euroAPI
Active Solutions for Health

2023
HALF-YEAR FINANCIAL REPORT

Euroapi - Haverhill (United Kingdom)

2023 HALF-YEAR FINANCIAL REPORT

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1. HALF-YEAR 2023 MANAGEMENT REPORT

1.1 Highlights of the first half of 2023

1.1.1 Main events

Business update

API Solutions' activity pursued the deployment of its commercial roadmap, with 35 new clients added in H1 in both small and large molecules, the acceleration of the cross-selling strategy, and pricing optimization.
106 RFPs were received in H1, compared to 117 in H1 2022, with 18.1% increase in average value per proposal. 79 projects were active at the end of June, with a portfolio gradually de-risked towards late-stage projects. Throughout the semester, 18 new contracts were signed, of which 9 were in the pre-approval or commercial phase, spurred by the increasing demand for RSM and API re-shoring and dual sourcing with European players. 12 projects were stopped, paused, or delayed by customers, including 2 in late-stage with Sanofi, and 8 in early-stage.
The R&D organization has been enhanced to support CDMO operations in a more agile and flexible way. R&D platforms are now specialized by molecules and technologies.
In order to leverage EUROAPI's innovative production processes and asset diversity, an enhanced offer in Regulatory Starting Materials (RSM) and Intermediates has been launched.

Restart of prostaglandin production at Budapest site

On January 31, 2023, EUROAPI announced that it progressively restarted prostaglandin production at its Budapest site on January 19. The prostaglandin production was fully back online by Mid-April 2023.

Investment of €50 million to meet the growing demand for prostaglandins

On June 6th, 2023, EUROAPI announced a €50 million capex investment for the installation of a new state-of-the-art production plant at its Budapest site. The project will be focused on the debottlenecking of the current capacity and the construction of new multi-purpose manufacturing equipment that will more than double the overall prostaglandin capacity of the Budapest site by 2027 in two phases: 2023-2025 (approximately 2/3 of the total investment) and 2026-2027.

Health sovereignty: EUROAPI supports the supply of essential medicines to France and Europe

On June 13th, 2023, EUROAPI announced several initiatives to support the supply of essential medicines to France and Europe by increasing its production capacities for several active pharmaceutical ingredients listed as essential medicines by the French authorities. EUROAPI's Francopia subsidiary dedicated to controlled substances, will invest in R&D activities on its Vertolaye (Puy-de-Dôme) site. These R&D activities aim to increase EUROAPI's production of morphine and its derivatives, as well as their antagonists used as antidotes, by 2027. At the plant extraction stage, the Group aims to develop an innovative process that could increase productivity between 20% and 30% and shortening industrial cycle time to help building up strategic stocks. This innovative process would also improve solvent recycling and save energy. At the chemical synthesis stage, EUROAPI plans to invest in more flexible technologies and equipment that would enhance production capacity by 15% to 20%.

1.1.2 Other events

Capital increase

In accordance with the rule of the free share plan linked to EUROAPI listing, free shares have been granted to all employees on June 5, 2023. In this context, the Company completed a €504,196 capital increase. At the end of June 2023, the total number of outstanding shares was 95,053,684 and voting rights totaled 94,912,761.

1.2 Analysis of the Group's results for the six-month period ended June 30, 2023

1.2.1 Group income statement analysis

(in € millions)	June 30, 2023	June 30, 2022
Net sales	496.6	483.8
Other revenues	1.9	2.0
Cost of sales	(401.4)	(388.1)
Gross profit	**97.0**	**97.7**
Gross Margin (% of net sales)	**19.5 %**	**20.2 %**
Selling and distribution expenses	(21.3)	(17.6)
Research and development expenses	(13.3)	(11.4)
Administrative and general expenses	(42.8)	(40.0)
Other operating income and expenses	0.7	2.2
Restructuring costs and similar items	(4.3)	(4.8)
Other gains and losses, and litigation	—	—
Operating income	**16.0**	**26.1**
Operating income (% of net sales)	**3.2 %**	**5.4 %**
Financial result	**(3.3)**	**(2.3)**
Income/(loss) before tax	**12.6**	**23.8**
Income/(loss) before tax (% of net sales)	**2.5 %**	**4.9 %**
Income tax expense	50.1	(7.0)
ETR (%)	**396.7 %**	**(29.4)%**
Net income/(loss)	**62.8**	**16.7**
Net income/(loss) (% of net sales)	**12.6 %**	**3.5 %**

Net sales

Consolidated net sales increased by €12.8 million, or +2.6%, to reach €496.6 million for the period ended in June 30, 2023, compared to €483.8 million for the period ended in June 30, 2022.

This increase was driven by the growth of the CDMO sales (+9.8%), which amounted to €134.2 millions for H1 2023, versus €122.2 million for H1 2022. API solutions net sales increased 0.2% to €362.4 million in H1 2023, compared to 361.6 million for H1 2022.

Gross profit was €97.0 million, compared to €97.7 million in H1 2022, with the gross profit margin down 70 bps Year-on-Year to 19.5%, including the negative impact of the suspension of prostaglandin production over the period.

Operating expenses

Selling and distribution expenses for H1 2023 amounted to €21.3 million, versus €17.6 million for H1 2022. Research and development expenses for H1 2023 came to €13.3 million, versus €11.4 million for H1 2022. Administrative and general expenses for H1 2023 amounted to €42.8 million, versus €40.0 million for H1 2022.

Operating income

Operating income was €16.0 million compared to €26.1 in H1 2022.
Other operating income for H1 2023 amounted to €0.7 million.

Non-recurring items

The €10.4 million non-recurring items for H1 2023 comprise notably €4.3 million costs related to the execution of the value creation plan, and €6.3 million linked to employee share plan, free share plans and forfeited share expenses in connection with the initial listing.

Net financial income

Financial income was €(3.3) million, compared with €(2.3) million in H1 2022.

Income tax

Income tax was €50.1 million, of which €46.8 million deferred taxes from the revaluation of EUROAPI Hungary assets. The revaluation was triggered by the tax treatment applied by Sanofi in 2023 to the transfer of the Hungarian business to EUROAPI as part of the carve-out in 2021 and the subsequent exit of EUROAPI from Sanofi.
In H1 2022, the expense was €(7.0) million.

Net income

Net income was €62.8 million in H1 2023, compared to €16.7 million in H1 2022.

Excluding the impact of the €46.8 million deferred tax asset from the revaluation of EUROAPI Hungary assets, H1 2023 net income would have been €16 million.

Key performance indicators

(in € millions)	June 30, 2023	June 30, 2022	Change
Net sales	**496.6**	**483.8**	**2.6 %**
Gross profit	**97.0**	**97.7**	**(0.7)%**
as a % of net sales	*19.5 %*	*20.2 %*	*(3.3)%*
EBITDA	**52.1**	**60.8**	**(14.3)%**
as a % of net sales	*10.5 %*	*12.6 %*	*(16.7)%*
Core EBITDA	**62.5**	**70.3**	**(11.1)%**
as a % of net sales	*12.6 %*	*14.5 %*	*(13.2)%*

Net sales by flow and type

(in € millions)	June 30, 2023	June 30, 2022	Change
API Solutions - Other clients	169.8	166.6	1.9 %
API Solutions - Sanofi	192.7	195.1	(1.2)%
API Solutions	**362.4**	**361.6**	**0.2 %**
CDMO - Other clients	82.7	69.8	18.5 %
CDMO - Sanofi	51.4	52.3	(1.8)%
CDMO	**134.2**	**122.2**	**9.8 %**
Total net sales	**496.6**	**483.8**	**2.6 %**
Total net sales - Other clients	**252.5**	**236.4**	**6.8 %**
Total net sales - Sanofi	**244.1**	**247.4**	**(1.3)%**

API Solutions

API Solutions' Net Sales increased 0.2% to €362.4 million.

Sales to Other clients rose 1.9%, including the residual impact of the suspension of prostaglandins' production, which fully resumed mid-April (approximately €(15) million on H1 2023 sales performance). The overall performance was driven by the deployment of the commercial roadmap, with 35 new clients added in H1 in both small and large molecules, the acceleration of the cross-selling strategy, and pricing optimization. The impact of input cost inflation was fully compensated by price increases, as expected.

Sales to Sanofi decreased by 1.2%. The Global Manufacturing and Supply Agreement raw material pass-through and energy compensation clauses were activated, and a €6 million additional payment from Sanofi was agreed upon, on top of the contractual clauses.

CDMO

CDMO sales grew by 9.8% to €134.2 million.

Sales to Other clients grew 18.5%, driven notably by the increase in sales from late-stage projects, which more than compensated for the negative impact of the completion of a COVID-19-related commercial project (approximately €(3) million on H1 2023 sales performance).

These solid results were partially offset by the decrease in sales to Sanofi (-1.8%), due to the discontinuation of two late-stage programs at the end of 2022 (approximately €(6) million on H1 2023 sales performance).

106 incoming RFPs were received in H1 2023, compared to 117 during the same period last year, of which 27% were related to Large Molecules, and 58% to Complex Chemistry. The decrease in the number of RFPs was driven by Biotech (-7%), while proposals received from large pharmaceutical companies increased by 10.5%. More importantly, the average value per RFP grew 18.1% on average, fueled by an increased proportion of late-stage projects.

Throughout the semester, 18 new contracts were signed, of which 9 were in the pre-approval or commercial phase, spurred by the increasing demand for RSM and API re-shoring and dual sourcing with European players. 12 projects were stopped, paused, or delayed by customers, including 2 in late-stage with Sanofi, and 8 in early-stage.

Net sales by product category

(in € millions)	June 30, 2023	June 30, 2022	Change
Large molecules	35.0	47.9	(26.9)%
Highly potent molecules	43.7	47.1	(7.3)%
Biochemistry molecules derived from fermentation	85.5	65.4	30.7 %
Complex chemical synthesis molecules	332.4	323.4	2.8 %
Total net sales	**496.6**	**483.8**	**2.6 %**

Large molecules decreased by 26.9% to €35.0 million, notably affected by the discontinuation of a CDMO phase 3 project with Sanofi in 2022, and a phasing impact.

Highly potent molecules were down -7.3% to €43.7 million, as the result of the temporary suspension of prostaglandin production which fully resumed in mid-April 2023.

Biochemistry molecules derived from fermentation increased by 30.7% to €85.5 million. The growth was driven by price increases and the stock replenishment of certain anti-infective products by Sanofi in Elbeuf. H1 2022 sales were negatively impacted by a one-off industrial process issue for vitamin B12.

Complex chemical synthesis molecules increased by 2.8% to €332.4 million. The positive impact of price adjustments was partially offset by the discontinuation of a phase 3 CDMO project with Sanofi in 2022, and a COVID-19-related project.

