Active Solutions for Health

2024 HALF-YEAR FINANCIAL REPORT

Euroapi - Haverhill (United Kingdom)

2024 HALF-YEAR FINANCIAL REPORT

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1. HALF-YEAR 2024 MANAGEMENT REPORT

1.1 HIGHLIGHTS OF THE 2024 FINANCIAL YEAR

1.1.1 Main events

FOCUS-27

On February 28, 2024, EUROAPI launched FOCUS-27, a comprehensive 4-year program that aims to improve competitiveness and unlock sustainable and profitable growth. By the end of 2027, FOCUS-27 targets to generate 75 to 80 M€ annual run rate incremental Core EBITDA. The operational roadmap and the financing of the plan have been detailed on June 26, 2024.

FOCUS-27 is built on four pillars:

- a streamlined value-added API portfolio focused on highly differentiated profitable APIs
- a focused CDMO offer leveraging our recognized capabilities and technology platforms
- a rationalized industrial footprint
- a leaner organization with more efficient ways of working

According to this strategy, EUROAPI notably decided, before the end of the plan, to discontinue 13 APIs with low or negative margins, to divest the Haverhill and Brindisi sites, to mothball two workshops in the Frankfurt site, to reduce approximately 550 headcounts across all functions and to invest 350 to 400 M€ in CAPEX with a focus on strategic growth initiatives.

The implementation of FOCUS-27 will be funded by a combination of financial resources:

- the amendment and extension of the 451 M€ Revolving Credit Facility signed in 2022
- a 200 M€ Perpetual Subordinated Hybrid Bond subscribed by Sanofi upon the completion of the discussions on the RCF
- a 54M€ payment over the plan from Sanofi for a selected product capacity reservation
- an expected 140 M€ working capital improvement between 2024 and 2027 driven notably by strong reduction of inventories

More detail on EUROAPI's website: https://www.euroapi.com/en/euroapi-is-moving-ahead-with-its-focus-27-plan-setting-the-foundations-for-future-profitable-growth

Temporary pause of API production in Brindisi

On March 14, 2024, EUROAPI suspended the production of all APIs on its site of Brindisi following the identification of quality control deficiencies during an internal audit. On June 26, 2024, the company announced that the investigation launched at its initiative confirmed the existence of malpractices at the local level. Following the effective and reliable remediation plan deployed by the site and the reactivation of the GMP license mid-July, the API shipments and production are expected to gradually resume during the third quarter of 2024.

Business update

Despite the temporary pause of API production in Brindisi and decreasing volumes from Sanofi, API Solutions' activity pursued the deployment of its commercial roadmap, with 22 new clients added in H1 and the cross-selling strategy.

The CDMO activity performance was penalized by the downsizing of two historical contracts and the suspension of production in Brindisi. These two elements more than offset the increase in revenue from early-stage projects.

73 CDMO projects were active at the end of June, with a portfolio gradually de-risked towards commercial phase projects. Throughout the semester, 14 new contracts were signed, of which 6 in large molecules. 8 projects were completed, including 2 late-stage with Sanofi, and two projects were put on hold.

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 employees on June 3, 2024. In this context, the Company completed a €536,093 capital increase. At the end of June 2024, the total number of outstanding shares was 95,589,777 and voting rights totaled 95,263,059.

1.2 ANALYSIS OF THE GROUP'S RESULTS

EUROAPI H1 2024 Net Sales reached €448.7 million, -9.6% versus H1 2023 and -9.3% at Constant Exchange Rates.

Net sales by flow and type

(in € millions)	June 30, 2024	June 30, 2023	Change
API Solutions - Other clients	168.6	169.8	(0.7)%
API Solutions - Sanofi	163.7	192.7	(15.0)%
API Solutions	**332.4**	**362.4**	**(8.3)%**
CDMO - Other clients	72.3	82.7	(12.7)%
CDMO - Sanofi	44.1	51.4	(14.2)%
CDMO	**116.4**	**134.2**	**(13.3)%**
Total net sales	**448.7**	**496.6**	**(9.6)%**
Total net sales - Other clients	**240.9**	**252.5**	**(4.6)%**
Total net sales - Sanofi	**207.8**	**244.1**	**(14.9)%**

API Solutions

API Solutions' Net Sales decreased 8.3% to €332.4 million.

