ANNUAL 2013 REPORT

GRIFOLS

pioneering spirit

DEAR SHAREHOLDERS,

Recent years have seen steady expansion through a combination of organic growth and acquisitions, and this in turn has meant that we have needed to strengthen our leadership capacities to carry these plans forward in a successful manner. United by our entrepreneurial spirit and our belief in the potential of our company, we have achieved a dramatic change. Today, 20% of the plasma-derived medicines used in the world are made by Grifols, we are at the cutting edge of transfusion medicine, and we are the leading providers of intravenous solutions in Spain.

The scale of today's company reflects our efforts to integrate activities and reallocate resources, in order to consolidate our business and generate new opportunities.

The results for 2013 were impressive. Sales rose by 4.6% to 2,741.7 million euros, and net profit rose by 34.6% to 345.6 million euros. We reduced our debt levels, while resuming payment of cash dividends and generating more value for our shareholders and our staff. We enjoy the support of over 12,000 employees, with the workforce growing by over 6% during the past year. We have expanded our global presence, to help more patients and health professionals in more countries across the world.

Our efforts have been endorsed by stock exchanges and the financial markets, but we are aware that there is room for improvement, and there are still opportunities to improve people's health.

This is reflected in our strategic plan for the next five years. The investments we have already made, those that are under way, and those that are in the pipeline will all help to improve our efficiency and competitiveness. We have continued to support research into diseases that demand urgent solutions, such as Alzheimer's disease and cirrhosis, to support work in the area of personalized medicine, and to identify solutions for rare diseases. We have a strong R&D policy, and our investment in research companies is designed to support them in developing projects that will contribute to medical progress. Examples of this commitment during 2013 included Araclon Biotech's new R&D center in Zaragoza, and our investment in another Spanish firm, Progenika Biopharma, a Bilbao-based company dedicated to molecular diagnostics research.

As a final comment, I would like to mention our latest acquisition: the transfusion diagnostics unit of Novartis, completed in January 2014. We are extremely excited about this, as it will make us a global supplier of integrated diagnostic solutions for transfusion safety. What is more, transfusion medicine is an activity in which Grifols has a long tradition, one that stretches back to our very beginnings as a company.

During 2013, we successfully opened up new channels that complement our existing activities and will help to drive the growth and development of our business. As always, however, the best is yet to come.

Víctor Grífols
President and CEO of Grifols

BUSINESS REVENUE

2,741.7 MILLION EUROS
+4.6% GROWTH
92.4% IN INTERNATIONAL MARKETS

SECTOR LEADER

BIOSCIENCE: THE WORLD'S THIRD-LARGEST PRODUCER OF PLASMA-DERIVED MEDICINES
20% OF GLOBAL MARKET SHARE[1]
DIAGNOSTIC: GLOBAL LEADER IN TRANSFUSION MEDICINE
HOSPITAL: SPAIN'S LEADING PROVIDER OF INTRAVENOUS SOLUTIONS

INCREASED GLOBAL PRESENCE

DIRECT SUBSIDIARIES IN 25 COUNTRIES
SALES ON 5 CONTINENTS
INTERNATIONAL EXPANSION IN THE MIDDLE EAST AND OTHER MARKETS

WORKFORCE

OVER 11,779 EMPLOYEES
+6% GROWTH
73% OF STAFF IN THE UNITED STATES

DUAL-TRACK R&D EFFORT (IN-HOUSE AND INVESTEE COMPANIES)

123.3 MILLION EUROS WORTH OF INVESTMENT
4.5% OF SALES
AMONG THE WORLD'S 100 MOST INNOVATIVE COMPANIES[2]

CAPITAL EXPENDITURE (CAPEX)

151.7 MILLION EUROS TO EXPAND AND IMPROVE MANUFACTURING FACILITIES
NEW INVESTMENT PLAN WORTH 450 MILLION EUROS BETWEEN 2014 AND 2016

SHARE PRICE PERFORMANCE

CLASS A: 34.77 EUROS (+32%)
CLASS B: 25.89 EUROS (+36%)

[1] Source: Market Research Bureau (MRB) – *The Worldwide Plasma Proteins Market 2012.*
[2] According to Forbes Magazine 2013.

DIVERSIFICATION AND NEW OPPORTUNITIES

2013 results demonstrate Grifols' strength as a growing company that continues to work towards its mission: to improve the health and well being of people around the world.

At the close of 2013, Grifols' market capitalization[3] exceeded 10,790 million euros, and its financial results and its achievements in Manufacturing, Sales, R&D, Human Resources and the Environment support the management strategy implemented in 2013, and are evidence of the added value generated throughout the year.

During the year, there was a strong focus on two areas: consolidating recurring business through the Bioscience, Diagnostic and Hospital divisions, and generating new opportunities for future growth by acquiring shareholdings in research companies with a view to funding their R&D projects and safeguard their ongoing viability.