Gross profit

Gross profit was €97.0 million, down 0.7% compared to €97.7 million in H1 2022. The gross profit margin decreased by 70 bps to 19.5%. The impact of increased energy and raw material prices was partially offset by positive price-mix impact and industrial efficiencies.

EBITDA and Core EBITDA[1]

EBITDA was €52.1 million compared to €60.8 million in H1 2022.

Core EBITDA for H1 2023 amounted to €62.5 million, down 11.1% compared to €70.3 million in H1 2022. Core EBITDA margin was 12.6%, compared to 14.5% in H1 2022, negatively impacted by:

- the suspension of prostaglandin production at the Budapest site until-mid-January, with full production resumed in mid-April,
- the extra-profit tax in Hungary of €1.4 million, or cc. (30) bps, based on H1 2023 net sales,
- H1 2023 Core EBITDA also includes €2.5 million provision reversal from the pharma tax in Hungary accrued in 2022. Based on a change to the tax decree in H1 2023, EUROAPI Hungary filed a ruling request to the Hungarian authorities to confirm that EUROAPI did not fall within the scope in 2022. The tax authorities confirmed in June 2023 that EUROAPI was not concerned by this tax in 2022. Therefore, the provision accrued in 2022 was reversed at the end of June 2023. EUROAPI remains eligible to the tax in 2023 (30 bps estimated impact). The tax has been prolonged for the 2024 fiscal year, with rates halved.

[1] *Please refer to Section 4.2.6.Alternative performance measures*

1.2.2 Group cash flow analysis

(in € millions)	June 30, 2023	June 30, 2022
Net cash provided by/(used in) operating activities	**(38.2)**	**4.1**
Net cash provided by/(used in) investing activities	**(73.1)**	**(79.8)**
Net cash provided by/(used in) financing activities	**93.2**	**101.9**
Impact of exchange rates on cash and cash equivalents	0.6	(0.6)
Net change in cash and cash equivalents	**(17.5)**	**25.6**
Cash and cash equivalents, at beginning of period	**74.5**	**10.3**
Cash and cash equivalents, at end of period	**57.0**	**35.9**

Cash and cash equivalents totaled €57.0 million at June 30, 2023. For more details, please refer to the financial statements.

Net cash provided by (used in) operating activities

The following table shows net cash provided by operating activities for the periods ended June 30, 2023 and June 30, 2022:

(in € millions)	June 30, 2023	June 30, 2022
Net income	**62.8**	**16.7**
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets	36.1	34.7
Net change in income & deferred taxes	(50.1)	(0.2)
Other profit or loss items with no cash effect and reclassification of interest	8.2	9.9
Operating cash flow before changes in working capital	**56.9**	**61.1**
(Increase)/decrease in inventories	(66.0)	(25.5)
(Increase)/decrease in trade receivables	30.1	(4.3)
Increase/(decrease) in trade payables	(49.0)	(29.6)
Net change in other current assets and other current liabilities	(10.3)	2.4
Net cash provided by/(used in) operating activities	**(38.2)**	**4.1**

Operating cash flow before changes in working capital decreased by €4.2 million in the first half of 2023, consistent with the decrease in EBITDA (€52.1 million in H1 2023 versus €60.8 million in H1 2022).

The working capital increase is mainly due to:

- higher inventories compared to H1 2022, driven by the seasonality of the business and the impact of input cost inflation (raw materials and energy). Inventory Months On Hand (MOH) was 8.1 in H1 2023 compared to 7.6 in H1 2022,
- decrease in trade payables,
- net change in other current assets and other current liabilities.

The preceding effects on the working capital were partially compensated by a net decrease in trade receivables amounting to €30.1 million.

Net cash provided by operating activities amounted consequently to €(38.2) million for the H1 2023, compared to €4.1 million for the H1 2022.

Net cash provided by (used in) investing activities

The following table shows net cash used in investing activities for the H1 2023 and H1 2022:

(in € millions)	**June 30, 2023**	**June 30, 2022**
Acquisitions of property, plant and equipment and intangible assets	(73.1)	(79.8)
Net change in other non-current assets	—	0.0
Net cash provided by/(used in) investing activities	**(73.1)**	**(79.8)**

Net cash used in investing activities during the period reflected acquisitions of property, plant and equipment and intangible assets, which totaled €73.1 million for H1 2023, versus €79.8 million for H1 2022.

Net cash flow from (used in) financing activities

(in € millions)	**June 30, 2023**	**June 30, 2022**
Capital increases	—	83.7
Dividends paid	0.0	0.0
Repayment of lease liabilities	(4.6)	(2.2)
Net change in short-term debt	100.0	14.5
Finance costs paid	(2.0)	(2.7)
Acquisition and disposal of treasury shares	(0.2)	(0.2)
Net contribution of Sanofi to the EUROAPI Group [(a)]	0.0	8.9
Net cash provided by/(used in) financing activities	**93.2**	**101.9**

(a) For 2022, this amount corresponds to cash flows on the current account with the controlling entity until the effective spin-off date. As of the spin-off date, the current account receivable was reimbursed in full by Sanofi.

Net cash from financing activities amounted to €93.2 million for the H1 2023, compared to €101.9 million for the H1 2022.

The main financing cash flows during the period resulted from the €100 million drawdown on the revolving credit facility

Core free cash flow and core free cash flow conversion

(in € millions)	**June 30, 2023**	**June 30, 2022**
Cash flow provided by operating activities	**(38.2)**	**4.1**
Net change in other current assets and other current liabilities and current taxes	10.3	4.9
Acquisitions of property plant and equipment and intangible assets	(73.1)	(79.8)
Intangible assets relating to the carve-out and Group IT set up	3.8	28.4
Restructuring costs and similar items – inflows/outflows	5.5	—
Expenses relating to environmental provisions – inflows/outflows	1.2	2.2
Core Free Cash Flow	**(90.6)**	**(40.2)**
Core Free Cash Flow conversion (Core Free Cash Flow/Core EBITDA)	**(144.9)%**	**(57.2)%**

Core Free Cash Flow was €(90.6) million in H1 2023 versus €(40.2) million in H1 2022. H1 2023 Core Free Cash Flow was notably impacted by:

a. €30.1 million change in trade receivables,

b. €(66.0) million change in inventories driven by the seasonality of the business and the impact of input cost inflation (raw materials and energy). Inventory Months On Hand (MOH) was 8.1 in H1 2023 compared to 7.6 in H1 2022,

c. €(49.0) million change in payables.

Capex reached €(69.3) million (14.0% of Net Sales), of which 51% were dedicated to growth projects.

1.3 Related party transactions

The Group's main related parties are defined in Section 2.4 "Related parties transaction" and in Note 10.6 of the consolidated financial statements for the year ended December 31, 2022 of Universal Registration Document of 2022, approved by the AMF on April 14, 2023, under number 23-009.

Note 10.4 to the condensed half-year consolidated financial statements provides a description of the main transactions and balances with related parties for the six-month period ended June 30, 2023.

1.4 Outlook

1.4.1 Medium-term outlook

The group is investing in accelerating long-term growth and reducing its dependency from Sanofi. Mid-term perspectives are confirmed, with:

- +7% to +8% Net Sales increase on average between 2023 and 2026[2] driven by double-digit growth of Sales to Other Clients (including API Solutions and CDMO).
- A Core EBITDA margin above 20% in 2026 and above 18% in 2025.
- €510 million Capex investments for the period 2022-2025, 50% to 53% Core Free Cash Flow conversion by 2025

For more information, please refer to our 2022 Universal Registration Document.

1.4.2 Outlook 2023

Group forecasts for the year ending December 31, 2023

In light of H1 2023 results, the Group expects in 2023:

a. Net Sales to increase between +7% and +8%, with both API Solutions and CDMO growing double-digit in H2
b. Core EBITDA margin between 12.5% and 13.5% (vs 12% to 14% initially communicated)
c. Capex between €120 million to €130 million

1.5 Main risks and uncertainties for the next six months

The main risks and uncertainties faced by the Group over the remaining six months of the year are substantially similar to those presented in Section 3.2 "Risk factors" of the Universal Registration Document approved by the AMF on April 14, 2023, under number 23-009.
One or more of these risks, as well as any others that we may not yet have identified, could materialize during the second half of 2023.

For more information, please refer to our 2022 Universal Registration Document.

[2] *At constant currencies and constant perimeter.*

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2. CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2023

2.1 Condensed half-year consolidated financial statements as of June 30, 2023

Consolidated statements of financial position

(in € millions)	Note	June 30, 2023	December 31, 2022
Property, plant and equipment	5.1	644.6	597.1
Right-of-use assets	5.2	41.4	42.2
Intangible assets	5.3	35.7	28.7
Other non-current assets	5.5	13.6	14.9
Deferred tax assets	7	82.0	29.6
Non-current assets		**817.3**	**712.5**
Inventories	5.6	667.8	594.7
Trade receivables	5.7	238.0	264.2
Other current assets	5.8	85.1	90.3
Cash and cash equivalents	5.16	57.0	74.5
Current assets		**1,047.9**	**1,023.6**
Total assets		**1,865.2**	**1,736.1**

Equity attributable to owners of the parent		1,193.0	1,110.2
Equity attributable to non-controlling interests		—	—
Total equity	**5.10**	**1,193.0**	**1,110.2**
Non-current lease liabilities	5.11	15.7	16.2
Provisions	5.12	150.7	146.9
Other non-current liabilities		—	—
Deferred tax liabilities	7	7.4	6.3
Non-current liabilities		**173.9**	**169.4**
Trade payables	5.13	164.8	219.6
Other current liabilities	5.14	128.3	132.2
Current lease liabilities	5.11	4.9	4.5
Short-term debt and other financial liabilities	5.16	200.3	100.1
Current liabilities		**498.3**	**456.5**
Total equity and liabilities		**1,865.2**	**1,736.1**

Consolidated income statements

(in € millions)	Note	June 30, 2023	June 30, 2022
Net sales	6.1	496.6	483.8
Other revenues	6.1	1.9	2.0
Cost of sales		(401.4)	(388.1)
Gross profit		**97.0**	**97.7**
Selling and distribution expenses		(21.3)	(17.6)
Research and development expenses		(13.3)	(11.4)
Administrative and general expenses		(42.8)	(40.0)
Other operating income	6.3	0.7	2.4
Other operating expenses	6.3	—	(0.2)
Restructuring costs and similar items	6.4	(4.3)	(4.8)
Other gains and losses, and litigation		—	—
Operating income/(loss)		**16.0**	**26.1**
Financial expenses	6.5	(5.3)	(2.4)
Financial income	6.5	1.9	0.1
Income/(loss) before tax		**12.6**	**23.8**
Income tax expense	7	50.1	(7.0)
Net income/(loss)		**62.8**	**16.7**
Attributable to owners of the parent		62.8	16.7
Attributable to non-controlling interests		—	—
Average number of shares outstanding (in millions) [(a)]	5.10.3	93.9	92.8
Average number of shares after dilution (in millions) [(a)]	5.10.3	95.5	93.2
- Basic earnings per share (in euros)		0.67	0.18
- Diluted earnings per share (in euros)		0.66	0.18

(a) Diluted earnings per share for periods in which there was a net loss is presented as equivalent to basic earnings per share.