Sales to Other clients decreased by 0.7%, impacted by the temporary suspension of API production in Brindisi. Excluding Brindisi's site, net sales would have grown 3.4%, driven by the cross-selling strategy (representing 9.1% of H1 API Solutions sales to other clients) and an increased customer base (22 new clients added in H1).

Sales to Sanofi decreased by 15.0% due to strong volume decrease, notably in Sevelamer, produced in Haverhill, and the suspension of production in Brindisi. H1 net sales include €29 million related to the revision of the historical MSA contractual clauses agreed with Sanofi in February 2024[1], primary Buserelin's[2] stock clearance.

CDMO

CDMO sales decreased by 13.3% to €116.4 million.

Sales to Other clients decreased by 12.7%, due to the temporary suspension of production in Brindisi, which affected a commercial phase contract. H1 2024 performance was also penalized by the downsizing of two large historical commercial phase contracts (approximately -10 million euros), which more than offset the increase in revenue from new contracts. Excluding the impact of Brindisi, total CDMO sales to clients other than Sanofi would have grown by 1.8%, with increased revenues from early-stage projects.

Sales to Sanofi decreased by 14.2%, on the back of a strong H1 2023 performance, which was boosted by stock replenishment of Pristinamycin, an anti-infective produced exclusively for Sanofi in Elbeuf. H1 2024 sales benefited from the ramp-up of a commercial phase contract in Large Molecules.

Throughout the semester, 14 new CDMO contracts were signed, and eight projects were completed, including two in late-stage with Sanofi, and two projects were put on hold.

[1] Full-year expected impact: €38 million (Regulated Agreement approved by the May 22nd AGM)
[2] Buserelin is a large molecule used primarily in the treatment of prostate cancer and endometriosis

Net sales by product category

(in € millions)	June 30, 2024	June 30, 2023	Change
Large molecules	58.8	35.0	67.9 %
Highly potent molecules	47.1	43.7	7.8 %
Biochemistry molecules derived from fermentation	43.7	85.5	(48.8)%
Complex chemical synthesis molecules	299.1	332.4	(10.0)%
Total net sales	**448.7**	**496.6**	**(9.6)%**

Large molecules increased by 67.9% to €58.8 million, driven by the stock clearance of Buserelin, and the ramp-up of a commercial phase contract in Large Molecules with Sanofi.

Highly potent molecules were up 7.8% to €47.1 million on the back of a low comparison base in H1 2023, which was impacted by the suspension of prostaglandin's production.

Biochemistry molecules derived from fermentation decreased 48.8% to €43.7 million. While H1 2023 performance was boosted by stock replenishment of Pristinamycin, H1 2024 was impacted by the temporary suspension of API production in Brindisi.

Complex chemical synthesis molecules decreased by 10.0% to €299.1 million, mainly impacted by the decreasing volume demand from Sanofi.

1.2.1 Group income statement analysis

The table below shows the Group's consolidated income statement for the half-years ended June 30, 2024, and June 30, 2023.

(in € millions)	June 30, 2024	June 30, 2023
Net sales	448.7	496.6
Other revenues	2.2	1.9
Cost of sales	(352.9)	(401.4)
Gross profit	**98.0**	**97.0**
Gross Margin (% of net sales)	**21.8 %**	**19.5 %**
Selling and distribution expenses	(18.7)	(21.3)
Research and development expenses	(13.9)	(13.3)
Administrative and general expenses	(46.6)	(42.8)
Other operating income and expenses	1.3	0.7
Impairment of assets	(3.9)	—
Restructuring costs and similar items	(49.7)	(4.3)
Other gains and losses, and litigation	—	—
Operating income	**(33.4)**	**16.0**
Operating income (% of net sales)	**(7.5)%**	**3.2 %**
Financial result	**(8.1)**	**(3.3)**
Income/(loss) before tax	**(41.5)**	**12.6**
Income/(loss) before tax (% of net sales)	**(9.3)%**	**2.5 %**
Income tax expense	6.7	50.1
ETR (%)	**(16.1)%**	**396.7 %**
Net income/(loss)	**(34.8)**	**62.8**
Net income/(loss) (% of net sales)	**(7.8)%**	**12.6 %**

Gross profit

Gross profit was €98.0 million, compared to €97.0 million in H1 2023, with the gross profit margin up 231 bps year-on-year to 21.8%. The exceptional impact of Buserelin's stock clearance, positive price and mix effect, lower energy and raw materials prices, and improved industrial performance more than offset unfavorable fixed cost absorption as we sold in H1 24 products manufactured at the peak level of the past 18 months inflation cycle.

