

# GRIFOLS, S.A.

## REPORT BY THE BOARD OF DIRECTORS ON AN INCREASE IN CAPITAL THROUGH MONETARY CONTRIBUTIONS, EXCLUSION OF THE PRE-EMPTIVE SUBSCRIPTION RIGHT AND MODIFYING THE ARTICLES OF ASSOCIATION

---

This report concerns the proposed increase in share capital and modification of the Articles of Association, which will be submitted for approval by the Extraordinary General Shareholders Meeting of Grifols, S.A. (referred to below as “**Grifols**” or the “**Company**”) to be held in Barcelona at the first call at Hotel Hilton Barcelona, Avda. Diagonal, 589-591, 08014 Barcelona, at 12 noon on 24 January 2011 and, at the second call, on 25 January 2011, at the same place and at the same time.

The report is being issued pursuant to articles 286 and 308.2.a) of Legislative Royal Decree 1/2010 of 2 July, which approved the revised text of the Spanish Companies Act (referred to below by its initials in Spanish, “**LSC**”), as a result of the proposed increase in capital and modification of the Articles of Association proposed under the first item on the agenda of the aforementioned Extraordinary General Shareholders Meeting. The report merely analyses the corporate aspects the aforementioned articles require and does not go into accounting or other assessments. The purpose of the increase and modification is to enable the Company to comply with the agreement to acquire the US company Talecris Biotherapeutics Holdings Corp. (referred to below as “**Talecris**”) (referred to below as the “**Deal**”) signed on 6 June 2010 by the Company, Grifols Inc., and Talecris (Agreement and Plan of Merger) and modified on 4 November 2010 to reflect the agreements reached within the framework of the Class Action described below (this, in the form in which it may be modified, is referred to below as the “**Acquisition Agreement**”). This increase in capital will specifically allow non-voting shares to be issued, which will ultimately be used to pay Talecris shareholders part of the price for the Deal. The rest of the price will be paid in cash (US dollars).

The Spanish Securities and Exchange Commission was notified of the deal as a relevant fact on 7 June 2010. A more detailed description of the Acquisition Agreement and the Deal in general follows.

### **I. DESCRIPTION OF THE ACQUISITION AGREEMENT AND THE PROPOSED INCREASE IN CAPITAL**

#### **1. General description of the Deal**

Under the Acquisition Agreement, subject to its terms and conditions, Grifols will acquire Talecris for an acquisition price (the “**Total Consideration per Talecris Share**”) consisting of:

- (i) A price in US dollars consisting of US\$19.00 per outstanding Talecris share at the time of closing the Deal (referred to below as the “**Monetary Price**”); and
- (ii) A price in non-voting Grifols shares in a proportion (as stated below) of 0.6485

or 0.641 non-voting Grifols shares per outstanding Talecris share at the time of closing the Deal, provided the total non-voting Grifols shares resulting from that exchange ratio does not exceed 87,000,000 non-voting shares, in which case the exchange ratio will be adjusted to the necessary extent (the “**Share Exchange Ratio**”) (referred to below as the “**Price in Shares**”). The Share Exchange Ratio will differ based on the identity of the Talecris shareholder at the time of closing the Deal and will be equal to (a) 0.6485, generally speaking; and (b) 0.641, when the shareholder is Talecris Holdings, LLC or a Talecris director. The reason for the existence of this share exchange ratio specific to Talecris Holdings, LLC and Talecris's directors is a settlement agreement entered into on 29 October 2010, which put an end to the Class Action that had been brought by certain Talecris shareholders in the State of Delaware against Talecris and Grifols, among others. As a result of the settlement agreement, (i) appraisal rights have been granted to Talecris shareholders who so request, and (ii) Grifols has agreed to raise the maximum number of shares to be issued by 500,000 shares from 86,500,000 to 87,000,000.

Talecris shareholders that have a number of shares that, when the above Share Exchange Ratio is applied, gives a non-whole number of non-voting Grifols shares and therefore would be entitled to a fraction of a non-voting Grifols share, will not receive those fractions. They will instead receive consideration in US dollars, which shall be calculated based on the average price of Grifols ordinary shares for a period of 20 consecutive days before the second trading session for Grifols ordinary shares before the closing of the Deal.

Under the Acquisition Agreement, non-voting Grifols shares will also be represented by American Depositary Shares (referred to below as “**ADSs**”).