Consolidated statements of comprehensive income

(in € millions)	Note	June 30, 2023	June 30, 2022
Net income/(loss)		**62.8**	**16.7**
Attributable to owners of the parent		*62.8*	*16.7*
Attributable to non-controlling interests		—	—
Other comprehensive income:			
Actuarial gains/(losses)		—	1.5
Tax effects		—	(0.4)
Subtotal: items that will not subsequently be reclassified to profit or loss (A)		**—**	**1.1**
Currency translation differences [a]		16.5	(14.2)
Subtotal: items that may be reclassified to profit or loss (B)		**16.5**	**(14.2)**
Other comprehensive income for the period, net of taxes (A+B)		**16.5**	**(13.1)**
Comprehensive income		**79.2**	**3.6**
Of which comprehensive income attributable to owners of the parent		*79.2*	*3.6*
Of which comprehensive income attributable to non-controlling interests		—	—

(a) The positive €16.5 million impact shown under currency translation differences mainly concerns Hungary (€15.0 million).

Consolidated statements of cash flows

(in € millions)	Note	June 30, 2023	June 30, 2022
Net income/(loss) attributable to owners of the parent		**62.8**	**16.7**
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets	5.1 to 5.3	36.1	34.7
Net change in current & deferred taxes		(50.1)	(0.2)
Other profit or loss items with no cash effect and reclassification of interest [(a)]		8.2	9.9
Operating cash flow before changes in working capital		**56.9**	**61.1**
(Increase)/decrease in inventories		(66.0)	(25.5)
(Increase)/decrease in trade receivables		30.1	(4.3)
Increase/(decrease) in trade payables		(49.0)	(29.6)
Net change in other current assets and other current liabilities		(10.3)	2.4
Net cash provided by operating activities [(b)]		**(38.2)**	**4.1**
Acquisitions of property, plant and equipment and intangible assets [(c)]		(73.1)	(79.8)
Acquisitions of consolidated undertakings and equity-accounted investments		—	—
Proceeds from disposals of property, plant and equipment, intangible assets and other non-current assets, net of tax		—	—
Net change in other non-current assets		—	—
Net cash used in investing activities		**(73.1)**	**(79.8)**
Capital increases	5.10.1	—	83.7
Dividends paid		—	—
Repayment of lease liabilities		(4.6)	(2.2)
Net change in short-term debt	5.16	100.0	14.5
Finance costs paid [(d)]		(2.0)	(2.7)
Acquisitions and disposals of treasury shares	5.10.2	(0.2)	(0.2)
Net contribution of Sanofi to the EUROAPI Group [(e)]		—	8.9
Net cash provided by financing activities		**93.2**	**101.9**
Impact of exchange rates on cash and cash equivalents		0.6	(0.6)
Net change in cash and cash equivalents		**(17.5)**	**25.6**
Cash and cash equivalents at beginning of period		**74.5**	**10.3**
Cash and cash equivalents at end of period		**57.0**	**35.9**

(a) In 2023, this line includes changes in provisions and unwinding of discount for €1.0 million, the cost of debt impact for €2.4 million and share based payments expenses for €5.1 million (see Note 5.10.5). In 2022, this line mainly comprises changes in provisions and unwinding of discount, unrealized exchange gains and losses for €1.6 million and share based payments expenses for €4.0 million.

(b) In 2023, this line includes €14.6 million of income tax paid.

(c) This line includes the acquisition during the period (see Note 5.1 and Note 5.3) and the change for the period in payables for acquisitions of non-current assets (capital expenditure) for €4.9 million (see Note 5.14).

(d) Finance costs paid include interest on debt.

(e) For 2022, this amount corresponds to cash flows on the current account with the controlling entity until the effective spin-off date. As of the spin-off date, the current account receivable was reimbursed in full by Sanofi.

Consolidated statements of changes in equity

(in € millions)	Share capital	Legal reserve and share premium	Treasury shares	Other comprehensive income	Other reserves and retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1, 2022 [a]	**90.0**	**1,778.2**	**—**	**16.6**	**(862.5)**	**1,015.9**	**—**	**1,015.9**
Other comprehensive income for the period	—	—	—	(14.2)	1.1	(13.1)	—	(13.1)
Net income/(loss) for the period	—	—	—	—	16.7	16.7	—	16.7
Comprehensive income for the period [a]	**—**	**—**	**—**	**(14.2)**	**17.9**	**3.6**	**—**	**3.6**
Capital increases	4.0	79.7	—	—	—	83.7	—	83.7
Dividend paid out of 2021 earnings	—	—	—	—	—	—	—	—
Share-based payment	—	—	—	—	4.2	4.2	—	4.2
Issue of shares	—	—	(0.2)	—	—	(0.2)	—	(0.2)
Net contribution of Sanofi to the EUROAPI Group	—	—	—	—	4.6	4.6	—	4.6
Other movements	—	—	—	—	—	—	—	—
Balance at June 30, 2022	**94.0**	**1,857.8**	**(0.2)**	**2.4**	**(842.3)**	**1,111.7**	**—**	**1,111.7**

(a) Amended to reflect the finalization of analyses relating to the Prior Reorganization Transactions carried out during 2021 (see Note 2 to the 2022 consolidated financial statements).

(in € millions)	Share capital	Legal reserve and share premium	Treasury shares	Other comprehensive income	Other reserves and retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1, 2023	**94.6**	**1,862.3**	**(1.3)**	**(1.4)**	**(844.0)**	**1,110.2**	**—**	**1,110.2**
Other comprehensive income for the period	—	—	—	16.5	—	16.5	—	16.5
Net income/(loss) for the period	—	—	—	—	62.8	62.8	—	62.8
Comprehensive income for the period	**—**	**—**	**—**	**16.5**	**62.8**	**79.2**	**—**	**79.2**
Capital increases [a]	0.5	(0.5)	—	—	—	—	—	—
Dividend paid out of 2022 earnings	—	—	—	—	—	—	—	—
Share-based payment [b]	—	—	—	—	4.0	4.0	—	4.0
Treasury shares	—	—	(0.2)	—	(0.3)	(0.5)	—	(0.5)
Other movements	—	—	—	—	—	—	—	—
Balance at June 30, 2023	**95.1**	**1,861.8**	**(1.5)**	**15.1**	**(777.4)**	**1,193.0**	**—**	**1,193.0**

(a) Note 5.10 explains in detail the capital increase.
(b) Note 5.10 explains the main impacts presented under "Share-based payment".

NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2023

Note 1. Introduction

EUROAPI, together with its subsidiaries (collectively "EUROAPI", "the Group" or "the Company") is a leading player in the active pharmaceutical ingredient (API) market.

The Group comprises (i) six specialist API manufacturing sites in five European countries (France, Germany, United Kingdom, Italy and Hungary); (ii) a number of development platforms, the two largest of which are housed at the Group's sites in Hungary and Germany; (iii) a commercial network responsible for the worldwide distribution and commercialization of a portfolio of approximately 200 active pharmaceutical ingredients for both API solutions and CDMO activities; and (iv) development and business management teams responsible for those activities within EUROAPI.

EUROAPI is listed on the regulated market of Euronext Paris (Euronext: EAPI).

The condensed consolidated financial statements for the six months ended June 30, 2023 were approved for issue by the EUROAPI Board of Directors at its meeting on July 31, 2023.

Note 2. Basis of preparation of the condensed half-year consolidated financial statements and accounting policies

Pursuant to Regulation No. 1606/2002 of July 19, 2002, as amended by European Regulation No. 297/2008 of March 11, 2008, the interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as endorsed by the European Union and issued by the International Accounting Standards Board (IASB). The IFRSs endorsed by the European Union as of June 30, 2023 can be consulted via the following web link:

https://www.efrag.org/Endorsement.

The term "IFRS" refers collectively to International Accounting Standards and International Financial Reporting Standards (IASs and IFRSs) and to the interpretations of the IFRS Interpretations Committee (IFRS-IC).

The interim consolidated financial statements, presented here in condensed form, have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not contain all the information and notes included in a full set of annual financial statements. They should therefore be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2022.

The accounting policies applied effective January 1, 2023 are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2022 (for further details on comparative information, see section 4 of the 2022 consolidated financial statements).

Unless otherwise indicated, the amounts shown in the interim consolidated financial statements are presented in millions of euros.

New standards, amendments and interpretations applicable to financial periods beginning on or after January 1, 2023

Mandatory as of January 2023:

Standards, amendments and interpretations whose application was mandatory as of January 1, 2023 are as follows:

- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates" (issued on February 12, 2021).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – "Disclosure of Accounting Policies" (issued on February 12, 2021).
- Amendments to IAS 12 "Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (issued on May 7, 2021).
- IFRS 17 "Insurance Contracts" (issued on May 18, 2017); including Amendments to IFRS 17 (issued on June 25, 2020).
- Amendments to IFRS 17 "Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information" (issued on December 9, 2021).

These new amendments had no material impact on the Group's consolidated financial statements.

Not mandatory as of January 2023:

Standards, amendments and interpretations whose application was not mandatory as of January 1, 2023:

- Amendments to IAS 1 “Presentation of Financial Statements – Classification of Liabilities as Current or Non-current” and “Classification of Liabilities as Current or Non-current – Deferral of Effective Date” (issued on January 23, 2020 and July 15, 2020, respectively).
- Amendments to IAS 1 “Non-current liabilities with covenants” (issued on October 31, 2022).
- Amendments to IFRS 16 “Lease liability in a Sale and Leaseback” (issued on September 22, 2022).
- Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures: Supplier Finance Arrangements” (issued on May, 25, 2023).
- Amendments to IAS 12 “Income Taxes: International Tax Reform – Pillar Two Model Rules” (issued on May 23, 2023). See Note 7 for more details on this amendment.

Those amendments have not been early adopted by EUROAPI in its consolidated financial statements for the six months ended June 30, 2023.

Use of estimates

The preparation of financial statements under IFRS requires management to make estimates and assumptions that affect the amounts presented in the financial statements and the notes thereto.