Operating expenses

Selling and distribution expenses for H1 2024 amounted to €18.7 million, versus €21.3 million for H1 2023. Research and development expenses for H1 2024 came to €13.9 million, versus €13.3 million for H1 2023. Administrative and general expenses for H1 2024 amounted to €46.6 million, versus €42.8 million for H1 2023.

Restructuring costs and similar items

The €49.7 million in restructuring costs and similar items include €47.2 million in exceptional items..

Operating income

Operating income was €(33.4) million compared to €16.0 in H1 2023.
Other operating income for H1 2024 amounted to €1.3 million.

Financial income

Financial income was €(8.1) million, compared with €(3.3) million in H1 2023, due notably to the increase in interest rates and the full drawdown of the RCF.

Income tax

Income tax was €6.7 million, compared with €50.1 million in H1 2023. H1 2023 income tax included €46.8m deferred tax income related to the revaluation of EUROAPI's Hungarian assets.

Net income

Net income was €(34.8) million in H1 2024, compared to €62.8 million in H1 2023.

Key performance indicators

(in € millions)	June 30, 2024	June 30, 2023
Net sales	**448.7**	**496.6**
Gross profit	**98.0**	**97.0**
as a % of net sales	*21.8 %*	*19.5 %*
EBITDA	**-1.4**	**52.1**
as a % of net sales	*(0.3)%*	*10.5 %*
Core EBITDA	**47.6**	**62.5**
as a % of net sales	*10.6 %*	*12.6 %*
Net income	**(34.8)**	**62.8**
Basic EPS (in euros)	**(0.37)**	**0.67**
Free Cash Flow before financing	**10.0**	**(111.2)**
Net Debt position	**(170.2)**	**(171.0)**
Net Debt to Core EBITDA ratio (IFRS 16 restated)	**2.38x**	**1.35x**

EBITDA and Core EBITDA

EBITDA was €-1.4 million compared to €52.1 million in H1 2023. The 49.0 million non-recurring costs include €47.2 million in exceptional items, of which

- €33.8 million of idle cost[3] linked to the execution of FOCUS-27, including the ramp-down of two workshops in Frankfurt started in H1 2024 and reduced inventories in Vertolaye
- €9.0 million of internal and external costs related to the transformation of the company
- €4.4 million of employee-related expenses, including redundancy plans.

Core EBITDA amounted to €47.6 million, down 23.8% compared to €62.5 million in H1 2023.

The Core EBITDA margin was 10.6%, compared to 12.6% in H1 2023, negatively impacted by:

- unfavorable fixed cost absorption (-5.5 pts);
- increase in OPEX (-2.9 pts) mostly driven by the company's transformation and reorganization;
- other Gross Margin impacts (-1.9 pts) and Brindisi site, including the impact of the suspension of production (-0.3 pts).

These negative elements were partly offset by positive price and mix effect (+3.0 pts), the exceptional impact of Buserelin's stock clearance (+2.1 pts), improved industrial performance (+2.4 pts) and lower energy and raw materials prices (+1.2 pts).

[3] Under-activity triggered by the implementation of FOCUS-27

1.2.2 Group cash flow analysis

(in € millions)	June 30, 2024	June 30, 2023
Net cash provided by/(used in) operating activities	**71.2**	**(38.2)**
Net cash provided by/(used in) investing activities	**(61.3)**	**(73.1)**
Net cash provided by/(used in) financing activities	**238.8**	**93.2**
Impact of exchange rates on cash and cash equivalents	(0.5)	0.6
Net change in cash and cash equivalents	**248.3**	**(17.5)**
Cash and cash equivalents, at beginning of period	**34.5**	**74.5**
Cash and cash equivalents, at end of period	**282.8**	**57.0**

Cash and cash equivalents totaled €282.8 million at June 30, 2024. 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, 2024 and June 30, 2023:

(in € millions)	June 30, 2024	June 30, 2023
Net income	**(34.8)**	**62.8**
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets	32.0	36.1
income tax expense	(6.7)	(50.1)
Other profit or loss items with no cash effect and reclassification of interests	14.7	8.2
Operating cash flow before changes in working capital	**5.1**	**56.9**
(Increase)/decrease in inventories	4.1	(66.0)
(Increase)/decrease in trade receivables	40.0	30.1
Increase/(decrease) in trade payables	(16.3)	(49.0)
Net change in other current assets and other current liabilities	38.3	(10.3)
Net cash provided by/(used in) operating activities	**71.2**	**(38.2)**

Operating cash flow before changes in working capital decreased by €51.8 million in the first half of 2024, consistent with the decrease in EBITDA (€(1.4) million in H1 2024 versus €52.1 million in H1 2023).

The working capital decrease is mainly due to:

- lower level of inventories compared to H1 2023,
- decrease in trade receivables driven by improved cash collection, with DSO down to 43 compared to 56 in December 2023 and 70 in H1 2023,
- net change in other current assets and other current liabilities, which include €27 million variation in VAT tax reimbursement.

Trade payables decreased to €(16.3) million.

Net cash provided by operating activities amounted to €71.2 million for the H1 2024, compared to €(38.2) million for the H1 2023.

Net cash provided by (used in) investing activities

The following table shows net cash used in investing activities for the H1 2024 and H1 2023:

(in € millions)	June 30, 2024	June 30, 2023
Acquisitions of property, plant and equipment and intangible assets	(61.3)	(73.1)
Net change in other non-current assets	—	—
Net cash provided by/(used in) investing activities	**(61.3)**	**(73.1)**

Net cash used in investing activities during the period reflected acquisitions of property, plant and equipment and intangible assets, which totaled €61.3 million for H1 2024, versus €73.1 million (of which €69.3 million of CAPEX) for H1 2023. 56% of the CAPEX invested in H1 2024 were dedicated to growth projects, including increased capacities for Peptides and Oligonucleotides, Vitamin B12, and Prostaglandins.

Net cash flow from (used in) financing activities

(in € millions)	June 30, 2024	June 30, 2023
Capital increases	—	—
Dividends paid	—	—
Repayment of lease liabilities	(2.7)	(4.6)
Net change in short-term debt	246.0	100.0
Finance costs paid	(4.1)	(2.0)
Acquisition and disposal of treasury shares	—	(0.2)
Other net cash flow arising from financing activities [(a)]	(0.3)	—
Net cash provided by/(used in) financing activities	**238.8**	**93.2**

(a) For 2023, 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 €238.8 million for the H1 2024, compared to €93.2 million for the H1 2023.

The main financing cash flows during the period resulted from the drawdown of the remaining €246 million on the revolving credit facility.

Net Debt Position

(in € millions)	June 30, 2024
Net cash/(Debt) position – December 2023	**(171.0)**
Cash Flow from Operating activities	**71.2**
Of which change in Working Capital	**66.1**
(Increase)/decrease in inventories	4.1
(Increase)/decrease in trade receivables	40.0
Increase/(decrease) in trade payables	(16.2)
Other current assets and liabilities	38.3
Cash Flow from Investing Activities	**(61.3)**
Of which CAPEX	(61.3)
Cash Flow from Financing activities	**(8.3)**
Exchange rate	**(0.9)**
Net Cash/(Debt) position – June 2024	**(170.2)**

Net Debt to Core EBITDA restated for IFRS 16 was 2.38x, below the RCF covenant of 4.0x.

1.3 Related party transactions

The Group's main related parties are defined in Section 2.4 "Related-party transactions" and in Note 10.6 of the consolidated financial statements for the year ended December 31, 2023 of Universal Registration Document of 2023, approved by the AMF on April 5, 2024, under number 24-0259.

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, 2024.

1.4 OUTLOOK

1.4.1 Medium-term outlook

EUROAPI withdrawn its medium-term outlook subsequent to the launch of the Strategic Review on October 9, 2023.

For more information, please refer to our 2023 Universal Registration Document.

1.4.2 Outlook 2024

2024 outlook confirmed

- Between 8% and 11% decrease in 2024 Net Sales compared to 2023 on a comparable basis, with a second-half performance slightly exceeding that of the first half due to a phasing impact in CDMO
- Core EBITDA margin objective expected between 4% and 7%. The positive impact in H1 of the revised contractual clauses with Sanofi will be lower in the second half.

