

GRIFOLS

*Business update · Third Quarter 2021
November 11, 2021*

Grifols advances on the execution of its strategic plan through its investment in Biotest and agreement with GIC amid favorable U.S. market conditions

Biotest AG's Management Board and Supervisory Board endorse Grifols' investment and recommend minority shareholders to accept the voluntary public tender offer

Grifols makes important strides to reduce its debt levels. The strategic agreement with the sovereign wealth fund of Singapore (GIC) will allow to reduce it by USD 1 billion

Demand for plasma proteins remains solid in a rising-price environment, which will continue in 2022. In the last two quarters, plasma collection volumes significantly exceed 2020 levels. The company continues to work to accelerate the expected recovery

The reduction of fiscal programs in the U.S. encourages a further increase in plasma donations and enhances the value of Grifols' current debt structure, strategically devised in the potential event of interest rate hikes

Grifols advances on the execution of its strategic plan in anticipation of the current situation, in a period marked by important organic and inorganic initiatives aimed at bolstering its plasma-collection levels and enhancing its innovation projects. This period is also marked by the strategic investment in Biotest, the agreement with GIC, as well as the optimization of its financial structure.

As of September 30, 2021, the demand for Grifols' products and solutions remained robust across all divisions in a rising-price environment for the main plasma proteins in its core regions of operation. These price upturns are expected to persist in 2022.

Favorable U.S. market conditions for Grifols: fiscal stimulus plans and a potential interest rate hikes

In the United States, the reduction of fiscal stimulus plans has led to a further surge in plasma donations and advanced Grifols' efforts to attain higher plasma-collection volumes in the country. In Europe, plasma volumes prolonged their upward trend, recording noteworthy year-on-year growth since 2019.

Additionally, in view of the new macroeconomic situation, Grifols also optimized its financial structure following its investment in Biotest and USD 1 billion agreement with GIC.

At present, more than 60% of Grifols' debt is tied to a fixed interest rate. Taking into account its debt in U.S. dollars (USD), this percentage stands at 75%, with only 25% linked to a variable interest rate. The average maturity of Grifols' debt is six years.

Grifols' current financial structure would mitigate the impact of a potential interest rate hike in the United States.

Grifols advances on its strategic plan: Q3 2021 performance

The demand for all the main plasma proteins, including immunoglobulins (IVIG and SCIG), albumin, alpha-1 and specialty proteins, remains very solid amid a rising-price environment. Particularly notable is the price uptick of immunoglobulins, whose mid-single-digit increase is expected to remain in 2022.

With regard to Grifols' third-quarter 2021 performance, of note are albumin sales in China; alpha-1 antitrypsin sales in the United States and several European markets; greater market penetration of subcutaneous immunoglobulin in the U.S.; and the positive contribution of new products. Immunoglobulin sales continue to withstand the impact of lower plasma collections recorded in the last quarter of 2020 and first half of 2021.

Grifols has expanded its albumin portfolio with the launch of ALBUTEIN FlexBag™ in 5% and 25% concentrations. The flexible bag format provides greater convenience and ease-of-use for healthcare professionals.

As of September 30, 2021, the Diagnostic, Hospital and Bio Supplies Divisions continue to report strong growth.

Margins continue to be mainly affected by a higher cost per liter of plasma due to increased donor compensation and the absorption of fixed costs. The cost per liter is expected to return to normal levels as plasma-collection volumes continue to grow.

Grifols continues to expand and diversify its global network of plasma centers

Grifols' global network of 355 plasma centers represents a major competitive advantage. The company operates more than 50 centers in Europe and has plans to open 20 centers in Egypt in 2022 and 2023; the first plasma center has been recently opened.

Grifols' presence in Canada and China, via its strategic alliance with Shanghai RAAS, allow Grifols to diversify its plasma supply while reinforcing its commitment to support countries to achieve self-sufficiency of plasma-derived medicines in benefit of patients.

As of September 2021, Grifols made substantial inroads on the execution of its expansion plan bolstering its plasma supply through supply agreements and the acquisition of 32 plasma-donation centers. Thanks to these strategic transactions, Grifols expands its capacity by approximately 1.5 million liters of plasma per year.

By year end 2021, Grifols expects to operate 370 plasma centers across the United States and Europe.

Grifols continues to enhance its innovation-driven project portfolio

Grifols is reinforcing its innovation strategy in several directions. The Alkahest, GigaGen and Biotest transactions place the company on the leading edge of bioscience, while diversifying and enriching its R+D+i pipeline.

The investment agreement in Biotest will complement Grifols' product portfolio. Biotest's current umbrella of phase 3 clinical trials will add seven new projects, highlighting two new proteins: fibrinogen and IgM immunoglobulin. Both proteins represent a significant sales opportunity and estimated markets of USD 0.4-0.8 and USD 1-2 billion, respectively.

In parallel, Grifols continues to explore new indications for existing proteins, particularly the use of subcutaneous immunoglobulin to treat secondary immunodeficiencies such as chronic lymphocytic leukemia (CLL), and albumin to treat liver conditions such as acute-on-chronic liver failure (ACLF) and long-term treatments for cirrhosis.

Debt reduction: GIC as a strategic investor. Divestment in non-strategic business lines. Cost-savings plan

Grifols is actively working to decrease its leverage ratio to below 4x by 2023 and below 3.5x by 2024.

The closing of the agreement with GIC, Singapore's sovereign wealth fund, which will make an investment of close to USD 1 billion in Biomat USA, will mean the entry of a strategic investor in Grifols. The company will apply all proceeds from GIC's investment to repay debt.

At the same time, Grifols is also moving forward with its previously announced plan to sell off non-strategic business lines. To date, it has divested from its Hemostasis technology line for approximately USD 25 million in cash. The transaction comprises all assets used to diagnose hemostasis disorders and associated R+D projects, as well as a staff of 25 employees.

As part of its efforts to divest from non-strategic operations, Grifols is evaluating its product portfolio and prioritizing growth and profitability to support its long-term value creation strategy.

Grifols' debt-reduction strategy also includes a roughly EUR 100 million a year operating-cost-containment plan, which will enhance its economic performance without undermining innovation efforts.

Biotest investment: Biotest's Management Board and Supervisory Board endorse Grifols' tender offer

Biotest's Management Board and Supervisory Board have endorsed Grifols' voluntary public tender offer. Following an exhaustive analysis, both bodies, separately reached the same conclusion that combining Grifols and Biotest businesses denotes an unparalleled opportunity to increase the availability of plasma-derived medicines, as well as drive the development of new products and R+D projects, among other benefits.

Link to Biotest announcement: [Press Detail \(biotest.com\)](https://www.biotest.com/press-detail)

Thanks to its concerted efforts to increase its plasma-collection capacity; business optimization, including the divestment of non-strategic business lines; global expansion; innovation; and financial discipline, Grifols is prepared to respond current market needs and is well positioned to fulfill its commitments and advance on its growth strategy.

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