These estimates and assumptions, prepared on the basis of information available at the end of the reporting period, relate in particular to:

- the level and pattern of recognition of revenue from industrial services contracts with “CDMO” customers (see Note 6.1);
- estimates of variable consideration (see Note 6.1);
- the recoverable amount of cash generating units (see Note 5.4);
- the carrying amount, and allowances for impairment and destruction of inventories (see Note 5.6);
- the measurement of assets and liabilities relating to post-employment benefits (see Note 5.12);
- the recoverability of deferred tax assets (Note 7); and
- the amount of provisions for risks (see Note 5.12), including environmental risks.

Foreign currency translation

Accounting for foreign currency transactions in the consolidated financial statements

Non-monetary items in the statement of financial position derived from transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the end of the reporting period. Gains and losses resulting from foreign currency translation are recognized as foreign exchange gains or losses in the income statement.

Foreign currency translation of the financial statements of foreign entities

EUROAPI presents its consolidated financial statements in euros (€). In accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”, each subsidiary accounts for its transactions in the currency that is most representative of its economic environment (the entity’s functional currency).

All assets and liabilities are translated into euros using the exchange rate of the subsidiary’s functional currency prevailing at the end of the reporting period. Income and expenses recognized in the income statement are translated using a weighted average exchange rate for the period.

The resulting currency translation differences are recognized within a separate line item in the statement of comprehensive income.

Financial instruments

Non-derivative financial assets

In accordance with IFRS 9 “Financial Instruments” and IAS 32 “Financial Instruments: Presentation”, the classification of non-derivative financial assets adopted by EUROAPI as presented in the consolidated financial statements is described below. The classification used depends on (i) the characteristics of the contractual cash flows (i.e., whether they represent interest or principal) and (ii) the business model for managing the asset applied at the time of initial recognition.

Financial assets at fair value through profit or loss: financial assets at fair value through profit or loss are classified in the statement of financial position in “Other non-current assets”, “Other current assets”, and “Cash and cash equivalents”.

Financial assets at amortized cost: financial assets at amortized cost comprise instruments whose contractual cash flows represent payments of interest and repayments of principal and which are managed with a view to collecting cash flows. The main assets in this category are loans and receivables. They are presented in “Other non-current assets”, “Other current assets”, “Trade receivables” and “Cash and cash equivalents”. Loans with a maturity of more than 12 months are presented in “Long-term loans and advances” within “Other non-current assets”. These financial assets are measured at amortized cost using the effective interest method.

Impairment of financial assets measured at amortized cost: the main assets involved are trade receivables. Trade receivables are initially recognized at the amount invoiced to the customer. Impairment losses on trade receivables are estimated using the expected loss method, in order to account for the risk of default over the lifetime of the receivables. The expected credit loss is estimated collectively for all trade receivables at the end of each reporting period using an average expected loss rate, determined primarily on the basis of historical credit loss rates. However, that average expected loss rate may be adjusted if there are indications of a likely significant increase in credit risk. If an individual receivable is subject to a known credit risk, a specific impairment loss is recognized.

The amount of expected losses is recognized in the statement of financial position as a reduction in the gross amount of trade receivables.

Derivative instruments

Derivative instruments that do not qualify for hedge accounting are initially and subsequently measured at fair value, with changes in fair value recognized in the income statement in “Other operating income” or in “Financial income” or “Financial expenses”, depending on the nature of the underlying economic item which is hedged. Currency derivative instruments used by EUROAPI are not eligible for hedge accounting. They are recorded in other current assets and liabilities in the statement of financial position (see Note 5.15).

Non-derivative financial liabilities

Borrowings and debt: bank borrowings and debt instruments are initially measured at the fair value of the consideration received, net of directly attributable transaction costs.

Subsequently, they are measured at amortized cost using the effective interest method. All costs related to the issuance of borrowings or debt instruments, and all differences between the issue proceeds net of transaction costs and the value on redemption, are recognized within financial expenses over the term of the debt using the effective interest method.

Other non-derivative financial liabilities: financial liabilities comprise trade payables, which are measured at fair value (which in most cases equates to face value) on initial recognition, and subsequently at amortized cost.

Fair value of financial instruments

Under IFRS 13 “Fair Value Measurement” and IFRS 7 “Financial Instruments: Disclosures”, fair value measurements must be classified using a hierarchy based on the inputs used to measure the fair value of the instrument. This hierarchy has three levels:

- level 1: quoted prices in active markets for identical assets or liabilities (without modification or repackaging);
- level 2: quoted prices in active markets for similar assets and liabilities, or valuation techniques in which all critical inputs are derived from observable market data; and
- level 3: valuation techniques in which not all critical inputs are derived from observable market data.

The table below shows the disclosures required under IFRS 7 relating to the measurement principles applied to financial instruments.

Note	Type of financial instrument	Measurement principle	Level in fair value hierarchy	Valuation technique	Method used to determine fair value: Valuation model	Market data
	Long-term loans and advances, and other non-current receivables and payables	Amortized cost	N/A	N/A	The amortized cost of long-term loans and advances, and other non-current receivables and payables, is not materially different from their fair value at the end of the reporting period.	
5.7/5.13	Trade receivables and payables	Amortized cost	N/A	N/A	Trade receivables and payables are measured at fair value (which in most cases equates to face value) on initial recognition, and subsequently at amortized cost.	
5.12	Financial assets measured at fair value held to meet obligations under post-employment benefit plans	Fair value	1	Market value	Quoted market	
5.11	Lease liabilities	Amortized cost	N/A	N/A	The liability for future lease payments is discounted using the incremental borrowing rate	
5.16	Debt	Amortized cost	N/A	N/A	Amortized cost is regarded as an acceptable approximation of fair value as reported in the notes to the consolidated financial statements.	
5.15	Forward currency contracts	Fair value	2		Present value of future cash flows	Maturity < 1 year: Mark-to-market

Seasonal trends

EUROAPI's activities are not subject to significant seasonal fluctuations. It should be noted however that the production cycle for the bulk of APIs exceeds six months. Net sales are usually more heavily distributed toward the second half, driven by higher API Solution sales as customers manage their contractual obligation toward minimum quantity orders, and by sales of some APIs being seasonal.

CDMO contracts can take around six months to start generating revenue and are executed over an average period of 18 to 24 months.

Note 3. First-half 2023 highlights

3.1 Main acquisitions of the period

None.

3.2 Other significant events

EUROAPI share-based payments

On June 5, 2023, the Board of Directors granted several new stock option plans and performance shares. Detailed information concerning the terms and conditions of these plans and the financial impacts on the consolidated financial statements is presented in Note 5.10.

Other agreements

In first-half 2023, EUROAPI entered into a 4-year CDMO agreement with L'Oréal group entity Novéal. Under this agreement, EUROAPI will develop and industrialize the manufacturing process for innovative cosmetic ingredients on behalf of Novéal.

Capital increase

As of June 5, 2023, free shares had been granted to all employees, representing a capital increase of €504,196.

French tax group

Since January 1, 2023, EUROAPI SA has elected for the French tax consolidation regime, and is therefore the head of a French tax group comprising all French EUROAPI subsidiaries.

Deferred tax on assets

In 2023, EUROAPI Hungary performed a tax-free step-up on assets (see Note 7).

Progressive restart of prostaglandin production at the Budapest site

As explained in the 2022 consolidated financial statements, the Group identified certain deficiencies in respect of Good Manufacturing Practices related to documentation management during an internal assessment and decided, on November 30, 2022, to temporarily suspend prostaglandin activities at its Budapest site.
Further to that event, the Group built and successfully implemented a comprehensive remediation plan, allowing it to progressively restart prostaglandin production in January 2023.

As anticipated, no other activities at the Budapest site were impacted, including the Contract Development and Manufacturing Organization (CDMO) business.

ACCELERATE!

Announced in March 2023, the company's transformation plan is being implemented progressively with a focus on streamlining and simplifying processes, stepping up the operational excellence strategy, and accelerating the CDMO roadmap.

Three interdisciplinary workstreams were launched during the first half of the year:

- Value creation: to improve overall competitiveness, and reduce costs, with a focus on procurement, energy, and the internalization of key functions.
- End-to-end processes: to adapt EUROAPI's operational process to become a best-in-class CDMO company.
- People and culture: to engage and empower employees to take a more customer-centric approach.

The costs related to the transformation plan are presented under restructuring costs and similar items (see Note 6.4).

Note 4. Scope of consolidation

All entities in EUROAPI's scope are fully consolidated. There were no changes in the scope of consolidation during the first half of 2023.

Note 5. Notes to the statement of financial position

5.1 Property, plant and equipment

The net carrying amount of property, plant and equipment owned by EUROAPI stood at €644.6 million as of June 30, 2023.

(in € millions)	December 31, 2022	Acquisitions and other increases	Depreciation expense	Impairment losses, net of reversals	Disposals and other decreases	Currency translation differences	Transfers	June 30, 2023
Land	15.9	—	—	—	—	0.5	—	16.4
Buildings	301.6	—	—	—	(0.9)	7.2	2.0	309.8
Machinery and equipment	1,555.6	0.7	—	—	(4.0)	15.0	20.9	1,588.2
Fixtures, fittings and other	156.3	—	—	—	(0.2)	1.1	2.0	159.2
Property, plant and equipment in progress	164.7	67.4	—	—	—	3.9	(25.6)	210.4
Gross value	**2,194.0**	**68.1**	**—**	**—**	**(5.2)**	**27.7**	**(0.7)**	**2,284.1**
Land	—							
Buildings	(201.5)	—	(4.0)	0.1	0.9	(5.0)	—	(209.5)
Machinery and equipment	(1,268.3)	—	(22.4)	(0.1)	4.0	(11.7)	—	(1,298.6)
Fixtures, fittings and other	(126.5)	—	(3.4)	—	0.2	(1.1)	—	(130.8)
Property, plant and equipment in progress	(0.6)	—	—	—	—	—	—	(0.6)
Accumulated depreciation and impairment	**(1,597.0)**	**—**	**(29.8)**	**—**	**5.2**	**(17.9)**	**—**	**(1,639.5)**
Land	15.9	—	—	—	—	0.5	—	16.4
Buildings	100.1	—	(4.0)	0.1	—	2.1	2.0	100.3
Machinery and equipment	287.3	0.7	(22.4)	(0.1)	—	3.2	20.9	289.7
Fixtures, fittings and other	29.7	—	(3.4)	—	—	—	2.0	28.4
Property, plant and equipment in progress	164.1	67.4	—	—	—	3.9	(25.6)	209.8
Net value	**597.1**	**68.1**	**(29.8)**	**—**	**—**	**9.9**	**(0.7)**	**644.6**

5.2 Right-of-use assets

Right-of-use assets and lease liabilities

Non-cancelable operating leases attributed to EUROAPI comprise mainly:

- leases of office space and industrial premises;
- leases of vehicles.