On 31 May 2010, Talecris has a total of 122,875,752 common shares issued and outstanding. 12,015,271 Talecris common shares were also reserved and available for issue or delivery under certain incentive plans ongoing at Talecris. Lastly, an insignificant number of additional shares may have to be issued under other incentive plans at Talecris. It is estimated that, upon closing of the Deal, the number of Talecris common shares issued and outstanding will not exceed 135,000,000 shares.

Grifols will implement the Deal through Grifols Inc. (an American subsidiary wholly owned by the Company), which, immediately before the closing of the Deal, will have received (i) the necessary bank financing to pay part of the Monetary Price and (ii) the non-voting Grifols shares required to pay the part of the Price in Shares.

## **2. Implementation of the Deal in the USA**

The Deal is being implemented in the USA by reregistering Talecris in the State of Virginia (USA) and the takeover of the resulting company (acquiring company) and Grifols Inc. (acquired company). The following will be carried out on the Deal closing date in the USA:

- (i) Reregistration of Talecris: under the Acquisition Agreement, subject to its terms and conditions, Talecris will be taken over by a newly incorporated company

wholly owned by Talecris, incorporated in accordance with the laws of the State of Virginia (USA) (referred to below as “**Talecris Virginia**”). Talecris Virginia will be the surviving company after the takeover. As a result of that takeover, each Talecris common share, with a par value of US\$0.01, shall be exchanged for a Talecris Virginia common share, with a par value of US\$0.01 (referred to below as the “**Reregistration**”).

- (ii) Takeover of Grifols Inc. (acquired company) by Talecris Virginia (acquiring company): immediately after the above takeover, subject to the terms and conditions in the Acquisition Agreement, Grifols Inc. will be taken over by Talecris Virginia. As a result of this new takeover (i) each Talecris Virginia common share will be converted into a right to receive the Total Consideration per Talecris Share; and (ii) each Grifols Inc. common share will be converted into a Talecris Virginia common share (referred to below as the “**Takeover**”).

For that purpose, prior to the Takeover, Grifols Inc. must have the Monetary Price needed to pay the consideration of US\$19 per Talecris Virginia share and the non-voting shares required to pay the Price in Shares when the exchange ratio is applied, available in its assets. We will set out the procedure whereby Grifols Inc. will acquire these assets further below.

As a result of the Takeover, Grifols will become the sole shareholder owning 100% of Talecris Virginia's share capital.

### **3. Description and valuation of Talecris**

Due to the relationship between the monetary increase in capital this report concerns and the acquisition of Talecris's common shares (whereby, once the Deal has been performed, Talecris, in the form of its successor company, Talecris Virginia, will come to be a company wholly owned by Grifols), the Company will have a valuation report drawn up by a professionally qualified independent expert which, for the purpose of articles 67 to 69 of the Spanish Joint Stock Companies Act, will contain a description of Talecris and a valuation of Talecris, setting out the criteria used for the valuation and whether the valuation tallies with the capital and share premium of the non-voting shares to be issued in the Company's increase in capital.

#### **A. Description of Talecris**

Talecris is a US company, the registered office of which is at c/o The Corporation Trust Company, 1209 Orange Street, New Castle County, Wilmington, Delaware 19801, USA and its IRS Employer Identification Number is 20-2533768. However, the Reregistration will result in its registered office being in the State of Virginia. Its common shares are admitted to trading on the *National Association of Securities Dealers Automated Quotation* (NASDAQ) in the USA

Talecris is one of the five largest companies in the blood products industry. Its headquarters are in North Carolina (USA) and it also has regional headquarters in Canada and Germany. It was created in 2005 from Bayer BP's Bioscience division and the services, contracts and fractionation capacity of Precision Pharma Services.

It has a set of differentiated products in key segments:

- Gamunex®: An immunoglobulin concentrate made from human plasma, which has indications for a wide range of immune diseases. Gamunex® is a product with strong brand recognition as it has the highest number of medical indications in the USA. In addition, at the end of 2009, it received orphan drug status from the FDA for treatment of CIPD, a neurological disease that, according to various studies, is the disease most treatable with immunoglobulins. This orphan drug status will enable Talecris to be the only manufacturer able to promote this indication among the US medical community until 2015.
- Prolastin®: The alpha 1-antitrypsin protein is produced in the liver and is indicated for treating patients with a congenital deficit who develop pulmonary emphysema as adults. Prolastin® is far and away the leader in the global market for treating this disease, which, according to various studies, affects some 200,000 people in the USA and Europe, although many of them are as-yet undiagnosed. Talecris has a global market share of 76%.

