

FIRST  
HALF  
REPORT

**GRIFOLS**

2010

GROUP SALES WERE UP +3.7%\*. GROSS MARGIN OVER SALES REMAINED AT THE SAME LEVELS AS IN THE PREVIOUS YEAR

THE COMBINED SALES OF BIOSCIENCE, DIAGNOSTIC AND HOSPITAL INCREASED +7.3%\*.

GEOGRAPHICALLY, EUROPE REMAINS STABLE WITH A +0.5%\* INCREASE. UNITED STATES GROWS BY +14.5%\* AND THE ROW BY +16.7%\* EXCLUDING RAW MATERIALS

\*% VARIATIONS AT CONSTANT CURRENCY

SALES IN BIOSCIENCE ROSE +8.4% TO 380.1 MILLION EUROS. GROWTH IN THE UNITED STATES WAS +14.3%\*

IVIG SALES WERE +10.5% HIGHER WORLDWIDE AND ALBUMIN SALES INCREASED +17.5%\*

NEW SUBSIDIARIES OPENED IN COLOMBIA AND SCANDINAVIA AND A REPRESENTATIVE OFFICE IN CHINA.

## EARNINGS PERFORMANCE IN FIRST HALF 2009

Group sales recorded +8.1% recurrent growth reaching 487.8 million Euros.

The EBITDA margin improves to +30.2% of sales. EBITDA increases +4.8% reaching 147.6 million Euros.

At 66.4 million Euros, net income was down 18.7% as a result of higher financial expenses.



Grifols New Logistics Headquarters in Parets del Vallès, Barcelona

## KEY INDICATORS

Grifols sales in first-half 2010 reached 487.8 million Euros, +3.7% higher than in the same period last year, with currency fluctuations having a neutral impact. The upward trend in sales remained constant over the second quarter of the year. This positive trend was driven by several factors, most importantly by the geographical diversification strategy with more than 75% of the Company's revenues generated outside Spain. Growth in the first half of the year in regions such as Asia (+49.1% at constant currency), the United States (+14.5% at cc) and Latin America (+3.3% at cc) reflect this strategy, whereas sales in Europe (+0.5% at cc) remain stable despite budgetary pressures in several countries.

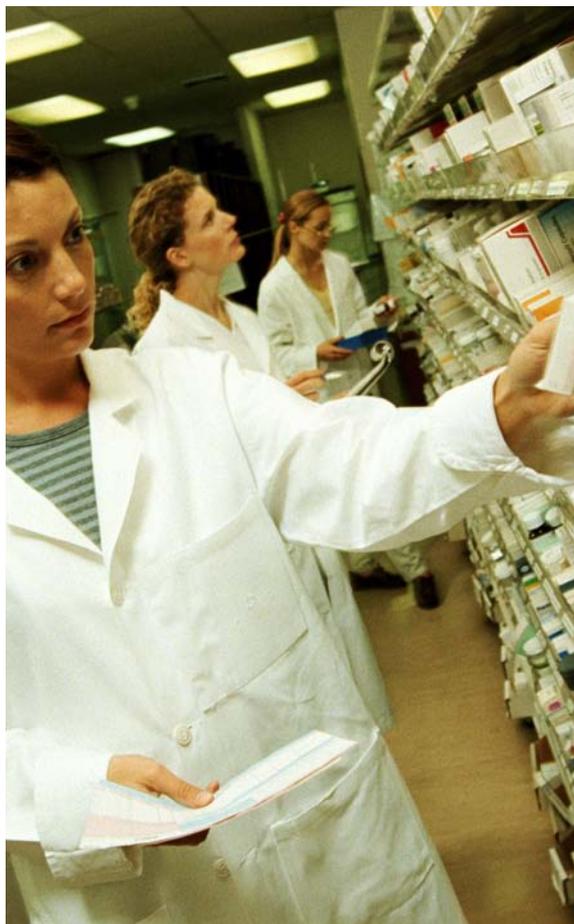
The Group's main activities continued to show growth; the combined sales of the Bioscience, Diagnostic and Hospital divisions were up +7.3% at a constant currency.

