

**ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDERS
TO AID PUBLIC COMMENT**

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an Agreement Containing Consent Orders (“Consent Agreement”) and Decision and Order, and has issued a Complaint and the Order to Maintain Assets (“OMA”) contained in the Consent Agreement. The Consent Agreement is designed to remedy the anticompetitive effects resulting from Grifols’ proposed acquisition of Talecris (the “Acquisition”). Under the Consent Agreement, Grifols will: (i) divest the fractionation facility currently owned by Talecris in Melville, New York, to Kedrion S.p.A. (“Kedrion”); (ii) divest plasma collection centers tot0.00000 0.00000 1.y

U.S. operations in 2005, when Cerberus acquired Bayer AG's global plasma business and Precision Pharma in the same year. Talecris is headquartered in Research Triangle Park, North Carolina, with additional regional headquarters in Canada and Germany. Like Grifols, Talecris is a vertically integrated company, owning numerous plasma collection centers, as well as manufacturing facilities in Clayton, North Carolina, and Melville, New York. It employs approximately 5,000 people worldwide and had global 2009 revenues of approximately \$1.5 billion.

III. Market Structure and Relevant Products

A. Relevant Geographic Market

The relevant geographic market in which to analyze the Acquisition's effects is the United States. Plasma-derived products must be FDA-approved for sale in the United States, which requires that these products be made solely from plasma collected in the United States in FDA-approved collection centers and manufactured in FDA-approved plants. Thus, pla0000/(-a)Tj9.2400 t90, 1

ii. Albumin

Physicians use albumin to expand blood volume, prime heart va

IV. Industry Background and the Acquisition's Effects

A decade ago, there was robust competition in the plasma-derived products industry. After supply increases in the early 2000s led to lower prices, suppliers reduced production and plasma collection capacity and began to vertically integrate, placing plasma collection almost entirely in the control of the few remaining firms in the market. Manufacturers also engaged in horizontal consolidation, leading to an industry dominated by three large firms, including Talecris. In the years that followed that consolidation, the Ig market in particular experienced a tightening of supply and dramatic year-over-year price increases.

The relevant markets have characteristics that allow manufacturers to promote stability and rational, coordinated behavior. **First**, the markets are transparent, with firms monitoring each other's collections, output, pricing, and future expansion plans. **Second**, firms have engaged in signaling to limit supply levels and maintain higher prices. **Third**, if a firm were to "break ranks" from a coordinated scheme, the other manufacturers can detect any "cheating" over the course of the long manufacturing period and inflict punishment in other geographic markets. **Fourth**, the relevant markets are characterized by highly inelastic demand, increasing the firms' incentives to coordinate because even a small change in supply can have a large effect on price.

The Acquisition would substantially lessen competition in the relevant markets. It would eliminate actual, direct, and substantial competition between Grifols and Talecris. Moreover,

VI. The Co

Commission until the divestitures are accomplished. Furthermore, the OMA requires that the parties maintain all assets scheduled to transfer to Kedrion and authorizes the Commission to appoint a monitor to oversee the various agreements between Kedrion and Grifols. Under the OMA, Grifols and Talecris must maintain the full economic viability, marketability, and competitiveness of the proposed divested business and assets. This includes, among other things, retaining all rights, title, and interest in the divested assets, maintaining operations in their regular course, and not interfering in Kedrion's hiring of designated Grifols and Talecris employees. If Grifols does not comply with the OMA or any of the Consent Agreement's other terms, the Commission may appoint a divestiture trustee to divest the assets and enter into a product manufacturing agreement with a Commission-approved acquirer.

The purpose of this analysis is to facilitate public comment on the Consent Agreement. It is not intended to constitute an official interpretation of the proposed Decision and Order or to modify its terms in any way.