Talecris has recently received FDA approval for a new generation of alpha 1-antitrypsin, Prolastin-C®, which improves the treatment of patients who need to use it chronically.

Talecris has well-established infrastructure and is developing a network of plasmapheresis centres capable of guaranteeing self-sufficiency in the raw material (plasma). It also has capacity for fractionation of 4.2 million litres of plasma/year at its two plants in Clayton and Melville (USA).

Talecris has a staff headcount of approximately 5,000 and in 2009 had a turnover of US\$1,533 million with an adjusted EBITDA of US\$447 million.

By product, in 2009 54% of its turnover came from sales of IVIG (Gamunex®), 21% from A1PI (Prolastin®), 6% from Fraction V, 3% from Factor 8 and 16% from other proteins. By geographical area, 80% of its turnover was concentrated in North America (66% in the USA and 14% in Canada), while the remaining 20% was in the European Union (12%) and the rest of the world (8%).

## B. Valuation of Talecris and valuation factors

As stated above, the price that Grifols is to pay per Talecris share will consist of US\$19 plus 0.641/0.6485 non-voting Grifols shares (albeit subject to adjustments as a result of the total maximum figure of non-voting shares to be issued). Based on (i) the price per Grifols common share at the close of trading on 4 June 2010 (the session immediately prior to public announcement of the Deal), which was €9.27, and (ii) the exchange rate US\$1.2060:€1 established by the European Central Bank (ECB) for that day<sup>1</sup>, the sum

---

<sup>1</sup> Pursuant to the Bank of Spain Resolution of 7 June 2010 (Official State Gazette ed. 139, 08/06/2010)

of the Monetary Price and the Price in Shares gives a total price of (a) €21.77 (US\$26.25) per Talecris share for Talecris shareholders with an exchange ratio equal to 0.6485 and (b) €21.70 (US\$26.17) per Talecris share for Talecris shareholders with an exchange ratio equal to 0.641.

Although the Price in Shares will be paid in non-voting shares, Grifols common shares have been taken as a valuation reference because it is considered that both classes of shares will trade at similar prices, since once the Articles of Association have been modified, the non-voting shares will be granted substantially identical economic rights to the common shares, the possibility of benefiting from a takeover bid under the same conditions as common shares, and protection against resolutions that could result in dilution of the non-voting shares.

Grifols' Board of Directors has taken various factors into account in valuing Talecris's shares, such as:

- The Deal's strategic sense

Grifols and Talecris have totally complementary business models, which will enable the two companies to make the most of commercial and industrial aspects, as well as their R&D project portfolios. Both companies are also a perfect fit in geographic terms and closing the Deal will allow Grifols to increase its presence in the USA considerably.

Merging the two companies will enable the creation of the world's third-largest vertically-integrated producer of blood products and increase their capacity to obtain and fractionate plasma, as the only company capable of offering 5% and 10% IVIG in the USA.

- Great financial sense for shareholders

Merging the two companies will create significant synergies worth approximately \$230 million per year from 2014 on. It will also enable immediate growth in profit per share, which the Board estimates at around 30% from the second year on.

Financing of the deal is fully backed by Deutsche Bank, Nomura, BBVA, BNP Paribas, HSBC and Morgan Stanley.

The Board considers that the deal will have the following benefits for Grifols:

- Increase in blood product production

Merging Grifols and Talecris will enable:

- an increase in plasma fractionation capacity and improved overall use;
- an increase in purification capacity; supplementing and rationalising capital investment (CAPEX);
- optimising the plasma obtained with lower costs;

- an increase in use per litre of plasma, which will improve margins;
  - establishing complementary diagnostic laboratories; and
  - optimising stock levels.
- Consolidating positioning and stability in the market

Also, from a commercial positioning viewpoint, the acquisition of Talecris by Grifols would imply:

- increasing and diversifying the products in our portfolio (expanding the treatment range);
- an excellent geographic fit;
- an increase in product availability;
- complementary R&D projects and an increase in R&D projects in the portfolio;
- consolidating our extensive experience and reputation among health regulators (FDA, EMEA, etc.); and
- opening up business opportunities in therapies with recombinant products.

