

## GRIFOLS, S.A.

### BOARD OF DIRECTORS' REPORT REGARDING THE RESOLUTIONS PROPOSED IN THE FIRST, SECOND AND THIRD ITEMS ON THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF GRIFOLS, S.A.

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This report is prepared in connection with the resolution proposals of share capital increase and share split referred to in items first, second and third of the agenda of the Extraordinary General Shareholders' Meeting of Grifols, S.A. (hereinafter, "**Grifols**" or the "**Company**") called to be held at first call at Avenida Generalitat 152-158, Polígono Can Sant Joan, Sant Cugat del Vallès (Barcelona), at 12:00 hours CET on 3 December 2012, and at second call on 4 December 2012 at the same place and time (hereinafter the "**Extraordinary Meeting**").

The report is issued in accordance with the provisions of articles 286 and 506.2 of Legislative Royal Decree 1/2010, dated 2 July, by means of which the amended text of the Companies Act (*Ley de Sociedades de Capital*) (hereinafter, the "**CA**") is approved, and it only analyses the commercial aspects required by the aforesaid articles, without making any accounting, or any other kind of evaluations.

#### I. FIRST PROPOSAL ON THE AGENDA

**Increase in the Company's share capital in the amount of Euro 1,632,821.20, by issuing 16,328,212 new Class B shares without voting rights, with a nominal value of Euro 0.10 each, without share premium, against voluntary reserves, in the proportion of 1 new Class B share for each 20 former Class A or Class B shares, with provision of incomplete allocation. Amendment of Article 6 of the Company's Articles of Association (Share Capital). Approval of the balance sheet on which the increase is based. Delegation of authorities to the Board of Directors. Application before the relevant domestic and foreign authorities for the listing of the new shares on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia, as well as on the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market) and on the NASDAQ.**

##### A. Description of the proposal

The proposal to increase the Company's share capital corresponding to the first item of the Extraordinary Meeting's agenda foresees (i) the Company's share capital increase in the amount of Euro 1,632,821.20, by issuing and placing in circulation 16,328,212 new non-voting Class B shares, of nominal value of Euro 0.10 each, all of them belonging to the same class and series, being Company's shares without voting rights with the pre-emptive rights established in article 6 Bis of the Articles of Association; and, (ii) the delegation of powers to the Board of Directors, with full power of substitution in any of its members, with the faculty to determine the date on which the increase in capital to be approved by the Extraordinary Meeting is going to take place by the amount agreed, as well as set its conditions in all matters not established by the General Meeting and pursuant to the contents and within the term of one (1) year, as established by article 297.1.a) of the CA.

It is stated by the directors that, pursuant to the provisions of article 303 of the CA, this increase in share capital will be based on the individual balance sheet of Grifols closed as of 30 September 2012, duly audited by KPMG Auditores, S.L. and which will be submitted to the approval of the Extraordinary meeting under item first on the agenda.

The new Class B shares will be issued for their nominal value of 0.10 euros, without share premium and will be paid in full against voluntary reserves.

The moment the Board of Directors or, by substitution, any of its members, decides to execute the increase in capital, all the shareholders of the Company will have a free allocation right over the new Class B shares in the proportion of one (1) new Class B share for each twenty (20) former shares owned by them, whether of Class A or of Class B shares, pursuant to provision 6.1 of article 6 Bis of the Articles of Association. These free allocation rights will be transferable, pursuant to the provisions of article 306.2 of the CA, there being a period of fifteen (15) days as from the date indicated in the relevant notice that will be published in the Official Gazette of the Commercial Registry (BORME), to allocate and transfer such rights.

The Board of Directors, or any of its members in the case of substitution of the former by this last, will be able to waive the number of free allocation rights that may be required to balance the proportion of free allocation of the new Class B shares and declare the increase in capital closed.

Likewise, the new Class B shares will confer on their holders the rights ascribed to them by the Articles of Association as from the date on which the capital increase is closed by the Board of Directors, or any of its members in the case of substitution of the former by this last.

The new shares will be represented by means of book entries and will be governed by the Securities Market Act (*Ley del Mercado de Valores*), and such other provisions as may be applicable. The book entries registry shall be managed by the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) and its participant entities.

Once the Board of directors, or any of its members in the case of substitution of the former by this last, and upon the complete allocation of the new Class B shares, the Company's share capital will be set at Euro 119,515,205.20 Euros, represented by 213,064,899 ordinary shares, belonging to Class A with a nominal value per share of Euro 0.50; and 129,287,558 non-voting shares, belonging to Class B and with a nominal value of Euro 0.10 each.