Right-of-use assets relating to property, plant and equipment held under leases break down as follows:

(in € millions)	December 31, 2022	Acquisitions and other increases	Depreciation expense	Disposals and other decreases	Transfers	June 30, 2023
Land and buildings	53.5	3.0	—	(4.1)	—	52.3
Machinery and equipment	—	—	—	—	—	—
Other property, plant and equipment	6.8	1.6	—	—	—	8.5
Gross value	**60.3**	**4.6**	**—**	**(4.1)**	**—**	**60.7**
Land and buildings	(15.0)	—	(2.3)	2.0	—	(15.3)
Machinery and equipment	—	—	—	—	—	—
Other property, plant and equipment	(3.1)	—	(0.9)	—	—	(4.0)
Accumulated depreciation and impairment	**(18.1)**	**—**	**(3.2)**	**2.0**	**—**	**(19.4)**
Land and buildings	38.5	3.0	(2.3)	(2.2)	—	36.9
Machinery and equipment	—	—	—	—	—	—
Other property, plant and equipment	3.7	1.6	(0.9)	—	—	4.4
Net value	**42.2**	**4.6**	**(3.2)**	**(2.2)**	**—**	**41.4**

Lease expense on short-term leases and low-value assets are not recognized under IFRS 16. The rental expenses recorded in 2023 in relation to these leases are not material.

Total cash outflows on leases (excluding annual lease expense on short-term leases and low-value assets) amounted to €4.6 million for the six-month period ended June 30, 2023 (of which €4.4 million in repayments of lease liabilities and €0.2 million in interest paid).

A maturity analysis of the lease liability is disclosed in Note 5.11.

The gross value of "Land and buildings" decreased by €4.1 million over the period. This decrease is partly linked to the revaluation of the restoration provision for leased buildings in Germany recorded against right-of-use assets. in accordance with IFRS 16 for €2.2 million (see Note 5.12).

5.3 Intangible assets

Movements in other intangible assets during the first-half of 2023 were as follows:

(in € millions)	December 31, 2022	Acquisitions and other increases	Depreciation expense	Currency translation differences	Transfers	June 30, 2023
Software	41.3	8.2	—	0.5	0.7	50.6
Other intangible assets	1.8	1.7	—	—	—	3.5
Other rights	1.2	—	—	—	—	1.2
Gross value	**44.3**	**9.9**	**—**	**0.5**	**0.7**	**55.3**
Software	(15.5)	—	(3.6)	(0.4)	—	(19.5)
Other intangible assets	—	—	—	—	—	—
Other rights	(0.1)	—	—	—	—	(0.1)
Accumulated amortization and impairment	**(15.7)**	**—**	**(3.6)**	**(0.4)**	**—**	**(19.6)**
Software	25.8	8.2	(3.6)	0.1	0.7	31.1
Other intangible assets	1.8	1.7	—	—	—	3.5
Other rights	1.1	—	—	—	—	1.1
Net value	**28.7**	**9.9**	**(3.6)**	**0.1**	**0.7**	**35.7**

In first-half 2023, costs related to the ELLA project in Elbeuf fulfilling IAS 38 criteria were capitalized as intangible assets derived from in-house development for €1.5 million.
As of June 30, 2023, total capitalized costs concerning the ELLA project amounted to €3.1 million.

5.4 Impairment of property, plant and equipment and intangible assets

EUROAPI has reviewed the indicators of impairment of its assets as defined in the 2022 consolidated financial statements (see Note 5.4 to the 2022 consolidated financial statements).

The results of this review carried out at the end of June 2023 did not lead to the recognition of any impairment losses in the consolidated financial statements.

5.5 Other non-current assets

The amount €13.6 million as of June 30, 2023 corresponds mainly to:

- a €9.6 million receivable in respect of the indemnity provided by Sanofi against environmental liabilities arising on non-operating sites;
- a €2.6 million receivable in respect of the long-term portion of cash compensation of Sanofi forfeited shares.

These items are presented in Note 10.4.

5.6 Inventories

	June 30, 2023			December 31, 2022		
(in € millions)	Gross value	Allowances	Carrying amount	Gross value	Allowances	Carrying amount
Raw materials	98.4	(3.6)	94.8	104.0	(2.1)	102.0
Work in progress	343.5	(11.2)	332.3	303.2	(18.5)	284.8
Finished goods	260.2	(19.5)	240.7	219.6	(11.7)	208.0
Total	**702.1**	**(34.3)**	**667.8**	**626.9**	**(32.2)**	**594.7**

5.7 Trade receivables

Trade receivables break down as follows:

(in € millions)	June 30, 2023	December 31, 2022
Gross value	241.2	265.8
Allowances	(3.2)	(1.6)
Carrying amount	**238.0**	**264.2**

(in € millions)	June 30, 2023	December 31, 2022
Trade receivables - third parties	128.8	114.6
Trade receivables - related parties	109.2	149.6
Carrying amount	**238.0**	**264.2**

The table below shows the aging profile of overdue trade receivables, based on gross value:

(in € millions)	Not due - gross value	<1 month past due	1 to 3 months past due	3 to 6 months past due	6 to 12 months past due	> 12 months past due	Total past due - gross value
June 30, 2023	**215.4**	**11.9**	**7.4**	**3.1**	**1.2**	**2.3**	**25.8**
December 31, 2022	233.1	9.9	9.2	7.7	5.3	0.6	32.7

5.8 Other current assets

Other current assets comprise:

(in € millions)	June 30, 2023	December 31, 2022
Customer contract assets[a]	11.2	6.4
Tax receivables[b]	50.1	45.7
Other receivables[c]	10.4	30.0
Prepaid expenses	9.9	3.3
Other current financial assets[d]	3.6	4.8
Total	**85.1**	**90.3**

(a) See Note 5.9.
(b) In 2023, this caption includes €43.0 million in VAT receivables.
(c) In 2023, this caption includes mainly €3.1 million in receivables in respect of indemnities provided by Sanofi resulting from various agreements signed in 2021 (see Note 10.4) and €4.5 million in grants receivable in Italy. As of December 31, 2022, receivables in respect of indemnities provided by Sanofi amounted to €13.2 million.
(d) In 2023, this caption mainly comprises the current portion (€2.7 million) of the indemnity provided by Sanofi against environmental liabilities arising on non-operating sites (see Note 10.4).

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5.9 Customer contract assets and liabilities

Customer contract assets and liabilities arise mainly on certain CDMO contracts with EUROAPI's partners:

(in € millions)	June 30, 2023	December 31, 2022
Customer contract assets [(a)]	11.2	6.4
Customer contract liabilities [(b)]	15.0	6.6

(a) Customer contract assets amount to €11.2 million as of June 30, 2023 and comprise costs incurred in the pre-production phase and capitalized at this date, mainly on CDMO contracts in Germany and Hungary.

(b) Customer contract liabilities amounted to €15.0 million as of June 30, 2023 and represent upfront payments made by EUROAPI customers under technology and development service contracts (CDMO contracts) to finance the initial operations necessary for the fulfillment of contractual obligations. These are advance payments for future services rendered, and are recognized as revenue as and when the related services are delivered.

5.10 Equity

Total equity stood at €1,193.0 million as of June 30, 2023.

5.10.1 Share capital and share premium

By decision of June 5, 2023, the Board of Directors carried out a capital increase resulting from the definitive allocation of free shares to its employees for a total amount of €504,196.

As of June 30, 2023, EUROAPI's share capital amounted to €95.1 million and the share premium stood at €1,861.8 million.

The table below shows movements in the share capital of EUROAPI for the periods presented:

	Number of shares	% of share capital for the period
June 30, 2023	**95,053,684**	**100.0**
December 31, 2022	94,549.488	100.0

5.10.2 Treasury shares

At June 30, 2023, all treasury shares owned by EUROAPI are held under the liquidity agreement.

Purchases and sales of EUROAPI shares under the liquidity agreement in first-half 2023 were as follows:

	2023
Number of shares purchased during the period	822,063
Number of shares sold during the period	769,137

At June 30, 2023, the carrying amount of shares held in treasury by EUROAPI was €1.5 million, breaking down as 140.923 shares representing 1.6% of the share capital.

5.10.3 Number of shares used to calculate earnings per share

(in millions)	June 30, 2023	December 31, 2022
Average number of shares outstanding	93.9	93.7
Adjustment for share-based payment with dilutive effect	1.6	1.3
Average number of shares used to compute diluted earnings per share	**95.5**	**95.0**

Earnings per share and diluted earnings per share as of June 30, 2023 are presented in the consolidated income statement.

5.10.4 Currency translation differences

Cumulative currency translation differences amounted to a positive €15.1 million as of June 30, 2023, and mainly related to Hungary for a positive €4.8 million and the United Kingdom for a positive €11.4 million.

5.10.5 Share-based payments

Share-based payments are accounted for in accordance with the accounting principle described in Note 5.10 to the consolidated financial statements for the year ended December 31, 2022.

2023 EUROAPI performance share and stock option plans:

On June 5, 2023 EUROAPI's Board of Directors approved the implementation of a long-term incentive plan for the Group's key executives and managers, including the Chief Executive Officer, through free share and stock option plans subject to performance and service conditions. In accordance with IFRS 2, an expense equivalent to the fair value of the plans is recognized in profit or loss on a straight-line basis over the vesting period, with a contra-entry to equity. The total amount expensed during the period represented €0.3 million (including payroll taxes).

Sanofi performance share plans

The cash compensation for the 2020 Sanofi performance share plan was settled in May 2023 and reinvoiced to Sanofi.

The total amount expensed during the period for the remaining performance share plan and the corresponding receivable adjustment represented €1.4 million (including payroll taxes).

EUROAPI free share plans

During the first half of 2023, the Board of Directors carried out a capital increase resulting from the definitive allocation of free shares to its employees (see Note 5.10.1).