#### **4. Proposed increase in capital. Issue and initial subscription of non-voting shares**

##### **A. Proposed increase in capital**

As mentioned above, Grifols Inc. must have the Monetary Price and the Price in Shares available at the time of closing the Deal, so it may deliver them to the Talecris Virginia shareholders as consideration for their respective shares when the Takeover mentioned in section 2 above is carried out.

So that it may pay the Price in Shares, before the closing of the Deal, Grifols shall issue and have outstanding a maximum of 87,000,000 non-voting shares with a par value of €0.10. The new non-voting shares shall be Class B shares in the Company, while the common shares will become Class A.

To that end, as stated in the following section, the Company's Articles of Association will be modified so that article 6 refers to the creation of a new class of share, which will group together the non-voting shares, and will be called Class B, as mentioned above, and an article 6 bis will be added, which will set out the terms of the non-voting or Class B shares.

With regard to the Price in Shares, a lending institution (referred to below as the “**Subscription Agent**”), which is expected to be Banco Bilbao Vizcaya Argentaria, S.A., will initially subscribe the non-voting shares, under the terms of the relevant agreement, through a monetary contribution. In order to do this, the General Shareholders Meeting must first have excluded the pre-emptive subscription right the current shareholders hold as stated in the proposed resolution. The Board of Directors, or any of its members in the event of the latter substituting the former, shall determine the subscription price, no later than the date on which the increase in capital is performed, pursuant to the criteria set out in this report. The Subscription Agent is only

intended to subscribe the number of non-voting shares that, at the time the increase in capital is performed, are expected to result from applying the Share Exchange Ratio to the number of Talecris shares issued and outstanding at the time of closing the Deal. Immediately afterwards, Grifols will use the monetary contribution received from the Subscription Agent to subscribe an identical increase in Grifols Inc.'s share capital. Once Grifols' increase in capital has been registered in Barcelona Companies Registry and immediately before closure of the Deal, Grifols Inc. will use the money received in its increase in capital to pay the price for the non-voting shares to the Subscription Agent. It will pay the same amount as the Subscription Agent paid to subscribe the increase in capital.

The Subscription Agent is intended to subscribe the non-voting shares once all of the conditions for closure of the Deal have been met, except for those concerning the issuing and admission to trading of the non-voting shares, and those that may only be met on the closing date itself.

Grifols Inc. shall pay the price for the non-voting shares for the exclusive purpose of non-voting shares being delivered to the depositary issuing the ADS, which will receive them on behalf of Talecris's shareholders.

As far as the Monetary Price is concerned, in parallel Grifols Inc. will receive the bank financing needed to have the necessary liquidity to pay the part of the acquisition price consisting of cash.

Closure of the Deal is subject to the usual conditions, including approval of the takeover by Talecris's shareholders, approval of the issuing of non-voting shares by Grifols' shareholders, as mentioned in this report, and authorisation by the antitrust authorities. The Deal is therefore subject to possible changes to its terms being agreed by the parties or being necessary in order for those conditions to be met. Grifols' directors may agree to those changes and alterations of circumstances and a modification of the increase in capital resolution this report concerns will not be required provided the changes do not directly affect the terms of the increase in capital resolution itself. Similarly, the increase in capital referred to in this report will not be carried out if any of the conditions to which the Deal is subject is not met and has not been waived by the Parties.

#### B. Issue price for non-voting Grifols shares

The issue price (par value plus share premium) for each non-voting Grifols share shall be determined by the Board of Directors, or any of its members if the Board is substituted in exercising this authority by its members, when the delegation is carried out pursuant to article 297.1.a) of the LSC, and shall be equal to the closing price for Grifols common shares in the Spanish Stock Market Interconnection System (*Sistema de Interconexión Bursátil Español - SIBE*) the stock market business day immediately prior to the date on which the Extraordinary General Shareholders Meeting is held, provided that closing price:

- (i) is greater than €3.11 (the net asset value per share of Grifols common shares according to the Company's consolidated financial statements as at 30

September 2010); if it is equal to or less than that figure, the issue price shall be equal to 3.12; and

- (ii) no higher than €9.27 (the price of Grifols common shares at the close of trading on 4 June 2010); if it is higher, the issue price shall be €9.27.