Plasma derivatives sales increased +8.4% at constant currency and the Bioscience Division continues to be the main growth driver, with sales at 30 June totalling 380.1 million Euros. Against a backdrop of unfavourable prices the double-digit growth in albumin and intravenous immunoglobulin (IVIG) sales is particularly worth mentioning, as well as the strong business performance in the United States where revenues grew +14.3% at cc. In



### SUMMARY OF SALES BY REGION

IN THOUSANDS OF EUROS	1st H 2010	% on sales	1st H 2009	% on sales	% Var.
<b>EUROPEAN UNION</b>	<b>223,019</b>	<b>45.7</b>	<b>220,252</b>	<b>46.8</b>	<b>1.3</b>
<b>US</b>	<b>157,620</b>	<b>32.3</b>	<b>141,103</b>	<b>30.0</b>	<b>11.7</b>
<b>R.O.W.</b>	<b>105,335</b>	<b>21.6</b>	<b>88,312</b>	<b>18.8</b>	<b>19.3</b>
<b>SUBTOTAL</b>	<b>485,974</b>	<b>99.6</b>	<b>449,667</b>	<b>95.6</b>	<b>8.1</b>
<b>RAW MATERIALS</b>	<b>1,835</b>	<b>0.4</b>	<b>20,864</b>	<b>4.4</b>	<b>-91.2</b>
<b>TOTAL</b>	<b>487,809</b>	<b>100.0</b>	<b>470,531</b>	<b>100.0</b>	<b>3.7</b>



addition, demand for haemoderivatives maintains a balanced evolution and countries such as China, Brazil, and Chile increase their contribution, thereby enabling the Group to be in line with the growth forecasts for the sector in the coming years in terms of the geographical sales mix.

Sales in the Diagnostic division were up +6.3% at cc, reaching 54.4 million Euros, and the Hospital division's revenues, at 45.1 million Euros, remained stable in comparison with same period last year. Meanwhile, and as expected, sales of the Raw Materials & Others division fell to 8.2 million Euros.

Besides sales growth, Grifols continued to implement its cost savings and improvement policy in all business areas, making it possible to maintain the gross margin over sales and, consequently, increase the EBITDA margin to 30.2% of sales versus 29.9% in the first six months of 2009. Accordingly, at 147.6 million Euros, EBITDA at 30 June was up +4.8%.

Financial expenses generated by the proceeds from the bond issue in 2009 continued to affect the Group's profit, as was the case in the first quarter of 2010. In June, net profit was 66.4 million Euros,

-18.7% less than in the same period last year. Financial results also include a non-realised loss of 15.8 million Euros arising from futures contracts with Grifols shares as the underlying notional.

In the first six months of the year, Grifols generated positive cash flows of 67.7 million Euros thanks to improvement in working capital management in relation to receivables and inventories. Investments in this period were according to the foreseen plan and amounted to 54 million Euros.

In this first half of the year, the Company reduced its net debt by 31.5 million Euros (62.6 million at 2009 closing exchange rate) and, consequently, net financial debt at 30 June amounted to 530.1 million Euros. This implies a ratio of 1.9x EBITDA and underscores the solid balance sheet and Group's ability to fulfil future commitments.

IN MILLIONS OF EUROS

**EBITDA**

*% ON SALES*

**NET PROFIT**

*% ON SALES*

1st H 2010

**147.6**

*30.2%*

**66.4**

*13.6%*

1st H 2009

**140.8**

*29.9%*

**81.7**

*17.4%*

% Var.

**4.8%**

**-18.6%**

## PERFORMANCE BY DIVISIONS

### Bioscience sales increase +8.4% at constant exchange rates

The operating results of the Group reflect the sales trend in all divisions, Grifols' sound positioning in the global plasma derivatives market, and the consistent improvement in all production processes in order to increase efficiency. These pillars, jointly with international diversification and R+D, will underpin future growth in all business areas.

Bioscience revenues in the first half of 2010 accounted for 77.9% of the Group's total sales during this period, increasing +8.4% at cc to 380.1 million Euros on the back the sharp increase in the sales volumes of albumin (+26.4%), IVIG (+15.3%), and Factor VIII (7.5%).

Moreover, Grifols obtained the first approval for marketing its Flebogamma DIF (IVIG) in Latin America, specifically in Chile, and for Anbinex (Antitrombina III) in Argentina, both of which will

contribute to increasing and diversifying plasma derivatives sales.