Grifols has continued its investment program to maintain its position as a pioneer with the emphasis on capital expenditure (CAPEX), on technological development and manufacturing improvements, and the search for differentiating factors that add value. Grifols has established an ambitious R&D program, and has made a number of strategic acquisitions. Some of these operations will make an immediate contribution to results (Novartis transfusion diagnostics unit) while others are part of a longer term strategy (Progenika, Aradigm and TiGenix).

Internationalization remains a key strategic focus, and during 2013 Grifols implemented a number of measures designed to strengthen it, including: the opening of a representative office in Dubai, with responsibility for activity in the Middle East; the consolidation of the company's presence in China, by converting its representative office into a commercial subsidiary; and ongoing studies for expansion in Turkey, India and Russia.

PROFIT AND LOSS ACCOUNT

(IN THOUSAND OF EUROS)	2013	2012	% VAR.
TOTAL NET INCOME	**2,741,732**	**2,620,944**	**4.6%**
COST OF SALES	(1,323,880)	(1,291,345)	2.5%
GROSS MARGIN	**1,417,852**	**1,329,599**	**6.6%**
% OF SALES	51.7%	50.7%	
RESEARCH & DEVELOPMENT	(123,271)	(124,443)	-0.9%
GENERAL EXPENSES & ADMIN.	(558,461)	(545,072)	2.5%
OPERATING COST	(681,732)	(669,515)	1.8%
OPERATING PROFIT	**736,120**	**660,084**	**11.5%**
% OF SALES	26.8%	25.2%	
FINANCIAL RESULTS	(237,419)	(270,729)	-12.3%
INVESTMENT INCOME, EQUITY METHOD	(1,165)	(1,407)	-17.2%
PRE-TAX PROFIT	**497,536**	**387,948**	**28.2%**
% OF SALES	18.1%	14.8%	
CORPORATE TAX	(155,482)	(132,571)	17.3%
% OF PROFIT	31.3%	34.2%	
ANNUAL NET PROFIT	342,054	255,377	33.9%
NET PROFIT ATTRIBUTABLE TO NON CONTROLLING INTEREST	(3,497)	(1,309)	167.2%
GROUP NET PROFIT	**345,551**	**256,686**	**34.6%**
% OF SALES	12.6%	9.8%	
EBITDA	**864,588**	**789,209**	**9.6%**
% OF SALES	31.5%	30.1%	
ADJUSTED EBITDA[5]	**917,366**	**836,117**	**9.7%**
% OF SALES	33.5%	31.9%	

FINANCIAL ANALYSIS 2013

SALES GREW BY +4.6% EXCEEDING 2,741.7 MILLION EUROS

During 2013, Grifols maintained its position as the world's third-largest producer of plasma-based medicines, accounting for approximately 20%[4] of the global market . The Bioscience division was the principal driver of the Group's income, with sales rising by +5.3% to 2,448.8 million euros.

The company also achieved excellent results in the three diagnostic areas in which it operates: transfusion medicine, immunology and hemostasis. The acquisition of the transfusion diagnostics unit of Novartis, completed in January 2014, will enable the Group to significantly expand its presence in the diagnostic sector, although this transaction did not have any impact on the 2013 results. The Diagnostic division generated income of 130 million euros, with approximately 80% generated outside Spain.

Sales revenue for the Hospital division rose by 3.5% to 97.1 million euros as a result of ongoing internationalization. Excluding the Spanish market, growth was in excess of 45%. Through its Hospital division, Grifols continues to be the leading supplier of intravenous solutions in Spain.

Activity in international markets was impressive, with Grifols generating 92.4% of its income outside of Spain. International sales grew 5.2% to 2,533.8 million euros.

ADJUSTED EBITDA[5] ROSE BY 9.7% TO 917.4 MILLION EUROS

The company worked hard throughout the year to increase efficiency and competitiveness. Increased sales of the main plasma proteins, and the optimization of raw material and manufacturing costs as a result of more flexible manufacturing processes helped to improve operating margins. The EBITDA margin rose by 140 basis points (bps) to 31.5% of sales, and the adjusted EBITDA margin[5] rose by 160 bps to 33.5%.

NET PROFIT ROSE BY 34.6% TO 345.6 MILLION EUROS

Improved funding conditions negotiated at the start of 2012 contributed to reduce the Group's financial result by 12.3%, to 237.4 million euros. In addition, deductions for R&D corresponding to 2012, applied during 2013, and the combined State Corporate Tax return filed by the North Carolina companies for the first time had a positive impact on the effective tax rate and on net profit, which stands at 12.6% of Group revenues.

NET FINANCIAL DEBT FALLS BY 308.9 MILLION EUROS

The net financial debt at December 2013 stood at 2,087.2 million euros. This represents a ratio of 2.28 times adjusted EBITDA[5], lower than the rate of 2.87 for December 2012.