The directors hereby state, pursuant to article 505 LSC, that the net asset value per share for Grifols common shares according to the Company's consolidated financial statements as at 30 September 2010, which were audited by the Company's auditor with an unqualified opinion, was €3.11.

As mentioned above, the non-voting shares are expected to trade at the same price as the voting shares. In view of other comparable precedents in companies with voting and non-voting shares, the directors do not consider that the non-voting shares should be attributed a higher value than common shares.

#### C. Number and value of the shares to be delivered

As mentioned above, Grifols will issue a maximum of 87,000,000 Class B shares, with a par value of €0.10, belonging to the same class and series, which will be non-voting shares in the Company with the rights established in Article 6 bis of the Articles of Association, which shall be added as stated in the proposal referred to in section II.

The shares shall be represented by book entries and shall be governed by the Stock Market Act and other applicable provisions. The ledger in which the book entries will be recorded shall be kept by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) and its participating institutions.

## **II. FULL TEXT OF THE PROPOSED MODIFICATIONS TO THE ARTICLES OF ASSOCIATION**

The proposed modifications to the Articles of Association, the full text of which is set out below, are intended to adapt the Articles of Association to the agreement governing the Deal with regard to the existence of the new non-voting shares and the terms and conditions applicable thereto.

In order to guarantee that Class B shareholders are protected and treated in the same way as Class A shareholders, in certain cases of particular relevance to the Company, the right of Class B shareholders to redemption in the event of a takeover bid being made and settled under certain conditions, and the resolutions for which Class B shareholders must vote in a separate shareholders meeting, are specifically regulated.

Below is the wording proposed to the General Shareholders Meeting for including the terms and conditions regulating non-voting (Class B) shares in the Articles of Association, by modifying article 6 and adding a new article 6 bis, which will govern the rights and obligations of those shares once they have been issued by the Board of Directors, or by any of its members in the event of the latter substituting the former,



pursuant to the delegation granted by the General Shareholders Meeting. In accordance with the foregoing, articles 6 and 6 bis would be worded as stated below.

**“Article 6- Share Capital**

1. *Shares.* The share capital of the Company is 106,532,449.50 euros, represented by 213,064,899 shares, fully subscribed and paid-up, pertaining to two separate classes:
  - 1.1. 213,064,899 shares pertaining to Class “A”, having 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. 0 shares pertaining to Class “B”, having a nominal value of 0.10 euros each, all of which belong to the same class and series, and being non-voting shares of the Company with the preferential rights set forth in Article 6 Bis of these By-Laws (the “**Class B Shares**” and, together with the Class A Shares, the “**shares**”).
2. *Form of representation.* The shares are represented in book-entry form and are governed by the Securities Market Act (Ley del Mercado de Valores) and such other provisions as may be applicable. The book-entry registry shall be maintained by the Sociedad de Gestión de los Sistemas de Registro, S.A. (Iberclear) and its participant entities.

**Article 6 Bis.- Terms and conditions of the Class B Shares**

1. **General**

*Each Class B Share shall be treated in all respects, in spite of having a lower nominal value, as being identical to one Class A Share, and Class B Shares shall not be subject to discriminatory treatment relative to the Class A Shares, except that the Class B Shares (i) are not entitled to voting rights; and (ii) have the preferred dividend, liquidation preference and other rights set forth in this Article 6 Bis.*

*The right of each Class B Share to the dividends and other allocations and distributions other than the Preferred Dividend and the preferential subscription right (derecho de suscripción preferente) and the free allotment right (derecho de asignación gratuita de acciones) of each Class B Shares are the ones set forth in paragraphs 3.1 and 6.1 of this Article 6 Bis and are equal to those of a Class A Share, in spite of the nominal value of a Class B Share being lower than the nominal value of a Class A Share, as permitted by Articles 98 to 103 and 498 to 499 of the Spanish Companies Law (Ley de Sociedades de Capital).*

2. **Preferred Dividend**

- 2.1. *Calculation.* Each Class B Share entitles its holder to receive a minimum annual preferred dividend out of the distributable profits for each year at the end of which it is still in issue (the “**Preferred Dividend**” and each fiscal year in respect of which the Preferred Dividend is calculated, a “**Calculation Period**”) equal to

0.01 euros per Class B Share.