As to the Company's commitment to R+D, a new clinical study has been scheduled for the treatment of Alzheimer combining therapeutic plasmapheresis with albumin and intravenous immunoglobulin (IVIG). The study, due to begin in January 2011, will involve 300 patients, and follows on a study conducted with another 42 patients in collaboration with two hospitals in Spain and two in the United States, for which interim results have already been published. These results made it advisable to conduct the new clinical study.

Also worth mentioning are the completion of a new production facility for a biological glue, Fibrin Glue, and the start of validation processes expected to be completed in the last quarter of 2011. The clinical trial for this product is expected to be completed in the second half of 2012.

Revenues in the **Diagnostic** division increased +6.3%

at cc to 54.4 million Euros in the first half of the year, generating more than 11% of Group sales. The key traits of this business area are its significant internationalisation and its many potential growth drivers. An important milestone in terms of organic growth is the start of operations of a new factory for the production of immunohaematology DG Gel@ cards in Australia and the launch of Erytra®, new fully automated high capacity blood type analyser that was unveiled at the ISBT congress (June 2010, Berlin).

Sales growth in this division was mainly driven by the good performance of the Blood Bank, which increased +19.1%, and the Hemostasis line which recorded +32.4% growth, both at cc.

The activity of the **Hospital** division remained constant. At 45.1 million Euros, sales were down -0.2% year-on-year at cc. This division currently generates 9.3% of Grifols' total revenues. Since most of its sales are concentrated in the Spanish market, some of the products are being affected by the Royal Decree of June 2010 on additional discounts for Social Security. Hospital logistics business was affected by a decrease in hospitals' investments.

### SUMMARY OF SALES BY DIVISION

IN THOUSANDS OF EUROS	1st H 2010	% on sales	1st H 2009	% on sales	% Var.	% Var. CC
<b>BIOSCIENCE</b>	<b>380,081</b>	<b>77.9</b>	<b>350,957</b>	<b>74.6</b>	<b>8.3</b>	<b>8.4</b>
<b>HOSPITAL</b>	<b>45,146</b>	<b>9.3</b>	<b>45,057</b>	<b>9.6</b>	<b>0.2</b>	<b>-0.2</b>
<b>DIAGNOSTIC</b>	<b>54,413</b>	<b>11.2</b>	<b>50,827</b>	<b>10.8</b>	<b>7.1</b>	<b>6.3</b>
<b>RAW MATERIALS+OTHERS</b>	<b>8,169</b>	<b>1.6</b>	<b>23,689</b>	<b>5.0</b>	<b>-65.5</b>	<b>-65.4</b>
<b>TOTAL</b>	<b>487,809</b>	<b>100.0</b>	<b>470,531</b>	<b>100.0</b>	<b>3.7</b>	<b>3.7</b>

## SECOND QUARTER 2010

### Upward trend in the second quarter driven by increased plasma derivatives sales (+8.7% at cc)

Total sales in the second quarter confirm the upward trend shown in the last three months of 2009. Grifols' sales in this period increased +4.2% at a constant exchange rate to 250.1 million Euros. Recurrent growth, at a constant exchange rate, excluding Raw Materials, was +8.5%.

EBITDA rose +10.2% to 75.4 million Euros. Net income fell -25.5% to 29.9 million Euros as a result of the increased impact of financial expenses, in line with the Group's forecasts.

### SUMMARY OF SALES BY DIVISION

IN THOUSANDS OF EUROS	2nd Q 2010	% on sales	2nd Q 2009	% on sales	% Var.	% Var. CC
<b>BIOSCIENCE</b>	<b>195,481</b>	<b>78.2</b>	<b>175,666</b>	<b>74.8</b>	<b>11.3</b>	<b>8.7</b>
<b>HOSPITAL</b>	<b>23,283</b>	<b>9.3</b>	<b>23,177</b>	<b>9.9</b>	<b>0.5</b>	<b>-0.4</b>
<b>DIAGNOSTIC</b>	<b>27,145</b>	<b>10.9</b>	<b>24,979</b>	<b>10.6</b>	<b>8.7</b>	<b>6.9</b>
<b>RAW MATERIALS+OTHERS</b>	<b>4,196</b>	<b>1.6</b>	<b>11,127</b>	<b>4.7</b>	<b>-62.3</b>	<b>-62.6</b>
<b>TOTAL</b>	<b>250,105</b>	<b>100.0</b>	<b>234,949</b>	<b>100.0</b>	<b>6.5</b>	<b>4.2</b>