The principal features of the plans granted are set out below:

	Employee free share plan	Special Management Incentive share plan	Executive Committee matching performance share plan (c)	CEO matching performance share plan	Performance share plan 2022	Stock option plan 2022	Performance share plan 2023	Stock option plan 2023
Date granted by the Board	June 3, 2022	June 3, 2022	May 30, 2022	June 3, 2022	June 3, 2022	June 3, 2022	June 5, 2023	June 5, 2023
Total number of shares granted (in thousands)	474.1	122.3	461.2	181.2	216.3	327.1	357.9	405.4
Vesting period	2 year	2 years	3 years	3 years	3 years	4 years	3 years	1 to 4 years
Exercise period						June 3, 2026 to June 3, 2031		June 5, 2024 to June 3, 2032
Exercise price						13.91		10.30
Shares delivered or canceled	22.5	21.7	105.0	–	14.5	40.7	–	–
Outstanding shares at June 30, 2023	451.6	100.6	356.2	181.2	201.8	286.3	357.9	405.4
Share price at grant date (a)	14.20	14.20	13.45	14.20	14.20	14.20	10.18	10.18
Fair value per share or option (b)	14.06	14.06	13.18	13.92	13.99	4.51	10.02	3.25
Fair value of plan at the grant date (in € millions)	**6.1**	**1.1**	**1.2**	**1.0**	**0.8**	**0.6**	**2,0**	**0,8**

(a) Quoted market price per share at the grant date.
(b) Weighting between fair value determined using the Monte Carlo model and the market price of EUROAPI shares at the grant date, adjusted for expected dividends during the vesting period.
(c) The Executive Committee matching share plan was approved by the Board of Directors on May 30, 2022, based on principles similar to the CEO matching performance share plan as described in the Listing Prospectus with regards to internal performance and external conditions. These include internal performance conditions for 75% of the grant (growth in revenue, Core EBITDA margin and inventory coverage, each representing 25% of the grant) and a Total Shareholder Return (TSR) condition versus a panel of companies and an index, for 25%.

The total amount of EUROAPI share-based payments recognized as an expense in the consolidated income statement amounted to €5.1 million (including payroll taxes).

5.11 Lease liabilities

Lease liabilities comprise:

(in € millions)	June 30, 2023	December 31, 2022
Non-current lease liabilities	15.7	16.2
Current lease liabilities	4.9	4.5
Total Lease liabilities	**20.7**	**20.7**

A maturity analysis of lease liabilities as of June 30, 2023 is presented below:

		Future minimum lease payments			
(in € millions)	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Total lease liabilities as of June 30, 2023	**20.7**	**4.9**	**6.7**	**3.3**	**5.8**

Condensed half-year consolidated financial statements as of June 30, 2023

5.12 Non-current provisions

The table below shows movements in non-current provisions:

(in € millions)	Provisions for environmental risks [(a)]	Provisions for pensions and other post-employment benefits	Provisions for other long-term benefits [(b)]	Other provisions [(c)]	Total
Balance at December 31, 2022	**32.8**	**61.6**	**22.7**	**29.9**	**146.9**
Increases in provisions	—	1.7	1.6	0.9	4.1
Provisions utilized	—	(0.3)	(0.4)	(0.3)	(1.0)
Reversals of surplus provisions	—	—	—	(2.2)	(2.3)
Transfers	—	—	—	—	—
Net interest related to employee benefits, and unwinding of discount	0.5	1.2	0.2	0.4	2.3
Currency translation differences	0.4	0.2	—	—	0.6
Actuarial gains and losses on defined-benefit plans	—	—	—	—	—
Balance at June 30, 2023	**33.7**	**64.3**	**24.1**	**28.7**	**150.7**

(a) The non-current portion of the provision for environmental risk amounts to €33.7 million as of June 30, 2023, mainly concerning France and Germany. The current portion of the provision for environmental risk amounts to €11.2 million and is presented in Note 5.14.

(b) The €24.1 million in this aggregate comprises seniority bonuses for €14.4 million (of which €8.4 million in France and €5 million in Germany) and €9.7 million in long-term provisions for vacation in France.

(c) This item mainly comprises restoration provisions for leased buildings in Germany (€27.6 million). This provision was subject to a €2.2 million reversal during the period, recorded against right-of-use assets in accordance with IFRS 16 (see Note 5.2).

5.12.1 Provisions for pensions and other post-employment benefits

EUROAPI offers its employees pension plans and other post-employment benefits. The specific features of the plans (benefit formulas, fund investment policy and fund assets held) vary depending on the applicable laws and regulations in each country. Employee benefits are accounted for in accordance with IAS 19. The principles of the main defined-benefit plans in the two main countries are described in Note 5.12 to the 2022 consolidated financial statements.

The main assumptions used at June 30, 2023 are in line with those used at the previous year-end closing and are described in Note 5.12 of 2022 consolidated financial statements. The change in discount rates between December 31, 2022 and June 30, 2023, would not give rise to a significant impact on EUROAPI's provisions for pensions and other post-employment benefits, and has therefore not been updated.

Furthermore, on April 14, 2023 a law was enacted raising the retirement age in France. Based on our assessment, the impact of this reform on EUROAPI's provisions for pensions as of June 30, 2023 is not significant. The impacts of the reform will be reflected in the actuarial valuation as of December 31, 2023.

5.13 Trade payables

Trade payables break down as follows:

(in € millions)	June 30, 2023	December 31, 2022
Trade payables - third parties	153.4	183.1
Trade payables - related party	11.5	36.6
Carrying amount	**164.8**	**219.6**

5.14 Other current liabilities

Other current liabilities break down as follows:

(in € millions)	June 30, 2023	December 31, 2022
Customer contract liabilities [a]	15.0	6.6
Current income tax liabilities	0.5	11.7
Taxes payable, other than corporate income taxes	17.6	9.7
Employee-related liabilities	53.6	60.3
Provisions [b]	20.2	24.8
Amounts payable for acquisitions of non-current assets	14.2	9.1
Other current liabilities	7.2	10.0
Total	**128.3**	**132.2**

(a) See Note 5.9.

(b) As of June 30, 2023, provisions amounted to €20.2 million, and mainly comprised the current portion of environmental provisions (€11.2 million) and restructuring provisions (€2.8 million).

As of December 31, 2022, provisions amounted to €24.8 million, breaking down between the current portions of environmental provisions (€12.6 million), restructuring provisions (€4 million) and other provisions (€8.2 million). In the 2022 consolidated financial statements, the current portion of restructuring provisions was presented on a separate line and the balance of current provisions was included in "Other current liabilities".

5.15 Derivative financial instruments

As explained in Note 2 “Financial instruments”, currency derivative instruments used by EUROAPI are not eligible for hedge accounting. They are recorded in other current assets and liabilities in the statement of financial position.

The table below shows the fair value of derivative instruments as of June 30, 2023:

(in € millions)	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Market value at June 30, 2023 (net)	Market value at December 31, 2022 (net)
Currency derivatives								
Operating	—	0.1	0.1	—	—	—	0.1	0.4
Financial	—	0.2	0.2	—	0.2	0.2	0.1	0.1
Total	**—**	**0.4**	**0.4**	**—**	**0.2**	**0.2**	**0.2**	**0.5**

Currency derivatives used to manage operating risk exposures

The table below shows operating currency hedging instruments in place as of June 30, 2023. The notional amount is translated into euros at the relevant closing exchange rate:

June 30, 2023 *(in € millions)*	Notional amount	Mark-to-market
Forward currency sales	3.7	—
Of which USD	*3.7*	—
Forward currency purchases	43.0	0.1
Of which GBP	*10.0*	*0.1*
Of which HUF	*33.0*	*0.1*
Total	**46.7**	**0.1**

Currency derivatives used to manage financial exposure

The cash pooling arrangements for foreign subsidiaries outside the eurozone, and some of EUROAPI’s financing activities, expose EUROAPI SA (holding company) to financial foreign exchange risk (i.e., the risk of changes in the value of loans and borrowings denominated in a currency other than the functional currency of the lender or borrower).

The table below shows financial currency hedging instruments in place as of June 30, 2023. The notional amount is translated into euros at the relevant closing exchange rate:

June 30, 2023 *(in € million)*	Notional amount	Mark-to-market
Forward currency sales	19.7	0.1
Of which GBP	*5.2*	*(0.1)*
Of which HUF	*10.0*	—
Of which JPY	*4.5*	*0.2*
Forward currency purchases	1.9	—
Of which USD	*1.9*	—
Total	**21.5**	**0.1**

5.16 Debt, cash and cash equivalents

Changes in financial position during the period were as follows:

(in € millions)	June 30, 2023	December 31, 2022
Long-term debt	—	—
Short-term debt and current portion of long-term debt	200.3	100.1
Interest rate and currency derivative used to manage debt	(0.1)	(0.1)
Total debt	**200.2**	**100.1**
Cash and cash equivalents	(57.0)	(74.5)
Net debt/(Net cash) [(a)]	**143.2**	**25.6**

(a) Net debt does not include lease liabilities, which amounted to €20.7 million as of June 30, 2023, unchanged from December 31, 2022.

The table below shows an analysis of net debt by type:

	June 30, 2023			December 31, 2022		
(in € millions)	Non-current	Current	Total	Non-current	Current	Total
Bond issues	—	—	—	—	—	—
Other borrowings	—	200.3	200.3	—	100.1	100.1
Bank credit balances	—	—	—	—	—	—
Interest rate and currency derivative used to manage debt	—	(0.1)	(0.1)	—	(0.1)	(0.1)
Total debt	**—**	**200.2**	**200.2**	**—**	**100.1**	**100.1**
Cash and cash equivalents	—	(57.0)	(57.0)	—	(74.5)	(74.5)
Net debt/(Net cash)	**—**	**143.2**	**143.2**	**—**	**25.6**	**25.6**

Net debt includes an amount of €200.3 million drawn under the RCF Loan Agreement (including accrued interest), recorded in other borrowings (see Note 9).

Interest and fees

The applicable margin varies depending on the ratio of consolidated net debt to consolidated Core EBITDA as defined in the RCF Loan Agreement (excluding the effects of IFRS 16). The applicable margin level is reviewed every six months.

Note 6. Notes to the income statement

6.1 Net sales and other revenues

Net sales amounted to €496.6 million as of June 30, 2023 (see Note 8.2).

Other revenue amounted to €1.9 million and includes:

- the secondary packaging activity performed in Haverhill for certain Sanofi finished products;
- quality testing activities for Sanofi products in the United Kingdom (Brexit), also handled in Haverhill.

6.2 Personnel costs

Total personnel costs (other than termination benefits, presented in Note 6.4) include the following items:

(in € millions)	June 30, 2023	June 30, 2022
Salaries	(98.3)	(115.2)
Social security charges and defined-contribution plan [(a)]	(36.1)	(37.5)
Defined-benefit plans, and voluntary and statutory profit-sharing schemes	(5.5)	(11.2)
Stock options and other share-based payment expense [(b)]	(6.5)	(5.7)
Other employee benefits	(9.2)	(6.5)
Total	**(155.5)**	**(176.1)**

(a) In 2023, defined-contribution plan expenses amounted to €6.1 million, versus €8.6 million in 2022.
(b) This amount includes payroll costs. See details of EUROAPI share plans in Note 5.10.