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 5, 2024, under number 24-0259.
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 2024.

For more information, please refer to our 2023 Universal Registration Document, page 112.

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2. CONSOLIDATED FINANCIAL STATEMENTS

2.1 Condensed half-year consolidated financial statements as of June 30, 2024

Consolidated statement of financial position

(in € millions)	Note	June 30, 2024	December 31, 2023
Goodwill	5.1	4.6	4.6
Property, plant and equipment	5.2/5.5	469.1	468.9
Right-of-use assets	5.3/5.5	35.2	37.2
Intangible assets	5.4/5.5	38.9	34.2
Other non-current assets	5.6	6.7	9.0
Deferred tax assets	7	85.7	79.2
Non-current assets		**640.2**	**633.1**
Inventories	5.7	638.7	644.8
Trade receivables	5.8	176.7	216.3
Other current assets	5.9	57.5	83.7
Cash and cash equivalents	5.17	282.8	34.5
Current assets		**1,155.8**	**979.3**
Total assets		**1,795.9**	**1,612.4**

Equity attributable to owners of the parent		889.5	927.7
Equity attributable to non-controlling interests		—	—
Total equity	**5.11**	**889.5**	**927.7**
Non-current lease liabilities	5.12	14.5	15.5
Provisions	5.13	155.3	158.6
Other non-current liabilities		—	—
Deferred tax liabilities	7	0.8	1.6
Non-current liabilities		**170.6**	**175.8**
Trade payables	5.14	143.6	159.6
Other current liabilities	5.15	135.1	139.3
Current lease liabilities	5.12	4.3	4.6
Short-term debt and other financial liabilities	5.17	452.8	205.4
Current liabilities		**735.9**	**508.9**
Total equity and liabilities		**1,795.9**	**1,612.4**

Consolidated income statement

(in € millions)	Note	June 30, 2024	June 30, 2023
Net sales	6.1	448.7	496.6
Other revenues	6.1	2.2	1.9
Cost of sales		(352.9)	(401.4)
Gross profit		**98.0**	**97.0**
Selling and distribution expenses		(18.7)	(21.3)
Research and development expenses		(13.9)	(13.3)
Administrative and general expenses		(46.6)	(42.8)
Other operating income and expense	6.3	1.3	0.7
Impairment of assets	5	(3.9)	—
Restructuring costs and similar items	6.4	(49.7)	(4.3)
Other gains and losses, and litigation		—	—
Operating income/(loss)		**(33.4)**	**16.0**
Financial expenses	6.5	(11.2)	(5.3)
Financial income	6.5	3.1	1.9
Income/(loss) before tax		**(41.5)**	**12.6**
Income tax expense	7	6.7	50.1
Net income/(loss)		**(34.8)**	**62.8**
Attributable to owners of the parent		(34.8)	62.8
Attributable to non-controlling interests		—	—

Average number of shares outstanding (in millions)	5.11.3	94.3	93.9
Average number of shares after dilution (in millions)	5.11.3	95.9	95.5
Basic earnings per share (in euros)		(0.37)	0.67
Diluted earnings per share (in euros) [(a)]		(0.37)	0.66

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

Consolidated statement of comprehensive income

(in € millions)	Note	June 30, 2024	June 30, 2023
Net income/(loss)		**(34.8)**	**62.8**
Attributable to owners of the parent		*(34.8)*	*62.8*
Attributable to non-controlling interests		—	—
Other comprehensive income:			
Actuarial gains/(losses)		4.8	—
Tax effects		(1.5)	—
Subtotal: items that will not subsequently be reclassified to profit or loss (A)		**3.3**	**—**
Currency translation differences [(a)]		(8.4)	16.5
Subtotal: items that may be reclassified to profit or loss (B)		**(8.4)**	**16.5**
Other comprehensive income for the period, net of taxes (A+B)		**(5.1)**	**16.5**
Comprehensive income		**(39.9)**	**79.2**
Of which comprehensive income attributable to owners of the parent		*(39.9)*	*79.2*
Of which comprehensive income attributable to non-controlling interests		—	—

(a) The negative €8.4 million impact shown under currency translation differences mainly concerns Hungary.

