | **(61,333)** | **3,150** | **(633,110)** |
| **Cash flows from financing activities** | | | | | | |
| Proceeds from and payments for equity instruments | **12,695** | **—** | **—** | **14,460** | **(14,460)** | **12,695** |
| Issue | — | — | — | 14,460 | (14,460) | — |
| Acquisition of Owns Shares | (58,457) | — | — | — | — | (58,457) |
| Disposal of Own Shares | 71,152 | — | — | — | — | 71,152 |
| Proceeds from and payments for financial liability instruments | 16,046 | 388,019 | (109,505) | (240,509) | (25,098) | 28,953 |
| Issue | 7,328 | (507,513) | 679,023 | (152) | — | 178,686 |
| Redemption and repayment | (6,027) | (53,018) | (75,382) | (15,306) | — | (149,733) |
| Debts with group companies | 14,745 | 948,550 | (713,146) | (225,051) | (25,098) | — |
| Dividends and interest on other equity instruments | (216,772) | (290,942) | — | (22,149) | 313,091 | (216,772) |
| Dividends paid | (221,772) | (290,942) | — | (22,149) | 313,091 | (221,772) |
| Dividends received | 5,000 | — | — | — | — | 5,000 |
| Other cash flows from/(used in) financing activities | — | — | 11,631 | 5,455 | — | 17,086 |
| Other amounts received from/(used in) financing activities | — | — | 11,631 | 5,455 | — | 17,086 |
| **Net cash from/(used in) financing activities** | **(188,031)** | **97,077** | **(97,874)** | **(242,743)** | **273,533** | **(158,038)** |
| **Effect of exchange rate fluctuations on cash** | **—** | **101,164** | **8,665** | **1,895** | **—** | **111,724** |
| **Net increase/(decrease) in cash and cash equivalents** | **(20,406)** | **117,817** | **(26,904)** | **(7,153)** | **—** | **63,354** |
| **Cash and cash equivalents at beginning of the period** | **23,505** | **878,286** | **83,744** | **93,611** | **—** | **1,079,146** |
| **Cash and cash equivalents at end of period** | **3,099** | **996,103** | **56,840** | **86,458** | **—** | **1,142,500** |

This appendix forms an integral part of note 33 to the consolidated financial statements

**GRIFOLS, S.A. AND SUBSIDIARIES**
**Condensed Consolidated Statement of Cash Flows**
**for the year ended 31 December 2014**

| | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| | (expressed in thousands of euros) | | | | | |
| ***Cash flows from operating activities*** | | | | | | |
| **Profit before tax** | **174,951** | **333,942** | **47,200** | **118,589** | **(85,002)** | **589,680** |
| **Adjustments for:** | **(232,266)** | **584,434** | **58,790** | **71,768** | **18,507** | **501,233** |
| Amortisation and depreciation | 6,906 | 45,787 | 99,030 | 34,875 | 2,874 | 189,472 |
| Other adjustments: | (239,172) | 538,647 | (40,240) | 36,893 | 15,633 | 311,761 |
| (Profit)/ losses on equity accounted investments | — | — | — | — | 6,582 | 6,582 |
| Exchange differences | — | — | — | — | — | — |
| Impairment of assets and net provision charges | (5,372) | 16,393 | (14,156) | 13,436 | (31,689) | (21,388) |
| (Profit) / losses on disposal of fixed assets | 369 | — | 5,090 | 3,252 | — | 8,711 |
| Government grants taken to income | — | — | (330) | (374) | — | (704) |
| Finance cost / (income) | (234,022) | 61,849 | 345,060 | 8,952 | 52,115 | 233,954 |
| Other adjustments | (147) | 460,405 | (375,904) | 11,627 | (11,375) | 84,606 |
| **Changes in operating assets and liabilities** | **(18,982)** | **(944,760)** | **792,897** | **352,523** | **(86,397)** | **95,281** |
| Change in inventories | (2,668) | (814,631) | 576,212 | 59,477 | 84,587 | (97,023) |
| Change in trade and other receivables | (19,271) | (290,887) | (165,812) | (179,159) | 682,029 | 26,900 |
| Change in current financial assets and other current assets | (2,044) | (965) | (2,344) | 2,847 | — | (2,506) |
| Change in current trade and other payables | 5,001 | 161,723 | 384,841 | 469,358 | (853,013) | 167,910 |
| **Other cash flows from operating activities** | **244,668** | **17,995** | **(132,100)** | **(51,934)** | **(285,895)** | **(207,266)** |
| Interest paid | (35,846) | (113,435) | (165,945) | (7,758) | 147,460 | (175,524) |
| Interest recovered | 12,054 | 131,340 | 19,805 | 1,860 | (161,658) | 3,401 |
| Dividends received | 271,685 | — | — | 12 | (271,697) | — |
| Income tax (paid) / received | (3,225) | 90 | 14,040 | (46,048) | — | (35,143) |
| **Net cash from operating activities** | **168,371** | **(8,389)** | **766,787** | **490,946** | **(438,787)** | **978,928** |
| ***Cash flows from investing activities*** | | | | | | |
| Payments for investments | (350,105) | (146,833) | (943,066) | (139,296) | 43,773 | (1,535,527) |
| Group companies and business units | (329,015) | (69,330) | (788,235) | (85,035) | 36,663 | (1,234,952) |
| Property, plant and equipment and intangible assets | (20,796) | (59,967) | (159,561) | (53,825) | 7,110 | (287,039) |
| Property, plant and equipment | (18,061) | (29,313) | (149,466) | (44,546) | 5,492 | (235,894) |
| Intangible assets | (2,735) | (30,654) | (10,095) | (9,279) | 1,618 | (51,145) |
| Other financial assets | (294) | (17,536) | 4,730 | (436) | — | (13,536) |
| Proceeds from the sale of investments | (1) | (1) | 17,431 | 4,104 | (7,110) | 14,423 |
| Property, plant and equipment | (1) | (1) | 17,431 | 4,104 | (7,110) | 14,423 |
| Associates | — | — | — | — | — | — |
| Other financial assets | — | — | — | — | — | — |
| **Net cash used in investing activities** | **(350,106)** | **(146,834)** | **(925,635)** | **(135,192)** | **36,663** | **(1,521,104)** |
| ***Cash flows from financing activities*** | | | | | | |
| Proceeds from and payments for equity instruments | (69,252) | — | — | 34,851 | (34,851) | (69,252) |
| Issue | — | — | — | 34,851 | (34,851) | — |
| Payments for treasury stock | (69,252) | — | — | — | — | (69,252) |
| Sales of treasury stock | — | — | — | — | — | — |
| Proceeds from and payments for financial liability instruments | 320,008 | 1,345,643 | (240,576) | (363,983) | 165,247 | 1,226,339 |
| Issue | 1,112,970 | 4,035,231 | 49,265 | (324) | — | 5,197,142 |
| Redemption and repayment | (1,475,947) | (35,763) | (2,437,828) | (21,268) | 3 | (3,970,803) |
| Debts with group companies | 682,985 | (2,653,825) | 2,147,987 | (342,391) | 165,244 | — |
| Dividends and interest on other equity instruments | (156,007) | (230,000) | (40,000) | (1,701) | 271,701 | (156,007) |
| Dividends paid | (156,007) | (230,000) | (40,000) | (1,701) | 271,701 | (156,007) |
| Dividends received | — | — | — | — | — | — |
| Other cash flows from / (used in) financing activities | (45) | (183,207) | 14,534 | 8,756 | — | (159,962) |
| Financing costs included on the amortised costs of the debt | (45) | (183,207) | — | — | — | (183,252) |
| Other amounts received from / (used in) financing activities | — | — | 14,534 | 8,756 | — | 23,290 |
| **Net cash from / (used in) financing activities** | **94,704** | **932,436** | **(266,042)** | **(322,077)** | **402,097** | **841,118** |
| **Effect of exchange rate fluctuations on cash** | **—** | **12,093** | **58,160** | **1,147** | **27** | **71,427** |
| **Net increase / (decrease) in cash and cash equivalents** | **(87,031)** | **789,306** | **(366,730)** | **34,824** | **—** | **370,369** |
| **Cash and cash equivalents at beginning of the period** | **110,536** | **88,980** | **450,474** | **58,787** | **—** | **708,777** |
| **Cash and cash equivalents at end of period** | **23,505** | **878,286** | **83,744** | **93,611** | **—** | **1,079,146** |

This appendix forms an integral part of note 33 to the consolidated financial statements