In this sense and for the purposes of reflecting the new share capital amount and number of shares into which said share capital will be divided, the Board of Directors, or any of its members in the case of substitution of the former by this last, will amend article 6 of the Company's Articles of Association, based on the express delegation of authorities granted in its favour by the General Meeting for this purpose. In the event the capital increase is closed, and all new Class B shares

have been allocated, article 6 would read as follows, presented in its current wording and the proposal of amendment (the new wording appears underlined):

**Wording of the Articles of Association in force**

**Wording of the amendment proposed**

**Article 6.- Share Capital.-**

**Article 6.- Share Capital.-**

1. Shares. The share capital of the Company is 117,882,384.10 euros, represented by 326,564,245 shares, fully subscribed and paid-up, pertaining to two separate classes:
    - 1.1. Class “A” comprises 213,064,899 shares with a nominal value of 0.50 euros each, all of which belong to the same class and series, and being the ordinary shares of the Company (the “**Class A Shares**”); and
    - 1.2. Class “B” comprises 113,499,346 shares with a nominal value of 0.10 euros each, all of which belong to the same class and series and are non-voting shares of the Company with the preferential rights set forth in Article 6 Bis of these Articles of Association (the “Class B Shares” and, together with the Class A Shares, the “shares”).
  2. Form of Representation. The shares are represented by means of book entries and are governed by the Securities Market Act (*Ley del Mercado de Valores*) and such other provisions as may be applicable. The book entries registry shall be managed by the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) and its participating entities.
1. Shares. The share capital of the Company is ~~117,882,384.10~~119,515,205.30 euros, represented by ~~326,564,245~~342,892,457 shares, fully subscribed and paid-up, pertaining to two separate classes:
    - 1.1. Class “A” comprises 213,064,899 shares with a nominal value of 0.50 euros each, all of which belong to the same class and series, and being the ordinary shares of the Company (the “**Class A Shares**”); and
    - 1.2. Class “B” comprises ~~113,499,346~~129,827,558 shares with a nominal value of 0.10 euros each, all of which belong to the same class and series and are non-voting shares of the Company with the preferential rights set forth in Article 6 Bis of these Articles of Association (the “Class B Shares” and, together with the Class A Shares, the “shares”).
  2. Form of Representation. The shares are represented by means of book entries and are governed by the Securities Market Act (*Ley del Mercado de Valores*) and such other provisions as may be applicable. The book entries registry shall be managed by the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) and its participating entities.

Finally, the Board of Directors (with full power of substitution), will adopt the relevant resolutions relating to the listing of the new issued shares on the Stock Exchanges in Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, as well as in the Spanish Automated Quotation System (Sistema de Inerconexión Bursátil Español / Continuous Market), and via ADSs (American Depositary Shares), on the National Association of Securities Dealers Automated Quotation (NASDAQ), as

well as the inclusion of the new shares in the accounting registries of the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear).

## B. Justification of the proposal

The purpose of this transaction is to achieve positive effects both for Grifols' shareholders as for its creditors as well as for the Company itself, provided that this transaction is not limited only to the simple transfer of funds from some liabilities accounts to another, but it causes a qualitative effect in the corporate equity, by reinforcing the structure of the Company's own resources.

As regards the shareholders, this share capital increase implies that they will obtain remuneration for their investment, different from the remuneration received via dividends, since it entails the free allocation of new shares, thus allowing them to enjoy a benefit or an economic profit without having to make a capital disbursement in exchange.

As far as the Company is concerned, the share capital increase against reserves will imply a cash-flow increase of the existing Class B shares and, accordingly, greater flexibility and negotiability when dealing with said shares in the corresponding stock exchange markets. Accordingly, the aim is to strengthen the Company's position in the market and to speed up its stock related transactions in the stock markets on which they are listed.

Likewise, this capital increase will allow creditors to see that their cashing guarantees are reinforced as a result of the conversion of part of the Company's reserves into share capital.

Based on the above, the Board considers advisable and convenient for the interests of the Company and its shareholders to present to the General Meeting a proposal to carry out a liberated capital increase against freely distributable reserves, delegating its execution to the Board of Directors to achieve the indicated objectives at the most appropriate time.