The ongoing reduction of leverage levels, together with the high and sustainable levels of operating activity, and progress towards delivering the improvements associated with the acquisition of Talecris contributed to Standard & Poor's decision to ratify its credit rating of Grifols, and to Moody's decision to upgrade its rating.

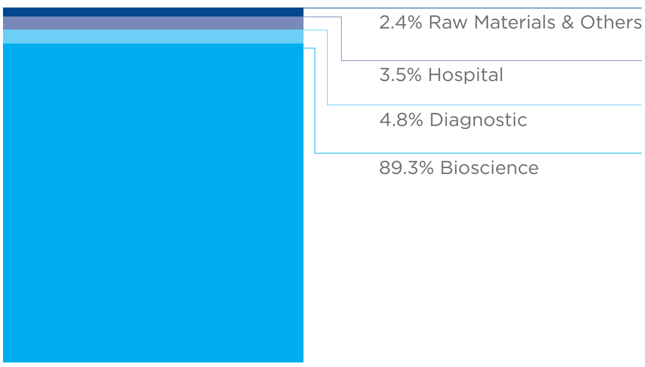
GRIFOLS RESUMES PAYMENT OF CASH DIVIDEND

In 2013, Grifols resumed cash dividends to all shareholders (Class A and Class B shares). Grifols' dividend policy remains unchanged, with a target payout of 40% of net profit.

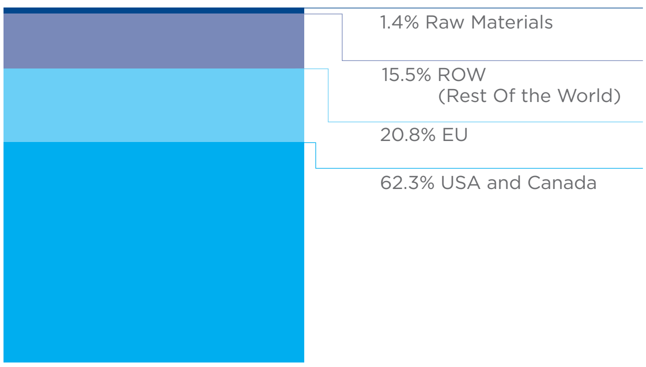
STRONG CASH GENERATION: 708.8 MILLION EUROS, OF WHICH 592.0 MILLION EUROS DERIVED FROM OPERATING ACTIVITIES

The Group's cash position was 708.8 million euros, after the payment of dividends, debt and interest and well above the 473.3 million euros reported in 2012. Operating activities made a strong contribution to cash flow, which rose to 592.0 million euros, with financial cash flow requirements falling by over 200 million euros. Both factors made it possible to increase by 236.0 million euros the flows allocated to investment activities, including acquisitions and the CAPEX plan to guarantee the Group's long-term growth.

2013 SALES BY DIVISION



SALES BY REGION



INVESTING IN GROWTH

CAPITAL EXPENDITURE (CAPEX): 450 MILLION EUROS FROM 2014 TO 2016

Grifols has completed a significant part of its CAPEX plan to 2015, allocating 151.7 million euros to expanding and improving its manufacturing facilities in both Spain and the United States in 2013.

The Bioscience division absorbed the lion's share of the plan, with the completion of the plasma fractionation plant at Parets del Vallès (Barcelona, Spain) and the validation of the Clayton plant (North Carolina, USA). Once both of these facilities are operational, Grifols will have an installed fractionation capacity of 12.5 million liters plasma per year.

There has also been significant investment in protein purification facilities, including the albumin plants at Parets del Vallès, Los Angeles and Clayton, as well as in the network of plasma donor centers.

R&D THROUGH THE INVESTMENT IN RESEARCH COMPANIES:

- Acquisition of 35% of Aradigm Corporation, specialized in the development and marketing of inhaled pharmaceutical products, for the treatment and prevention of chronic respiratory diseases. Grifols invested 25.7 million dollars (20.6 million euros) in an equity offering with a total value of 40.7 million dollars.
- Acquisition of 60% of Progenika Biopharma, for 37 million euros (34.6 million euros, net of cash). Progenika specializes in developing technology for personalized medicine
- Acquisition of 21.3% of biotech firm TiGenix, for 12.4 million euros. TiGenix specializes in cell therapy.

EXTENSIVE R&D PROJECT PORTFOLIO

As part of its ongoing commitment to research, Grifols invested 123.3 million euros (4.5% of sales income) in R&D during 2013. It also acquired shareholdings in companies and R&D projects in fields of medicine outside Grifols' core activities.

Grifols total investment in R&D, including both its portfolio of ongoing projects and those of its investees, Progenika, Araclon and Nanotherapix, is the most extensive and most diverse in the history of the Group.