6.3 Other operating income and expenses

Other operating income and expenses amounted to €0.7 million in first-half 2023, mainly due to foreign exchange gains on operating items.

Other operating income amounted to €2.4 million in first-half 2022, comprising €2.2 million in indemnities receivable from Sanofi in respect of certain short-term employee benefit liabilities under the terms of the Master Carve Out Agreement of October 1, 2021, and a foreign exchange gain on operating items for €0.2 million. Other operating expenses totaled €0.2 million in first-half 2022.

6.4 Restructuring costs and similar items

Restructuring costs correspond to expenses incurred in connection with the transformation or reorganization of the EUROAPI Group's operations and support functions. These costs include collective redundancy plans, compensation awarded to third parties for the early termination of contracts, commitments made in connection with transformation and reorganization decisions, and costs related to the temporary shutdown of sites or production lines associated with such programs.

They also include accelerated depreciation charges arising from closures of production facilities (including leased facilities), and losses on any resulting asset disposals.

In addition, restructuring costs and similar items comprise expenses incurred in connection with the Company's transformation plan announced in March 2023 and intended to streamline and simplify processes, accelerate both the operational excellence strategy, and the CDMO roadmap.

Restructuring costs and similar items breaks down as follows:

(in € millions)	June 30, 2023	June 30, 2022
Employee-related expenses	—	(4.7)
Charges, gains or losses on assets	—	—
Transformation programs and other costs	(4.3)	(0.1)
Total	**(4.3)**	**(4.8)**

In the first-half 2023, transformation programs and other costs include internal and external expenses, related to the Accelerate transformation plan described in Note 3.2.

In first-half 2022, restructuring costs amounted to €4.8 million and were mainly linked to employee-related expenses at the Brindisi site in Italy.

6.5 Financial income and expenses

An analysis of financial income and expenses is presented below:

(in € millions)	June 30, 2023	June 30, 2022
Cost of debt [(a)]	(2.8)	(0.2)
Interest income	0.3	0.1
Cost of net debt	**(2.5)**	**(0.1)**
Non-operating foreign exchange gains/(losses)	1.7	(1.5)
Unwinding of discounting of provisions [(b)]	(0.9)	—
Net interest cost related to employee benefits [(b)]	(1.4)	(0.5)
Net interest expense on lease liabilities	(0.2)	(0.2)
Net financial income/(expense)	**(3.3)**	**(2.3)**
Of which financial expenses	**(5.3)**	**(2.4)**
Of which financial income	**1.9**	**0.1**

(a) The cost of debt comprises amortization of cost and interest on the RCF loan for €2.6 million.
(b) See detail in Note 5.12.

Note 7. Taxes

As part of the carve out operation in 2021, Sanofi has transferred the Hungarian business to EUROAPI Hungary. Sanofi has applied for a favorable tax treatment upon this asset transfer, i.e. the deferral of the capital gain taxation.
Symmetrically, EUROAPI has maintained the historical value of the assets from a tax perspective. This treatment has been maintained by Sanofi and EUROAPI until the exit from the Sanofi group in May 2022.
Upon the filing of their 2022 tax return in May 2023, Sanofi has waived this favorable tax treatment and paid corresponding capital gain tax.
As a result, and having received from Sanofi necessary confirmations of capital gain tax payment, EUROAPI Hungary has performed a free step-up based on legal restructuring documentation and in the framework of the ownership change. In other words, EUROAPI would amortize tangible assets based on their FMV and would depreciate the goodwill.
The step-up of the tax value of the assets results in the recognition of a deferred tax assets in an amount of €46.8 million in addition to the impact of the recurring amortization of the assets for the period.

Since January 1, 2023, EUROAPI SA has elected for the French tax consolidation regime, and is therefore the head of a French tax group comprising all the French EUROAPI subsidiaries, as described in Note 3.1.

As mentioned in Note 2, a new amendment to IAS 12 “Income Taxes – International Tax Reform – Pillar Two Model Rules” was issued on May 23, 2023.
Given the timetable for the publication of this amendment and its ongoing implementation by the Member States of the European Union, expected in the second half of 2023, as well as the difficulties and uncertainties regarding the implementation of IAS 12 for this type of additional taxation, the EUROAPI Group opted not to recognize any deferred taxes arising from the implementation of Pillar Two model rules, in application of IAS 8.
The Group has begun to analyze the impact of applying this directive. Work will continue in the second half of 2023 in order to estimate EUROAPI's exposure to additional taxation.

The table below shows the allocation of income tax expense between current and deferred taxes:

(in € millions)	June 30, 2023	June 30, 2022
Current taxes	(1.8)	(7.3)
Deferred taxes	52.0	0.2
Total	**50.1**	**(7.0)**
Income/(loss) before tax	**12.6**	**23.8**

The difference between effective tax income and the standard corporate income tax applicable in France can be explained as follows:

(in € millions)	June 30, 2023
Income before taxes	12.6
Standard tax rate applicable in France	25.83 %
Theoretical tax income / (expense)	**(3.3)**
Impact of permanent differences	51.2
Research tax credit	0.4
Differences in tax rates	2.9
Impact of non-recognized deferred tax assets	(0.9)
Other	(0.2)
Effective tax income / (expense)	**50.1**

As of June 30, 2023, unrecognized deferred tax assets, which mainly related to tax losses available for carry-forward, amounted to €17.4 million, mainly related to Italy for €16.7 million.

Note 8. Segment information

8.1 Segment results

EUROAPI measures the operating performance of its operating segment on the basis of "Core EBITDA", the key internal performance indicator monitored by the Group.

Core EBITDA is determined by adding the following items back to operating income or loss determined under IFRS:

(i) depreciation and amortization expense (see consolidated statements of cash flows);

(ii) impairment losses charged against intangible assets and property, plant and equipment, net of reversals (see Note 5.4);

(iii) restructuring costs and similar items (see Note 6.4);

(iv) charges to provisions for environmental risks, net of reversals of unused provisions (see Note 5.12); and

(v) any other amounts relating to other items regarded as unusual in nature or size.

A reconciliation of "Core EBITDA" to "Operating income/(loss)" as of June 30, 2023 is shown below:

(in € millions)		June 30, 2023	June 30, 2022
Operating income/(loss) (EBIT)		**16.0**	**26.1**
(+)	Depreciation, amortization and impairment	36.1	34.7
Operating income/(loss) before depreciation, amortization and impairment (EBITDA)		**52.1**	**60.8**
(+)	Restructuring costs and similar items excluding depreciation, amortization and impairment	4.3	4.8
(+)	Increase in provisions for environmental risks, net of reversals of surplus provisions	(0.3)	0.0
(+)	Other [(a)]	6.3	4.8
Core EBITDA		**62.5**	**70.3**

(a) "Other" for 2023 and 2022 corresponds to the employee share plan, free share plans and forfeited share expenses in connection with the loss of control of the Sanofi group and the initial listing of EUROAPI shares on Euronext as detailed in Note 5.10.

8.2 Additional information

The breakdown of net sales by category is provided below:

(in € millions)	June 30, 2023	June 30, 2022
API Solutions	362.4	361.6
CDMO	134.2	122.2
Total net sales	**496.6**	**483.8**

The breakdown of net sales by product type is provided below:

(in € millions)	June 30, 2023	June 30, 2022
Large molecules	35.0	47.9
Highly potent molecules	43.7	47.1
Biochemistry molecules derived from fermentation	85.5	65.4
Complex chemical synthesis molecules	332.4	323.4
Total net sales	**496.6**	**483.8**

Note 9. Risk exposure

9.1 Foreign exchange risk

The EUROAPI Group operates in over 80 countries. Group entities are exposed to foreign exchange risk when they enter into transactions in a currency other than their functional currency. Management of exposure to exchange rate fluctuations, including currency hedging policies, is centralized at the level of EUROAPI's finance teams (see Note 5.15).

The consolidated financial statements are presented in euros. The principal currencies other than the euro in which transactions are denominated are the US dollar (USD), Hungarian forint (HUF), pound sterling (GBP) and Japanese yen (JPY).

9.2 Interest rate risk

The only interest rate exposure is that linked to the use of the RCF, the remuneration of which depends on the level of leverage.

To date, there has been no significant impact because the RCF is only used to manage working capital.

9.3 Liquidity risk

EUROAPI had the following arrangement in place as of June 30, 2023 to manage its liquidity in connection with ordinary operations:

- an RCF Loan Agreement for €451 million, drawable in euros, maturing February 26, 2027.

The purpose of the RCF Loan Agreement is to finance the Group's general corporate purposes and acquisitions. It is governed by French law and the Company has had the option to make drawdowns under this agreement since the Company's notification to the Lenders of the initial listing of its shares on the regulated market of Euronext Paris. As a general rule, drawdowns are not subject to prior authorization from the Lenders but are subject only to the absence of an early repayment event and the accuracy of the customary representations. Only drawdowns intended to finance large cap acquisitions are subject to the prior agreement of a two-thirds majority of the Lenders.

The RCF loan agreement includes a covenant tested every six months stipulating that the ratio of total net debt to consolidated core EBITDA may not exceed 4.00. The ratio is comfortably respected as of June 30, 2023.

The EUROAPI Group has set up an internal cash pooling arrangement between the parent company and its subsidiaries to centralize the Group's liquidity.

9.4 Customer credit risk

The Group monitors all customer risks (see Note 5.7).

To do this, all new customers must be checked by the credit management department with a financial information tool. The financial assessment is carried out at least once a year for occasional customers, and three to four times a year for more regular customers, so as to ensure their financial soundness.

Note 10. Other information

10.1 Subsequent events

None

10.2 Off-balance sheet commitments

Off-balance sheet commitments linked to the Master Carve Out Agreement

In connection with the Preliminary Reorganization Transactions, EUROAPI and Sanofi signed a Master Carve Out Agreement effective October 1, 2021, setting out the general principles and arrangements for transferring the assets and liabilities associated with EUROAPI's activities. This agreement was amended on February 25, 2022.

These agreements set certain limitations on liabilities in respect of the transferred activities and the related assets and liabilities, and certain indemnity undertakings, that impact EUROAPI's consolidated financial statements for the period ended June 30, 2023.

The indemnities granted by Sanofi under the Master Carve Out Agreement are described below.

Certain non-transferred environmental liabilities retained by Sanofi

Sanofi retains the remediation obligation relating to the "Marat" parcel of land situated close to the Vertolaye site in France; only the freehold of that parcel of land was transferred as of October 1, 2021, with the transfer of the operating license contingent on Sanofi completing the remediation work. That undertaking is valid until the earlier of (i) completion of the principal remediation measures as required and attested by the competent authorities, and (ii) the date on which administrative responsibility for the environmental situation at the "Marat" parcel of land is transferred to the EUROAPI Group.