## GRIFOLS, S.A. AND SUBSIDIARIES
## Condensed Consolidated Statement of Cash Flows
## for the year ended 31 December 2013

| | Parent | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|---|
| | (expressed in thousands of euros) | | | | | |
| **Cash flows from operating activities** | | | | | | |
| **Profit before tax** | **150,616** | **(251,473)** | **856,476** | **(26,856)** | **(231,227)** | **497,536** |
| **Adjustments for:** | **(197,464)** | **222,887** | **27,552** | **36,252** | **258,626** | **347,853** |
| Amortisation and depreciation | 5,786 | 4,092 | 55,929 | 14,338 | 48,324 | 128,469 |
| Other adjustments: | (203,250) | 218,795 | (28,377) | 21,914 | 210,302 | 219,384 |
| (Profit)/ losses on equity accounted investments | — | — | — | — | 1,165 | 1,165 |
| Exchange differences | (6,778) | 52 | 3,941 | 4,012 | 76 | 1,303 |
| Impairment of assets and net provision charges | 7,170 | — | 4,209 | 12,420 | (19,188) | 4,611 |
| (Profit) / losses on disposal of fixed assets | 1 | 726 | (1,545) | 601 | 4,906 | 4,689 |
| Government grants taken to income | 21 | — | (626) | (525) | — | (1,130) |
| Finance cost / (income) | (203,663) | 203,904 | 557 | 4,609 | 222,901 | 228,308 |
| Other adjustments | (1) | 14,113 | (34,913) | 797 | 442 | (19,562) |
| **Changes in operating assets and liabilities** | **(142,424)** | **65,489** | **(77,733)** | **(69,997)** | **264,997** | **40,332** |
| Change in inventories | (126) | — | 49,859 | (16,097) | (16,359) | 17,277 |
| Change in trade and other receivables | 16,391 | (20,677) | (103,584) | (104,665) | 176,841 | (35,694) |
| Change in current financial assets and other current assets | (174,647) | (2,087) | 592 | (1,805) | 175,335 | (2,612) |
| Change in current trade and other payables | 15,958 | 88,253 | (24,600) | 52,570 | (70,820) | 61,361 |
| **Other cash flows from operating activities** | **251,520** | **(185,612)** | **(123,740)** | **(9,799)** | **(226,079)** | **(293,710)** |
| Interest paid | (16,186) | (137,330) | (9,119) | (3,099) | 7,854 | (157,880) |
| Interest recovered | 4,662 | 24,516 | (11,200) | (1,327) | (11,228) | 5,423 |
| Dividends received | 222,693 | — | — | 12 | (222,705) | — |
| Income tax (paid) / received | 40,351 | (72,798) | (103,421) | (5,385) | — | (141,253) |
| **Net cash from operating activities** | **62,248** | **(148,709)** | **682,555** | **(70,400)** | **66,317** | **592,011** |
| **Cash flows from investing activities** | | | | | | |
| Payments for investments | (129,376) | (28,394) | (115,065) | (64,914) | 84,922 | (252,827) |
| Group companies and business units | (119,049) | (1) | 105 | (30,609) | 80,382 | (69,172) |
| Property, plant and equipment and intangible assets | (9,019) | (19,055) | (115,139) | (34,176) | 4,540 | (172,849) |
| Property, plant and equipment | (5,265) | (11,240) | (104,954) | (18,209) | 1,208 | (138,460) |
| Intangible assets | (3,754) | (7,815) | (10,185) | (15,967) | 3,332 | (34,389) |
| Other financial assets | (1,308) | (9,338) | (31) | (129) | — | (10,806) |
| Proceeds from the sale of investments | 237 | 239 | 20,679 | 177 | (4,539) | 16,793 |
| Property, plant and equipment | 237 | 239 | 20,679 | 177 | (4,539) | 16,793 |
| Associates | — | — | — | — | — | — |
| Other financial assets | — | — | — | — | — | — |
| **Net cash used in investing activities** | **(129,139)** | **(28,155)** | **(94,386)** | **(64,737)** | **80,383** | **(236,034)** |
| **Cash flows from financing activities** | | | | | | |
| Proceeds from and payments for equity instruments | **35,221** | **—** | **—** | **83,177** | **(83,177)** | **35,221** |
| Issue | 20,461 | — | — | 83,177 | (83,177) | 20,461 |
| Acquisition of Owns Shares | (120,429) | — | — | — | — | (120,429) |
| Disposal of Own Shares | 135,189 | — | — | — | — | 135,189 |
| Proceeds from and payments for financial liability instruments | 121,105 | 310,732 | (391,849) | 166,830 | (286,231) | (79,413) |
| Issue | 7,615 | — | 44,525 | 1,367 | — | 53,507 |
| Redemption and repayment | (18,765) | (64,425) | (33,965) | (15,765) | — | (132,920) |
| Debts with group companies | 132,255 | 375,157 | (402,409) | 181,228 | (286,231) | — |
| Dividends and interest on other equity instruments | (69,138) | — | (194,407) | (28,301) | 222,708 | (69,138) |
| Dividends paid | (70,062) | — | (194,407) | (28,301) | 222,708 | (70,062) |
| Dividends received | 924 | — | — | — | — | 924 |
| Other cash flows from / (used in) financing activities | (731) | (13) | 3,438 | 5,490 | — | 8,184 |
| Financing costs included on the amortised costs of the debt | — | — | — | — | — | — |
| Other amounts received from / (used in) financing activities | (731) | (13) | 3,438 | 5,490 | — | 8,184 |
| **Net cash from / (used in) financing activities** | **86,457** | **310,719** | **(582,818)** | **227,196** | **(146,700)** | **(105,146)** |
| **Effect of exchange rate fluctuations on cash** | **—** | **(13,171)** | **(402)** | **(1,808)** | **—** | **(15,381)** |
| **Net increase / (decrease) in cash and cash equivalents** | **19,566** | **120,684** | **4,949** | **90,251** | **0** | **235,450** |
| **Cash and cash equivalents at beginning of the period** | **90,970** | **304,251** | **25,607** | **52,499** | **—** | **473,327** |
| **Cash and cash equivalents at end of period** | **110,536** | **424,935** | **30,556** | **142,750** | **—** | **708,777** |