2.2. Preference. *The Company shall pay the Preferred Dividend on the Class B Shares for a Calculation Period before any dividend out of distributable profits obtained by the Company during such Calculation Period is paid on the Class A Shares.*

2.3. Accrual. Payment. Non-cumulative nature.

(A) *The Preferred Dividend on all the Class B Shares in issue at the end of the Calculation Period shall be paid by the Company to the holders of the Class B Shares within the nine months following the end of such Calculation Period in the amount such aggregate Preferred Dividend does not exceed the distributable profits obtained by the Company during such Calculation Period.*

(B) *If during a Calculation Period the Company has not obtained sufficient distributable profits to pay in full, out of distributable profits obtained by the Company during such Calculation Period, the Preferred Dividend on all the Class B Shares in issue for such Calculation Period, the part of the aggregate Preferred Dividend that exceeds the distributable profits obtained by the Company during such Calculation Period shall be neither paid nor accumulated as dividend payable in the future..*

2.4. Voting rights in case of non-payment of the Preferred Dividend. *Lack of payment, total or partial, of the Preferred Dividend during a Calculation Period due to the Company not having obtained sufficient distributable profits to pay in full the Preferred Dividend for such Calculation Period, shall not cause the Class B Shares to recover any voting rights.*

### 3. Other Dividends

3.1. *Each Class B Share entitles its holder to receive, in addition to the Preferred Dividend, the same dividends and other distributions (in each case, whether in cash, securities of the Company or any of its subsidiaries, or any other securities, assets or rights) as one Class A Share and, therefore, each Class B Share shall be treated as one Class A Share for purposes of any dividends and other distributions made on Class A Shares, including as to the timing of the declaration and payment of any such dividend or distribution..*

### 4. Redemption rights

4.1. Redemption event. *Each Class B Share entitles its holder to have it redeemed as set forth in this section 4 if a tender offer for all or part of the shares in the Company is made and settled (in whole or in part) except if holders of Class B Shares have been entitled to participate in such offer and have their shares acquired in such offer equally and on the same terms as holders of Class A Shares (including, without limitation, for the same consideration) (each such a tender offer, a “Redemption Event”).*

- 4.2. Maximum number of shares of Class B Shares to be redeemed in a given Redemption Event. Notwithstanding the foregoing, Class B Shares redeemed following a given Redemption Event shall not represent a percentage over the total Class B Shares in issue at the time the tender offer causing that Redemption Event is made in excess of the percentage that the sum of Class A Shares (i) to which the offer causing the Redemption Event is addressed; (ii) held by the offerors in that offer; and (iii) held by persons acting in concert with the offerors or by persons having reached an agreement relating to the offer with the offerors represent over the total Class A Shares in issue at the time the tender offer causing that Redemption Event is made.

*In the event that due to the application of the limit referred above not all Class B Shares in respect of which the redemption right has been exercised in connection with a Redemption Event may be redeemed, the Class B Shares of each holder to be redeemed shall be reduced relative to the number of Class B Shares in respect of which such holder has exercised the redemption rights so that the above referred limit is not exceeded.*

- 4.3. Redemption Process. Upon the occurrence of a Redemption Event,
- (A) Announcement: The Company shall, for informational purposes only, and within 10 days of the date on which a Redemption Event occurs, publish in the Commercial Registry Gazette, the Spanish Stock Exchanges Gazette and in at least two of the newspapers with widest circulation in Barcelona an announcement informing the holders of Class B Shares of the occurrence of a Redemption Event and the process for the exercise of the redemption right in connection with such Redemption Event.
  - (B) Exercise by holders: Each holder of Class B Shares shall be entitled to exercise its redemption right for two months from the first date of settlement of the offer causing the Redemption Event by notifying their decision to the Company. The Company shall ensure that the notification of exercise of the redemption right may be made through the systems of the Spanish Central Securities Depository (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.) (Iberclear).
  - (C) Price: The redemption price to be paid by the Company for each Class B Share for which the redemption right has been exercised shall be the sum of (i) the amount in euros of the highest consideration paid in the offer causing the Redemption Event plus (ii) interest on the amount referred to in (i) from the date the offer causing the Redemption Event is first settled until the date of full payment of the redemption price, at rate equal to one year Euribor plus 300 basis points.