### SUMMARY OF SALES BY REGION

IN THOUSANDS OF EUROS	2nd Q 2010	% on sales	2nd Q 2009	% on sales	% Var.
<b>EUROPEAN UNION</b>	<b>114,051</b>	<b>45.6</b>	<b>109,244</b>	<b>46.5</b>	<b>4.4</b>
<b>US</b>	<b>86,912</b>	<b>34.8</b>	<b>68,175</b>	<b>29.0</b>	<b>27.5</b>
<b>R.O.W.</b>	<b>48,104</b>	<b>19.2</b>	<b>47,440</b>	<b>20.2</b>	<b>1.4</b>
<b>SUBTOTAL</b>	<b>249,067</b>	<b>99.6</b>	<b>224,859</b>	<b>95.7</b>	<b>10.8</b>
<b>RAW MATERIALS+OTHERS</b>	<b>1,038</b>	<b>0.4</b>	<b>10,090</b>	<b>4.3</b>	<b>-89.7</b>
<b>TOTAL</b>	<b>250,105</b>	<b>100.0</b>	<b>234,949</b>	<b>100.0</b>	<b>6.5</b>

## QUARTER HIGHLIGHTS

### The announcement of the Talecris acquisition is the most important milestone in the quarter.

On 7 June, Grifols announced the agreement for the acquisition of all Talecris shares for 3.4 billion dollars, paying 19 dollars in cash and 0.641 newly issued non-voting right shares for each Talecris share. The total value of the transaction, including net debt, is approximately 4 billion dollars.

The transaction will be concluded after receiving the approval of regulatory and anti-trust authorities and the respective authorisation of each company's shareholders, which should materialise in the second half of 2010.

The combination of Grifols and Talecris will strengthen the Spanish Group's diversification and the vertical integration of the business since, besides the significant geographical and product complementarities, the deal will boost its industrial capacity. Grifols' international presence will benefit from the strong presence of Talecris in the United States and Canada. In addition, the available production capacity of Grifols installed in the United States will make it possible to increase Talecris' production over the short term, thereby enabling the group to meet the needs of a greater number of patients throughout the world.

The value of operating synergies stemming from the acquisition will total approximately 230 million dollars each year to be reached gradually and then consistently as of the fourth year. These synergies will be generated mainly as a result of the improved efficiency in the plasma collection centres' network and the optimisation of manufacturing resources, operating costs, and R+D.

According to Grifols' estimates, once the transaction is completed, its net financial debt/EBITDA ratio will be approximately 5x. Grifols, however, anticipates significant growth in cash flows in the short term following the merger. Combined with the expected synergies, this will make it possible to reduce debt levels quite rapidly. Net financial debt is expected to reach around 3x EBITDA at the end of 2012, and less than 2x by the end of 2014, even while maintaining the main investment programs.

Financing for the transaction is fully committed by a bank syndicate led by Deutsche Bank, Nomura, BBVA, BNP Paribas, HSBC and Morgan Stanley. The agreement is not subject to any financial contingency.

With the aim of facilitating access to financial and capital markets, after the first half 2010 closing, Grifols reported the results of the credit ratings awarded by the two leading agencies: Standard & Poor's and Moody's. Grifols, is one of the few Spanish companies awarded credit ratings and this will contribute to enhancing its transparency. The ratings for senior debt (BB and Ba3) will enable the Group to easily place the debt tranches included in the total and maximum guaranteed debt (4.5 billion dollars).



The President V. Grifols, A. Arroyo, Finance Vice President and N. Pascual, Deputy Finance Director, during the press conference of the announcement.