Consolidated statement of cash flows

(in € millions)	Note	June 30, 2024	June 30, 2023
Net income/(loss)		**(34.8)**	**62.8**
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets	5.2 to 5.4	32.0	36.1
Income tax expense		(6.7)	(50.1)
Other profit or loss items with no cash effect and reclassification of interests [(a)]		14.7	8.2
Operating cash flow before changes in working capital		**5.1**	**56.9**
(Increase)/decrease in inventories		4.1	(66.0)
(Increase)/decrease in trade receivables		40.0	30.1
Increase/(decrease) in trade payables		(16.3)	(49.0)
Net change in other current assets and other current liabilities [(b)]		38.3	(10.3)
Net cash provided by operating activities		**71.2**	**(38.2)**
Acquisitions of property, plant and equipment and intangible assets [(c)]		(61.3)	(73.1)
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		**(61.3)**	**(73.1)**
Capital increases	5.11.1	—	—
Dividends paid		—	—
Repayment of lease liabilities	5.12	(2.7)	(4.6)
Net change in short-term debt	5.17	246.0	100.0
Finance costs paid [(d)]		(4.1)	(2.0)
Acquisitions and disposals of treasury shares	5.11.2	—	(0.2)
Other net cash flow arising from financing activities		(0.3)	—
Net cash provided by financing activities		**238.8**	**93.2**
Impact of exchange rates on cash and cash equivalents		(0.5)	0.6
Net change in cash and cash equivalents		**248.3**	**(17.5)**
Cash and cash equivalents at beginning of period		**34.5**	**74.5**
Cash and cash equivalents at end of period		**282.8**	**57.0**

(a) In first-half 2024, this line includes changes in provisions and unwinding of discount for €8.4 million, the cost of debt impact for €5.8 million and share based payments expenses for €1.7 million (see Note 5.11.5). In first-half 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.

(b) In first-half 2024, this line includes €0.2 million of income tax paid and the change over the period in VAT receivables for €27.5 million, mainly due to VAT reimbursements in France and in Germany. In first-half 2023, the line includes €14.6 million of income tax paid and the change over the period in VAT receivables for €8.3 million.

(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 €23.9 million (see Note 5.15).

(d) Finance costs paid include interest on debt (€7.2 millions) and overnight investment facility interest income (€3 million).

Consolidated statement of changes in equity

(in € millions)	Share capital	Legal reserve and share premium	Treasury shares	Cumulative translation adjustments	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	0.5	(0.5)	—	—	—	—	—	—
Dividend paid out of 2022 earnings	—	—	—	—	—	—	—	—
Share-based payment	—	—	—	—	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**

(in € millions)	Share capital	Legal reserve and share premium	Treasury shares	Cumulative translation adjustments	Other reserves and retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1, 2024	**95.1**	**1,861.8**	**(1.9)**	**6.7**	**(1,033.9)**	**927.7**	**—**	**927.7**
Other comprehensive income for the period	—	—	—	(8.4)	3.3	(5.1)	—	(5.1)
Net income/(loss) for the period	—	—	—	—	(34.8)	(34.8)	—	(34.8)
Comprehensive income for the period	**—**	**—**	**—**	**(8.4)**	**(31.5)**	**(39.9)**	**—**	**(39.9)**
Capital increases [(a)]	0.5	(0.5)	—	—	—	—	—	—
Dividend paid out of 2023 earnings	—	—	—	—	—	—	—	—
Share-based payment [(b)]	—	—	—	—	1.7	1.7	—	1.7
Treasury shares	—	—	0.0	—	—	0.0	—	0.0
Other movements	—	—	—	—	—	—	—	—
Balance at June 30, 2024	**95.6**	**1,861.3**	**(1.9)**	**(1.7)**	**(1,063.7)**	**889.5**	**—**	**889.5**

(a) Note 5.11 explains in detail the capital increase.
(b) Note 5.11 explains the main impacts presented under "Share-based payment".

NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2024

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, 2024 were approved and authorized for issue by the EUROAPI Board of Directors at its meeting on July 30, 2024.

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, 2024 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, 2023.

The accounting policies applied effective January 1, 2024 are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2023.