This appendix forms an integral part of note 33 to the consolidated financial statements

**REGISTERED OFFICE OF THE ISSUER**

**Grifols, S.A.**
Avinguda de la Generalitat, 152-158
Parc de Negocis Can Sant Joan
Sant Cugat del Vallès
08174 Barcelona
Spain

**LEGAL ADVISORS TO THE ISSUER**

*As to U.S., New York and English law*
**Proskauer Rose LLP**
110 Bishopsgate
London EC2N 4AY
United Kingdom

*As to Spanish law*

**Osborne Clarke España S.L.P.**
Avinguda Diagonal 477, Planta 20
08036 Barcelona
Spain

*As to Irish law*
**Matheson**
70 Sir John Rogerson's Quay
Dublin 2
Ireland

**LEGAL ADVISOR TO THE INITIAL PURCHASER**

*As to U.S., New York and English law*
**Milbank, Tweed, Hadley & McCloy LLP**
10 Gresham Street
London EC2V 7JD
United Kingdom

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF GRIFOLS**

**KPMG Auditores, S.L.**
Paseo de la Castellana 259 C
28046 Madrid
Spain

**TRUSTEE**
**BNY Mellon Corporate Trustee Services Limited**
One Canada Square
London E14 5AL
United Kingdom

**PAYING AGENT**
**The Bank of New York Mellon,**
**London Branch**
One Canada Square
London E14 5AL
United Kingdom

**REGISTRAR & TRANSFER AGENT**
**The Bank of New York Mellon, SA/NV, Luxembourg Branch**
Vertigo Building—Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

**LISTING AGENT**

**Matheson**
70 Sir John Rogerson's Quay
Dublin 2
Ireland

***€1,000,000,000***

***Grifols, S.A.***

***3.200% Senior Notes due 2025***

---

***OFFERING MEMORANDUM***

---

***MORGAN STANLEY***

---

*April 26, 2017*

*No dealer, salesman or other Person has been authorized to give any information or make any representations in connection with the offer contained herein other than those contained in this offering memorandum, and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the initial purchaser. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any security other than those to which it relates, nor does it constitute an offer to sell, or the solicitation of an offer to buy, to any Person in any jurisdiction in which such offer or solicitation is not authorized, or in which the Person making such offer or solicitation is not qualified to do so, or to any Person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.*