**Other steps taken in the second quarter of 2010 shall allow Grifols to continue bolstering its main business lines and consolidating its commitment to R+D, shareholders, employees, and the environment**

#### **Acquisition of intellectual property rights for PPS treatment**

Grifols acquired from Pharmalink the intellectual property rights for Post-polio syndrome (PPS) treatment with intravenous immunoglobulin (IVIG). This agreement includes patents for the United States, Europe, and Japan and will enable Grifols to have access to all the results obtained in the various clinical trials. Grifols will also be able to open new therapeutic areas in its clinical investigation projects.

#### **Grifols executed a distribution agreement with Progenika Biopharma**

Grifols will be responsible for the international distribution of the new BLOODchip®, blood genotyping test developed by the Spanish company Progenika Biopharma. Executed at the end of the second quarter, this agreement shall enable Grifols to strengthen its Diagnostic division and will contribute estimated sales of 50 to 100 million Euro over the next five years.

#### **Grifols bolsters its international diversification**

By incorporating the new representative office in China (Shanghai) and subsidiaries in Colombia (Bogota) and Sweden (Stockholm), Grifols lays the groundwork for increasing its international diversification in regions expected to show significant growth over the coming years.

#### **Annual General Meeting**

Approval of a total ordinary gross dividend of 0.281 per share charged to 2009 results. This implies a total 59.2 million in dividends, +21.5% more than in the previous year, and brings Grifols' pay-out to 40% of profit.

This dividend was broken down into two payments: 32.0 million Euros (0.153€ gross per share) was paid to shareholders on 18 December 2009 as an interim dividend. Accordingly the pending amount, 27.2 million Euros (0.128€ gross per share), was paid in a single payment on 1 July 2010.

#### **Actions in relation to Human Resources**

Grifols' average workforce at 30 June 2010 was 5,881 employees, 1.7% fewer professionals than at year-end 2009. This reduction is the result of the optimisation of human resources required at the plasma donation sites in the United States.



The President, Victor Grifols during his intervention.

### Environmental measures

Grifols made significant progress in optimising waste management during the first six months of 2010 by prioritising recycling and the use of by-products instead of disposals. The largest amounts of waste are polyethylene glycol aqueous solutions (PEG). This by-product, however, is used as a raw material by some additive manufacturers. Grifols' policy of promoting recycling has meant that at 30 June 2010, 96% of this waste was recycled versus 70% in the

previous year. Along these lines, the Company has also increased recycling of glass and new types of plastics produced in some of the production phases.

Grifols' new buildings also incorporate environmental criteria, specifically, the new warehouse and the Parets del Vallès office building that incorporates a 15 kW photovoltaic installation at its rooftop as well as other environmental features.

The Bioscience Division's facilities in Parets del Vallès (Barcelona) are subject to the European Union Greenhouse gas Emissions Trading Scheme. Emissions in the first half of 2010 were 12,000 tons of CO<sub>2</sub>, 10% less than the emission rights assigned by the Spanish Government for this period. This reduction was achieved thanks to the optimal functioning of the new cogeneration plant which obtains 15% in Primary Energy Savings (PES).



Detail of the cogeneration plant in Parets del Vallès, Barcelona

## PROFIT AND LOSS ACCOUNT

IN THOUSANDS OF EUROS	1st H 2010	1st H 2009	% Var.
TOTAL REVENUE	487,809	470,531	3.7
COST OF SALES	249,647	240,433	3.8
<b>GROSS PROFIT</b>	<b>238,162</b>	<b>230,098</b>	<b>3.5</b>
<i>% ON SALES</i>	<i>48.8%</i>	<i>48.9%</i>	
R&D	15,299	16,756	-8.7
SGA	96,743	91,709	5.5
OPERATING EXPENSES	112,042	108,465	3.3
<b>OPERATING PROFIT</b>	<b>126,120</b>	<b>121,632</b>	<b>3.7</b>
<i>% ON SALES</i>	<i>25.9%</i>	<i>25.8%</i>	
FINANCIAL RESULT	36,540	6,634	450.8
SHARE OF RESULT OF ASSOCIATES	728	-10	-7.380.0
<b>PROFIT BEFORE TAXES</b>	<b>88,852</b>	<b>115,008</b>	<b>-22.7</b>
<i>% ON SALES</i>	<i>18.2%</i>	<i>24.4%</i>	
TAX PROVISION	23,022	32,860	-29.9
NET PROFIT BEFORE MIN. INTERESTS	65,830	82,148	-19.9
MIN. INTERESTS	-578	448	-229.0
<b>GROUP NET PROFIT</b>	<b>66,408</b>	<b>81,700</b>	<b>-18.7</b>
<i>% ON SALES</i>	<i>13.6%</i>	<i>17.4%</i>	
<b>E B I T D A</b>	<b>147,554</b>	<b>140,757</b>	<b>4.8</b>
<i>% ON SALES</i>	<i>30.2%</i>	<i>29.9%</i>	