The legal remediation obligation retained by Sanofi, and reflected in the historical financial statements in an amount of €14.6 million, was therefore not transferred to EUROAPI.

Certain regulatory compliance expenditures relating to certain EUROAPI active pharmaceutical ingredients

Sanofi agreed to indemnify EUROAPI with effect from October 1, 2021 for certain expenditures to be incurred in order to achieve regulatory compliance. The indemnity is capped at €15.0 million, and relates to the costs of the "State of the Art" regulatory review of certain active pharmaceutical ingredients as agreed between the parties that fall within the scope of the activities transferred to EUROAPI. That undertaking is valid up to and including September 30, 2025, and constitutes an off balance sheet commitment received by EUROAPI.

In first-half 2023, €1.7 million in "State of the Art" expenses were incurred and reinvoiced to Sanofi within the dedicated income statement line.
The remaining off-balance sheet commitment received by Sanofi amounts to €10.7 million.

Certain undertakings in favor of BASF Agri production SAS (BASF)

Sanofi made an undertaking in the form of a €21 million guarantee to indemnify EUROAPI against any loss it may incur in respect of an obligation, under a carve out agreement between BASF and Sanofi dated February 13, 2004 (as amended, in particular by the tripartite agreement dated September 28, 2021) that was transferred to EUROAPI at the same time as the transfer of the Saint-Aubin-lès-Elbeuf site pursuant to the Preliminary Reorganization Transactions, to indemnify BASF for losses incurred as a result of environmental incidents.
This undertaking represents an off-balance sheet commitment received of €21 million as of June 30, 2023 (unchanged compared to December 31, 2022).

Environmental insurance contracted by Sanofi

In accordance with the undertakings made in the Master Carve Out Agreement, EUROAPI is covered by environmental insurance contracted by Sanofi for a 10-year period commencing October 1, 2021, providing coverage of up to €50 million for environmental liabilities not yet identified as of the transfer date and originating prior to implementation of the Preliminary Reorganization Transactions (or in some cases, prior to the EUROAPI initial public offering). The insurance is subject to the customary exclusions for environmental liability cover. The policy, the entire cost of which is borne by Sanofi, was transferred to EUROAPI at the date of the initial public offering. It was provided by the controlling entity until completion of the transaction, and covers EUROAPI against public liability in respect of pollution and remediation.

This undertaking constitutes an off-balance sheet commitment received. This insurance policy was not used by EUROAPI during the first half of 2023.

Brindisi capital expenditure

Sanofi agreed to indemnify EUROAPI in an amount equal to any cost incurred in connection with capital expenditure at EUROAPI Italy's Facilities located in Brindisi and pertaining to the repair of the sewage network (process, rainwater and cooling water sewage), provided that the indemnification obligation was (i) only due for the portion of Brindisi capital expenditure above €4 million, which is the amount already included in EUROAPI's Capital Expenditure Plan with respect to such work, and which shall remain borne by EUROAPI and duly evidenced to Sanofi, and (ii) limited to a cap of €4 million in the aggregate and for costs invoiced to or expensed by EUROAPI prior to December 31, 2025.

In first-half 2023, no amount was paid by Sanofi to EUROAPI Italy under this agreement.

Off-balance sheet commitments linked to the Global Manufacturing and Supply Agreement

Consistently with their long-established relationship, EUROAPI and Sanofi entered into a Global Manufacturing and Supply Agreement on October 1, 2021 covering active pharmaceutical ingredients, intermediates and other substances, for a five-year term starting from the date of the EUROAPI initial public offering in 2022. The agreement provides for exclusivity of supply of certain active pharmaceutical ingredients, and specifies the pricing terms on which commercial transactions between Sanofi and EUROAPI will be conducted through the entire contractual term.

It contains two price adjustment clauses that generate off-balance sheet commitments:

- A €771.3 million commitment as of June 30, 2023, on the Price Volume Corridor clause. This clause compensates one or the other party in the event of variances above or below specified target levels of revenue for a list of active pharmaceutical ingredients, as defined for an initial three-year period.

  In first-half 2023, no amounts were recognized in the consolidated income statement under this clause.
- A €335.9 million commitment as of December 31, 2022, on the Capacity Reservation clause. This clause compensates EUROAPI for any failure by Sanofi to order the annual quantities reserved, for a specified list of active pharmaceutical ingredients

  In first-half 2023, no amounts were recognized in the consolidated income statement under this clause.

Other off-balance sheet commitments

- Amounts drawn under the RCF Loan Agreement, drawable in euros and maturing on February 26, 2027, as described in Note 5.16, is presented below:

At June 30, 2023

(in € millions)	Initial amount	Drawn amount	Net amount
RCF Loan	451.0	200.0	251.0

- EUROAPI has also received financial guarantees from banks for a total of €6.6 million and has given financial guarantees for €9.5 million.
- Off-balance sheet commitments relating to EUROAPI's operating activities (other than commitments arising from the agreements mentioned above) were as follows:

At June 30, 2023		Payments due by period			
(in € millions)	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Leases [(a)]	0.4	0.1	0.1	—	0.1
Irrevocable purchase commitments					
- given [(b)]	261.9	147.5	34.6	55.1	24.7
- received [(c)]	(131.8)	(123.5)	(8.2)	—	—
Total - net commitments given	**130.5**	**24.1**	**26.5**	**55.2**	**24.8**

(a) This line mainly comprises future lease payment commitments for which no lease liability was recognized in the statement of financial position as of June 30, 2023, as the amount of such commitments as of that date was not material.

(b) Irrevocable purchase commitments comprise commitments to suppliers of property, plant and equipment (for €65.3 million) and firm commitments to purchase goods and services under materials supply contracts (for €196.7 million).

(c) This line mainly comprises firm commitments received to purchase goods and services.

10.3 Legal and arbitration proceedings

EUROAPI and other Group companies are involved in litigation, arbitration and other legal proceedings. These proceedings typically relate to commercial, employee-related and tax matters, and to waste disposal and pollution claims. Provisions related to legal and arbitration proceedings are recognized in accordance with the principles described in Note 5.11.

Assessing the risks involves a series of complex judgments about future events. Those assessments are based on estimates and assumptions that have been deemed reasonable by management. EUROAPI believes that the aggregate provisions recorded for the above matters are adequate based upon currently available information. However, given the inherent uncertainties related to these cases and involved in estimating contingent liabilities, EUROAPI cannot rule out the possibility that future decisions may have a material adverse effect on its net income.

As of June 30, 2023, EUROAPI's ongoing claims remained unchanged: (i) a commercial claim in Japan; and (ii) developments in employee-related litigation in Italy dating from June 2010, further to the notification of a civil claim for damages by a service provider.

10.4 Related parties

The principal transactions between EUROAPI and the Sanofi group are:

- sales of active pharmaceutical ingredients to Sanofi for use in the production of medicines sold by Sanofi;
- purchases of active pharmaceutical ingredients produced by Sanofi and distributed by EUROAPI;
- purchases of opiate-based active ingredients manufactured by Sanofi at its Aramon site;
- production and development services provided by Sanofi to EUROAPI, or by EUROAPI to Sanofi; and
- transactions covered by the Master Carve Out Agreement.

(in € millions)	**June 30, 2023**	**June 30, 2022**
Net sales and other revenues [(a)]	245.9	248.7
Purchases and other expenses	(71.2)	(78.0)

(a) Price adjustment clauses were activated over the period, including raw material pass-through, partial energy price sharing, and performance sharing as defined in the Global Manufacturing and Supply Agreement with Sanofi. In addition, ""Net sales and other revenues" includes new customer service level incentives.

(in € millions)	**June 30, 2023**	**December 31, 2022**
Trade receivables (Note 5.7)	109.2	149.6
Trade payables (Note 5.13)	(11.5)	(36.6)
Other non-current assets (Note 5.5) [(a)]	12.2	13.4
Other current assets (Note 5.8) [(b)]	5.8	16.5
Other current liabilities	—	—
Other current financial assets	—	—

(a) This line comprises a €9.6 million receivable in respect of the indemnity provided by Sanofi against environmental liabilities arising on non-operating sites (unchanged compared to 2022) and a €2.6 million receivable in respect of the long-term portion of cash compensation of Sanofi forfeited shares.

(b) This line comprises a €3.1 million receivable in respect of indemnities provided by Sanofi resulting from various agreements signed in 2021 (mainly operational excellence costs) and €2.7 million in respect of the current portion of the indemnity provided by Sanofi against environmental liabilities arising on non-operating sites.

10.5 List of the principal companies included in the scope of consolidation

Principal fully consolidated companies.

The principal subsidiaries controlled by EUROAPI and making up the Group's scope of consolidation as of June 30, 2023 are listed below by region:

Europe		**Interest (%) at June 30, 2023**	**Interest (%) at December 31, 2022**
EUROAPI	France	100	100
EUROAPI France SAS	France	100	100
EUROAPI H1	France	100	100
EUROAPI H2	France	100	100
EUROAPI H3	France	100	100
EUROAPI Italy S.R.L	Italy	100	100
FRANCOPIA	France	100	100
EUROAPI Hungary	Hungary	100	100
EUROAPI Germany	Germany	100	100
EUROAPI UK Ltd	United Kingdom	100	100

North America		**Interest (%) at June 30, 2023**	**Interest (%) at December 31, 2022**
EUROAPI US	United States	100	100

Asia		**Interest (%) at June 30, 2023**	**Interest (%) at December 31, 2022**
EUROAPI Japan G. K.	Japan	100	100
EUROAPI Shanghai	China	100	100

3. STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEAR FINANCIAL INFORMATION

To the Shareholders,

In compliance with the assignment entrusted to us by decisions of the sole Shareholders and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code ("code monétaire et financier"), we hereby report to you on:

- the review of the accompanying (condensed) half-yearly consolidated financial statements of Euroapi, for the period from January 1 to June 30, 2023,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the (condensed) half-yearly consolidated financial statements.

Paris and Paris-La Défense, July 31, 2023

The Statutory Auditors

French original signed by

BDO Paris	ERNST & YOUNG Audit
Eric Picarle	Pierre Chassagne

4. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT

“I hereby declare that, to the best of my knowledge, the condensed half-year consolidated financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and of the entities included in the scope of consolidation, and that the attached half-year management report provides a fair view of the significant events of the first six months of the year, their impact on the half-year consolidated financial statements, the principal transactions with related parties and a description of the main risks and uncertainties for the remaining six months of the year.”

Paris, July 31, 2023

Karl Rotthier

Chief Executive Officer

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French joint-stock company (Société anonyme)
with a share capital of €94,549,488

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