Key milestones include the recruitment of the first patients for the AMBAR study (Alzheimer Management by Albumin Replacement) and the authorization by the Spanish Agency for Medicines and Health Products (AEMPS) of phase I of the clinical trial of the Alzheimer's vaccine being developed by Grifols through its company Araclon Biotech.

Grifols also supports research into other areas, including the use of albumin in hepatology.

GRIFOLS POSITIONS ITSELF IN DIAGNOSTICS: FROM DONATION TO TRANSFUSION

Following the acquisition of the transfusion diagnostics unit of Novartis, announced in December 2013 and completed in January 2014 for a value of 1,675 million dollars (1,240 million euros), Grifols has dramatically expanded its presence in the diagnostic sector and it has become a global leader in transfusion medicine, in addition to expanding its immunological diagnostics portfolio.

Grifols is the only company able to offer blood banks and transfusion centers integrated solutions that contribute to the safety and efficiency of the transfusion, process and allow them to control it at every stage, from donation through to transfusion. The acquisition has enabled Grifols to expand and complete its immunohematology product portfolio, that include gel technology reagents, and the new blood genotyping technologies of Progenika, acquired in 2013, with the NAT technology. The NAT (Nucleic Acid Amplification Test) technology, is among the most innovative on the market.

As a result, the company expects the weight of the Diagnostic division to grow, and to generate close to 20% of the Group's total revenues in 2014, compared to the current 5%. The acquisition will also consolidate Grifols' presence in the United States, with a well-established commercial network.

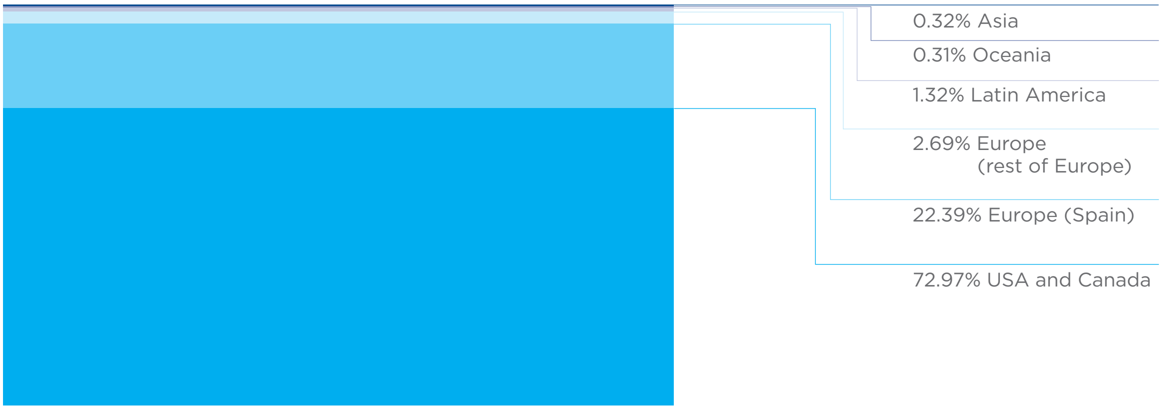
HUMAN RESOURCES

COMMITTED TO TRAINING AS PART OF THE PROFESSIONAL DEVELOPMENT OF ITS WORKFORCE

Grifols' cumulative average workforce in 2013 was 11,779, an increase of 6%. The number of staff employed by the Group's companies rose in all of the regions in which the company has a presence. In Spain, the workforce grew by 6.6%, to 2,637 employees.

Grifols has established the goal of improving staff training. The company provides a range of programs designed to meet short-term training needs. Total hours, the number of courses, and the number of participants all rose significantly with respect to 2012, as did the number of courses delivered via the e-learning platform.

2013 GEOGRAPHICAL DISTRIBUTION OF EMPLOYEES



THE ENVIRONMENT

GRIFOLS ACHIEVED MORE THAN 80% OF ITS ENVIRONMENTAL TARGETS

2013 saw completion of the strategic environmental program, launched in 2011. With over 80% of targets being achieved, the results confirmed the effectiveness of measures taken with regard to energy efficiency, responsible resource management, reduction of emissions, and the treatment and recycling of waste.

At all of its manufacturing facilities, Grifols is committed to ensuring that its activities respect the environment, reducing energy consumption through the incorporation of innovative, eco-efficient solutions to minimize the volume of atmospheric emissions, recovering compounds such as ethanol, and improving waste separation to facilitate treatment and recycling.

NOTES

3 Market capitalization calculated on the basis of the closing prices of Grifols Class A and Class B shares at 31/12/2013, the final trading day of 2013.

4 Source: Market Research Bureau (MRB) – *The Worldwide Plasma Proteins Market 2012.*

5 Excludes costs associated with the purchase of Talecris and other non-recurring costs.