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

New standards, amendments and interpretations

New standards applicable from January 1, 2024:

Standards, amendments and interpretations whose application was mandatory as of January 1, 2024 are as follows:

- Amendments to IAS 1 Presentation of Financial Statements – "Classification of Liabilities as Current or Non-current" and "Non-current liabilities with covenants" (issued on January 23, 2020 and 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).

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

New pronouncements issued by the IASB and applicable from 2025 or later:

Standards, amendments and interpretations issued by the IASB that will have mandatory application in 2025 or subsequent years :

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023 and not yet endorsed).
- Amendments to IFRS 9 and IFRS 7 : the Classification and Measurement of Financial Instruments (issued on 30 May 2024 and not yet endorsed)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024 and not yet endorsed)

- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024 and not yet endorsed)

Those amendments have not been early adopted by EUROAPI.

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 5.5);
- the carrying amount, and allowances for impairment and destruction of inventories (see Note 5.7);
- the measurement of assets and liabilities relating to post-employment benefits (see Note 5.13);
- the recoverability of deferred tax assets (Note 7); and
- the amount of provisions for risks (see Note 5.13), including environmental risks and provisions linked to FOCUS-27 plan.

Financial instruments

Accounting policies related to financial instruments are described in the Group's consolidated financial statements for the year ended December 31, 2023.

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.

					Method used to determine fair value	
Note	Type of financial instrument	Measurement principle	Level in fair value hierarchy	Valuation technique	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.	
5.8/5.14	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.	
5.13	Financial assets measured at fair value held to meet obligations under post-employment benefit plans	Fair value	1	Market value	Quoted market	
5.12/5.17	Lease liabilities and 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. The liability for future lease payments is discounted using the incremental borrowing rate.	
5.16	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.

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

Effects of climate change

Risks associated with climate change as assessed to date, and the commitments made by EUROAPI on carbon neutrality and cutting greenhouse gas emissions, do not have a material impact on the financial statements.

Note 3. First-half 2024 highlights

3.1 Main acquisitions of the period

None.

3.2 Other significant events

Change in governance

- On February 28, 2024, EUROAPI's Board of Directors appointed Ludwig de Mot as Chief Executive Officer.
- The rationalization of the Executive Committee around the operational functions led to the appointment of Guillaume Rosso as Chief Commercial Officer on April 9, 2024.
- On May 13, 2024, EUROAPI announced the appointment of Evelyne Nguyen as Chief Financial Officer.

Launch of the FOCUS-27 program

On February 28, 2024, EUROAPI launched FOCUS-27, a comprehensive 4-year program that aims to improve competitiveness and unlock sustainable and profitable growth. By the end of 2027, FOCUS-27 targets to generate 75 to 80 M€ annual run rate incremental Core EBITDA. The operational roadmap and the financing of the plan has been detailed on June 26, 2024.

FOCUS-27 is built on four pillars:

- a streamlined value-added API portfolio focused on highly differentiated profitable APIs, particularly Peptides and Oligonucleotides, Prostaglandins, Corticosteroids, Hormones, Vitamin B12, and Opiates. Thirteen APIs will be discontinued in 2026 and 2027. These APIs accounted for approximately 80 million euros in net sales and weighted approximately - 15 million euros on gross margin in 2023,
- a CDMO focused on late-stage and high-value complex small molecules and tides supported by unique technological platforms,
- a rationalized industrial footprint with four production sites (Elbeuf, Vertolaye, Budapest and Frankfurt), the planned divestment of Haverhill and Brindisi manufacturing sites before the end of the plan, and between €300 and €400 million in Capex throughout the plan,
- a streamlined organization supporting a more efficient and leaner operating model. This organizational transformation will reduce approximately 550 headcounts (excluding Brindisi and Haverhill) across all functions by 2027.

Restructuring costs related to FOCUS-27 program are estimated in the range of €110 to €120 million between 2024 and 2027 (excluding Idle costs and the potential costs related to the divestment of Haverhill and Brindisi), of which €4.4 million have been recognized as of 30 June 2024 (see Note 6.4).