*For purposes of the previous paragraph, the amount in euros corresponding to any non-cash consideration paid in the offer causing the Redemption Event shall be the market value of such non-cash*

consideration as at the date the offer causing the Redemption Event is first settled. The calculation of such market value shall be supported by at least two independent experts designated by the Company from auditing firms of international repute.

(D) Formalization of the Redemption: The Company shall, within 40 days of the date on which the period for notification of the exercise of redemption rights following a Redemption Event lapses, take all the necessary actions to (a) effectively pay the redemption price for the Class B Shares in respect of which the redemption rights has been exercised and complete the capital reduction required for the redemption; and (b) reflect the amendment to Article 6 of these By-Laws deriving from the redemption. In this respect, the Directors of the Company are hereby authorized and obligated to take all such actions, including (a) completing the capital reduction required for the redemption; (b) the granting of the relevant public deeds and registration with the Commercial Registry of the changes in Article 6 of these By-Laws deriving from the redemption of Class B Shares; (c) the formalization of the amendment of the book-entries in the book-entry registry; (d) and the making of the relevant filings and requests with any other persons, including the Spanish Central Securities Depository (la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.) (Iberclear), the Spanish Stock Exchanges, The Spanish Securities Exchange Commission and the Commercial Registry.

4.4. Effect on Dividends. After a Redemption Event occurs and until the redemption price for the Class B Shares in respect of which the redemption right has been exercised has been paid in full, the Company shall not be able to declare or pay any dividends nor any other distributions to its shareholders (in each case, whether in cash, securities of the Company or any of its subsidiaries, or any other securities, assets or rights).

## 5. Preferential liquidation rights

5.1. Each Class B Share entitles its holder to receive, upon the winding-up and liquidation of the Company, an amount (the "**Liquidation Preference**") equal to the sum of (i) the nominal value of such Class B Share, and (ii) the share premium paid up for such Class B Share when it was subscribed for.

5.2. The Company shall pay the Liquidation Preference on the Class B Shares before any amount on account of liquidation is paid on the Class A Shares.

5.3. Each Class B Share entitles its holder to receive, in addition to the Liquidation Preference, the same amount on account of liquidation as one Class A Share.

## 6. Other rights

6.1. Subscription rights.

*Each Class B Share entitles its holder to the same rights (including preferential subscription right (derecho de suscripción preferente), and the free allotment right (derecho de asignación gratuita) as one Class A share in connection with any issuance, granting or sale of (i) any shares in the Company, (ii) any rights or other securities exercisable for or exchangeable or convertible into shares in the Company or (iii) any options, warrants or other instruments giving the right to the holder thereof to purchase, convert, subscribe or otherwise receive any securities in the Company.*

*As exceptions to the foregoing,*

- (A) the preferential subscription right and the free allotment right of the Class B Shares shall be only over new Class B Shares, and the preferential subscription right and the free allotment right of a Class A Share shall be only over new Class A Shares in each capital increase which meets the following three requirements (i) entail the issuance of Class A Shares and Class B Shares in the same proportion as Class A Shares and Class B Shares represent over the share capital of the Company at the time the resolution on the capital increase is passed; (ii) grants preferential subscription rights or free allotment rights, as applicable, to the Class B Shares over the Class B Shares being issued in the capital increase in the same terms as preferential subscription rights or free allotment rights, as applicable, are granted to the Class A Shares over the Class A Shares being issued in the capital increase; and (iii) in which no other shares or securities are issued; and*
- (B) likewise, the preferential subscription right and the free allotment right of a Class B Share shall be only over instruments giving the right to purchase, convert, subscribe or otherwise receive Class B Shares and the preferential subscription right and the free allotment right of a Class A Share shall be only over instruments giving the right to purchase, convert, subscribe or otherwise receive Class A Shares in each issuance which meets the following three requirements (i) entail the issuance of instruments giving the right to purchase, convert, subscribe or otherwise receive Class A Shares and instruments giving the right to purchase, convert, subscribe or otherwise receive Class B Shares in the same proportion as Class A Shares and Class B Shares represent over the share capital of the Company at the time the resolution on the capital increase is passed; (ii) grants preferential subscription rights or free allotment rights, as applicable, to the Class B Shares over the instruments giving the right to purchase, convert, subscribe or otherwise receive Class B Shares being issued in such issuance in the same terms as preferential subscription rights or free allotment rights, as applicable, are granted to the Class A Shares over the instruments giving the right to purchase, convert, subscribe or otherwise receive Class A Shares being issued in such issuance; and (iii) in which no other shares or securities are issued.*