## II. SECOND PROPOSAL ON THE AGENDA

**Share split of the Company's Class A and Class B shares, in the proportion of 2 new shares (whether of Class A or of Class B) for each 1 of the former shares (whether of Class A or of Class B), as may be applicable, by means of a decrease in their nominal value and the subsequent increase in the number of the Company's Class A and Class B shares, which will be multiplied by two, without any change to the total nominal value of the share capital. Amendment of Article 6 of the Company's Articles of Association (Share Capital). Delegation of authorities to the Board of Directors for a term of 1 year. Application before the relevant domestic and foreign authorities for the listing of the new shares on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia, as well as on the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market) and on the NASDAQ.**

A. Description of the proposal

The share split proposal corresponding to the second item on the agenda of the Extraordinary Meeting foresees (i) a share split of the Company's Class A and Class B in the proportion of 2 new shares (whether of Class A or of Class B) for each one (1) of the existing shares (whether of Class A or of Class B), by means of a decrease in their nominal value, and the subsequent increase in the number of the Company's Class A and Class B shares, which will be multiplied by two, without any change to the total nominal value of the share capital; as well as (ii) the delegation of powers to the Board of Directors, with full power of substitution in any of its members, with the faculty to determine the date on which the share split to be approved by the Extraordinary Meeting is going to take place in the terms agreed, as well as determine its conditions in all matters not established by the Extraordinary Meeting.

The foregoing notwithstanding, the directors state that the above-mentioned share split may take place only after the execution of the increase in capital foreseen in the first item on the Agenda of the Extraordinary Meeting.

The share split will take place by means of a decrease in the nominal value of the Company's shares, as a result of which the nominal value of Class A shares will go from the current value of Euro 0.50 per share to Euro 0.25 per share, and the nominal value of Class B shares will go from the current value of Euro 0.10 per share to Euro 0.05 per share. Therefore, the number of the Company's Class A and Class B shares will increase, being multiplied by two.

In this sense, the Board of Directors, or any of its members in the case of substitution of the former by this last, will have the faculty to amend article 6 of the Company's Articles of Association regarding share capital, as established by article 297.2 of the CA, redrafting its contents to adapt them to the number of Class A and Class B shares into which the share capital will be divided as a result of the share split and its corresponding nominal value.

The Board of Directors, or any of its members in the case of substitution of the former by this last, will adopt the relevant resolutions of application for the listing of the new Class A and Class B shares resulting from the share split on the Stock Exchanges in Madrid, Barcelona, Bilbao and Valencia, as well as in the Spanish Automated Quotation System (Sistema de Interconexión Bursátil / Continuous Market), and via ADSs (American Depositary Shares), on the National Association of Securities Dealers Automated Quotation (NASDAQ) and the simultaneous exclusion, if applicable, from trading of the Company's former Class A and Class B shares, as well as the inclusion of the new Class A and Class B in the accounting registries of the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear).

The present resolution will have no effect if the share split does not take place within one year as from the date of the approval of this resolution by the General Meeting.

B. Justification of the proposal

The purpose of increasing the number of Company shares in circulation and simultaneously decreasing their nominal value is to make the shares more accessible to the investor, without said reduction changing the shareholder's participation in the Company or affecting the Company's own resources.

This operation will benefit the Company's shareholders directly who will automatically exchange their old Class A and/or Class B shares, of Euro 0.50 and 0.10 of nominal value, respectively, in a split of 2 new shares (whether Class A or Class B) for one of the former shares (whether Class A or Class B) they own, which will increase liquidity and the trading of their shares in the secondary markets, without any disbursement or detriment to their political or economic rights.

Based on the above, the Board considers advisable and convenient for interests of the Company and its shareholders to present to the General Meeting a share split proposal, delegating its execution to the Board of Directors to achieve the indicated objectives at the most appropriate time.

### **III. THIRD PROPOSAL ON THE AGENDA**

**Delegation to the Board of Directors, with full power of substitution in any of its members, of the authority to increase the Company's share capital pursuant to the provisions of article 297.1.b) of the Companies Act (*Ley de Sociedades de Capital*), within the legal term of five years as of the date of this General Shareholders' Meeting up to a maximum amount equivalent to 50% of the Company's share capital as of the date of this authorisation, being enabled to carry out the increase at once or in several times. Delegation to the Board of Directors, with full power of substitution in any of its members, of the authority to exclude the pre-emptive subscription rights in the relevant capital increases, pursuant to the provisions of article 506 of the Companies Act. To revoke the resolution of delegation to the Board of directors of the authority to increase the Company's share capital passed on 2 December 2011.**

#### **A. Description of the proposal**

The proposal of Delegation corresponding to the third item of the Extraordinary Meeting's agenda foresees the delegation to the Board of Directors, with full power of substitution in any of its members, of the authority to increase the Company's share capital pursuant to the provisions of article 297.1.b) of the CA.