**CASH FLOW**

IN THOUSANDS OF EUROS	1st H 2010	1st H 2009
NET INCOME	66,408	81,700
DEPRECIATION AND AMORTITZATION	21,434	19,124
NET PROVISIONS	129	
OTHER ADJUSTMENTS-NET	11,936	28,336
CHANGES IN INVENTORIES	-11,982	-60,282
CHANGES IN TRADE RECEIVABLES	25,966	-37,868
CHANGES IN TRADE PAYABLES	7,978	23,156
CHANGE IN OPERATING WORKING CAPITAL	21,962	-74,994
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>121,869</b>	<b>54,166</b>
CAPEX (PROPERTY.PLANT & EQUIP)	-45,600	-47,204
R&D/OTHER INTANGIBLE ASSETS	-3,551	-4,571
OTHER CASH INFLOW /(OUTFLOW)	-4,983	-15,165
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>-54,134</b>	<b>-66,940</b>
FREE CASH FLOW	67,735	-12,774
ISSUE (PURCHASE) OF EQUITY	-1,250	-22,801
ISSUE (REPAYMENT) OF DEBT	-8,671	95,818
DIVIDENDS	-53	-48,746
OTHER	323	
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-9,651</b>	<b>24,271</b>
TOTAL CASH FLOW	58,084	11,497
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	249,372	6,368
EFFECT OF EXCH. RATE CHANGES IN CASH AND CASH EQUIV.	42,684	-69
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>350,140</b>	<b>17,796</b>

**BALANCE SHEET**

IN THOUSANDS OF EUROS

	1st H 2010	2009
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>	<b>745,267</b>	<b>652,599</b>
FIXED ASSETS	423,096	371,705
GOODWILL AND OTHER INTANGIBLE	278,928	243,385
OTHER NON-CURRENT ASSETS	43,243	37,509
<b>CURRENT ASSETS</b>	<b>1.175,910</b>	<b>1.004,578</b>
INVENTORIES	545,277	484,462
TRADE AND OTHER RECEIVABLES	271,946	262,527
OTHER CURRENT FINANCIAL ASSETS	8,547	8,217
CASH AND CASH EQUIVALENTS	350,140	249,372
<b>TOTAL ASSETS</b>	<b>1.921,177</b>	<b>1.657,177</b>
<b>LIABILITIES</b>		
<b>EQUITY</b>	<b>690,800</b>	<b>578,528</b>
CAPITAL	106,532	106,532
RESERVES	525,489	436,705
TREASURY STOCKS	-1,927	-677
INTERIM DIVIDENDS		-31,960
EARNINGS	66,408	147,972
MINORITY INTERESTS	12,972	12,157
ADJUSTMENTS BY VALUE CHANGES	-18,674	-92,201
<b>NON-CURRENT LIABILITIES</b>	<b>822,802</b>	<b>779,606</b>
NON CURRENT FINANCIAL LIABILITIES	754,181	715,738
OTHER NON-CURRENT LIABILITIES	68,621	63,868
<b>CURRENT LIABILITIES</b>	<b>407,575</b>	<b>299,043</b>
CURRENT FINANCIAL LIABILITIES	203,087	126,221
OTHER CURRENT LIABILITIES	204,488	172,822
<b>TOTAL LIABILITIES</b>	<b>1.921,177</b>	<b>1,657,177</b>



## GRIFOLS' DAILY SHARE PRICE VS IBEX 35

(BASE 100, FROM JANUARY 1 TO JUNE 30 2010)



The Group's future earnings could be affected by events in relation to its own activity, including lack of raw materials for the manufacture of its products, the emergence of competitive products in the market, or changes in the

regulations governing the markets where it operates. Nevertheless, no major changes in this respect are expected in the short term.