*6.2. Separate vote at the general shareholders meeting on Extraordinary Matters. Without prejudice and in addition to the rights provided in Article 103 of the*

*Companies Law [Ley de Sociedades de Capital] but also in order to protect Class B Shares, resolutions of the Company on the following matters (the “Extraordinary Matters”) will require, in addition to the resolution being approved pursuant to Article 17 of these By-Laws, the approval of a majority of Class B Shares then in issue:*

- (A) Any resolution (i) authorizing the Company or any subsidiary of the Company to repurchase or acquire any Class A Shares in the Company, except for pro rata repurchases available equally to holders of Class B Shares on the same terms and at the same price as offered to holders of Class A Shares or (ii) approving the redemption of any shares in the Company and any share capital reductions (through repurchases, cancellation of shares or otherwise) other than (a) those redemptions mandatory by law and (b) those redemptions which affect equally Class A Shares and Class B Shares and in which each Class B is treated equally and on the same terms as one Class A Share in such transaction;*
- (B) Any resolution approving the granting or sale (or authorizing the Board of Directors of the Company to issue, grant or sell) (i) any shares in the Company, (ii) any rights or other securities exercisable for or exchangeable or convertible into shares in the Company or (iii) any options, warrants or other instruments giving the right to the holder thereof to purchase, convert, subscribe or otherwise receive any securities in the Company, except, for (i), (ii) and (iii), (A) if each Class B Share is treated equally as one Class A Share in the relevant issuance, grant or sale and, therefore, has preferential subscription or allotment rights in the relevant issuance, grant or sale to the same extent, if any, as a Class A Share or (B) if the issuance is made in accordance with section 6.1;*
- (C) Any resolution approving unconditionally or not (i) a transaction subject to Law 3/2009 (including, without limitation, a merger, split-off, cross-border redomiciliation or global assignment of assets and liabilities), except if in such transaction each Class B Share is treated equally as one Class A Share in all respects; or (ii) the dissolution or winding-up of the Company, except where such resolution is mandatory by law;*
- (D) Any resolution for the delisting from any stock exchange of any shares of the Company; and*
- (E) Generally, any resolution and any amendment of the Company’s By-Laws which directly or indirectly adversely affects the rights, preferences or privileges of the Class B Shares (including any resolution that adversely affects the Class B Shares relative to the Class A Shares or that positively affects the Class A Shares relative to the Class B Shares, or that affects the provisions in these By-laws relating to the Class B Shares).*

*The general shareholders’ meeting has the power to decide on all matters assigned to it by the law or these By-laws and, in particular, without limitation to the foregoing, shall be the only corporate body or office entitled to decide on the*

*matters considered “Extraordinary Matters” in this Article of the By-laws.*

- 6.3. *Other rights.* *The Class B Shares shall have the other rights provided for them in Articles 100, 102 and 103 of the Companies Law [Ley de Sociedades de Capital] and, except as set forth in this Article 6° Bis and in Articles 100, 102 and 103 of the Companies Law [Ley de Sociedades de Capital], each Class B Share entitles its holder to the same rights as one Class A Share (including the right to attend all general shareholders meetings of the Company, the right to information on the Company and the right to challenge resolutions of the Company)*

Once the Board of Directors, or any of its members in the event of substitution of the former by the latter, exercises the authority delegated by the Shareholders Meeting for carrying out the increase in capital, article 6 of the Articles of Association shall be modified and have the literal wording stated above, notwithstanding that the Board of Directors, or any of its members in the event of the latter substituting the former, may modify the number of Class B shares to the necessary extent, in accordance with the increase in capital and, therefore, may modify the total number of shares and the Company's capital.

### **III. PROPOSED RESOLUTION TO BE PUT TO THE GENERAL SHAREHOLDERS MEETING**

The full text of the proposed resolution to increase the share capital and modify the Company's articles of association, which is being put to the General Shareholders Meeting, may be viewed in the document called Proposed Resolutions to be Put to the General Shareholders Meeting, which is made available to Grifols shareholders together with this report and the rest of the documents for the General Shareholders Meeting.

\* \* \*