The referred capital increase may be carried out at once or in several times at any moment, within a maximum legal term of five (5) years as from the date of the Extraordinary Meeting and in an amount that in no case may exceed half of the Company's share capital at the time of this authorisation.

The share capital increases to be carried out under this authorisation will be carried out, if appropriate, by issuing and placing in circulation new shares (Class A and Class B shares, exclusively Class A shares or exclusively Class B shares), with or without a share premium, with a consideration consisting in cash contributions.

As long as there are non-voting Class B shares in circulation, the capital increases to be carried out will always observe the provisions of the Articles of Association related to pre-emptive rights of acquisition that may correspond to them in the indicated capital increases.

Likewise, as long as Class B shares hold the redemption rights foreseen in paragraph 4 of article 6 Bis of the Articles of Association, the nominal value of the Class B shares that may be issued in execution of this delegation cannot exceed one fourth of the total amount of the share capital resulting from the capital increase resolution.

Finally, the Board of Directors is also empowered to exclude the pre-emptive right of acquisition in the relevant capital increases, pursuant to the provisions of article 506 of the CA. This does not imply that all capital increases executed under this authorization must be necessarily carried out excluding the pre-emptive right of acquisition, as the total or partial exclusion of this right is simply a faculty that the Extraordinary Meeting grants the Board of Directors, and the execution of this power will depend on the Board's decision in accordance with the circumstances existing from time to time. Therefore, pursuant to this faculty, increases in capital may be carried out with or without pre-emptive rights of acquisition.

Once the capital increase has been carried out and, as appropriate, the Company will apply for the listing of the new issued shares on the Stock Exchanges in Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, as well as in the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil* Continuous Market), and via ADSs (*American Depositary Shares*), on the *National Association of Securities Dealers Automated Quotation* (NASDAQ), as well as the inclusion of the new shares in the accounting registries of the company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear).

The Board of Directors, or any of its members when acting by virtue of a substitution, will establish the issuance rate (nominal value plus share premium) of each new Grifols' share issued when executing this authorisation, according to the provisions of article 297.1.b) of the CA.

Once the capital increase is approved and executed, the Board of Directors will be authorised, pursuant to the provisions of article 297.2 of the CA, to amend article 6 of the Articles of Association regarding the share capital, providing it with a new wording, as applicable.

#### B. Justification of the proposal

This resolution proposal to delegate authorities to the Board of Directors to increase the Company's capital is justified by the convenience for the Board of Directors to have a mechanism that would allow for one or several capital increases to be approved without the need of a new calling and holding of another Shareholders' Meeting, always within the limits, terms and conditions the General Meeting establishes.

Considering that, at the time of adopting this delegation resolution, it is impossible to determine which conditions of the increase in capital will be the most appropriate in each situation, this mechanism allows the Board of Directors to determine the conditions in the future, thus adapting to the specific conditions that may arise from time to time.

This delegation proposal provides the Board of Directors with a much broader leeway, which is justified by how convenient it is for this administration body to have the necessary capacity and flexibility in order to give response to the needs arising from the current economic trade and to be able to act as quickly as required by market malfunctioning.

Additionally, the delegation to the Board of Directors of the authority to increase the share capital includes the ascription to the board members of the authority to exclude the shareholders' pre-emptive rights of acquisition, pursuant to the provisions of article 304 of the CA. This additional faculty allows the Board of Directors to extend its capacity to act, when the corporate interest so requires, and it is, therefore, justified by the agility and flexibility of action that is granted to the Company at the time of carrying out share capital increases, respecting at all times the mechanisms of shareholders' protection and information foreseen in articles 308 and 506 of the CA.

### **III. RESOLUTION PROPOSALS TO BE SUBMITTED TO THE GENERAL MEETING**

The complete text of the proposed resolutions of increase in share capital, share split and subsequent amendment of the Company's Articles of Association that are being submitted to the Extraordinary General Shareholders' Meeting, may be examined in the document called "*Proposed resolutions to be submitted to the General Shareholders Meeting*" that is made available to the shareholders of Grifols together with this report and the remaining documentation of the General Meeting.

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Barcelona, 26 October 2012  
The Board of Directors

THIS DOCUMENT CONSTITUTES A TRANSLATION INTO ENGLISH OF THE OFFICIAL SPANISH VERSION OF THE BOARD OF DIRECTORS' REPORT REGARDING THE RESOLUTIONS TO BE SUBMITTED TO THE APPROVAL OF THE GENERAL SHAREHOLDERS' MEETING. IN CASE OF DISCREPANCIES, THE OFFICIAL SPANISH VERSION SHALL PREVAIL.