The Group also incurs other costs in relation with the execution of the FOCUS-27 plan, classified in restructuring costs and similar items and adjusted from Core EBITDA (see Note 6.4):

- external and internal transformation costs amounting to €9.0 million as of June 30, 2024 corresponding to expenditure on the implementation of the FOCUS-27 plan, and
- idle costs : the Group assesses at each period the potential idle costs linked to variations in the activities of its production lines, and records as an expense for the period the fixed costs not allocated to the value of inventories. In 2024, the launch of the FOCUS-27 program involved a deep impact of reorganization of production leading to the progressive reduction of activity of certain workshops (especially in Frankfurt), to focus on differentiated and profitable APIs (adaptation of certain workshops and planned divestment of the Brindisi and Haverhill production sites), and to reduce the level of inventories (in particular in Vertolaye) by stopping production lines. These costs not allocated to inventories depending on a voluntary program set up by the Group were recorded as an expense for the period and classified as an element of the FOCUS-27 program in restructuring costs in order to better assess the extent of this on the performance of the period. The corresponding idle costs amount to €36.3 million as of June 30, 2024.

FOCUS-27: short and long-term financing

The financial statements are prepared on a going concern basis supported by the following analysis conducted by the Group:

- According to cash-flow forecasts prepared by the Group, cash and cash equivalents available as of 30 June 2024, amounting to €282.8 million and including €451 million drawings on the Revolving Credit Facility (fully drawn), is sufficient to finance EUROAPI's activities over the next twelve months,

- The Group do not anticipate any breach of its commitments and obligations included in the Revolving Credit Facility (RCF) agreement (described in Note 9.3) over the next twelve months, including the leverage ratio.

Furthermore, EUROAPI has initiated different short and long-term financing actions:

- On June 26, 2024, EUROAPI announced the agreement in principle with Sanofi on a €200 million investment though a Perpetual Subordinated Hybrid Bond, upon the completion of the discussions with the banks to amend and extend the duration of the €451 million Revolving Credit Facility signed in 2022. Discussion are in advanced stage.
- Sanofi also agreed in principle to reserve minimum available capacities for selected products manufactured by EUROAPI through a €54 million payment over the plan.
- In addition EUROAPI announced an inventory reduction plan to improve the total Working Capital by €140 million between 2024 and 2027.

Amended contractual terms signed with Sanofi

- On February 28, 2024, EUROAPI announced a series of revisions to the Manufacturing and Supply Agreement signed in October 2021 with Sanofi, including: (i) the cancellation of the mutual performance clause, (ii) price increases in 6 selected APIs, (iii) the evolution of the pass-through clause for key raw materials and solvents, with full compensation by Sanofi in case of an above 20% price increase, (iv) the narrowing of the Price-Volume corridor with an annual compensation mechanism protecting both parties from annual revenue fluctuation and (v) shortened payment terms.
- EUROAPI and Sanofi also concluded a Memorandum of Understanding (MoU) on February 28, 2024, incorporating the main following provisions: (i) compensation mechanism for substantial market demand decrease of volumes of one API, (ii) purchase by Sanofi of the remaining active ingredients and stock of intermediates of a specific active ingredient, (iii) payment by Sanofi of a lump sum during the term of the GMSA for a capacity extension project, and (iv) payment by Sanofi of incentive amounts for the qualification of investments dedicated to the manufacture of an active pharmaceutical ingredient ("API") for Sanofi and for the manufacturing and technology transfer of certain active ingredients manufactured by Sanofi to Euroapi sites.

The main accounting impacts of these arrangements in the first half 2024 are detailed in Note 10.4.

Lock-up extended until December 2025 for Sanofi and EPIC BpiFrance

- On February 28, 2024, EUROAPI announced that Sanofi and EPIC BpiFrance have agreed to extend the duration of their lock-up until December 2025.

Temporary suspension of API production at the Brindisi site in Italy

- On March 14, 2024, EUROAPI suspended the production of all APIs on its site of Brindisi following the identification of quality control deficiencies during an internal audit. On June 26, 2024, the company announced that the investigation launched at its initiative confirmed the existence of malpractices at the local level and safeguard measures have been taken. Following the effective and reliable remediation plan deployed by the site and the reactivation of the GMP license by the Italian Health Authorities (AIFA), the API shipments and production are expected to gradually resume during the third quarter of 2024. The Group continues to assess the impact of related effects, including a customer complaint received, and has not accrued for any liability considering information available to date and risk assessment.

Important Project of Common European Interest (IPCEI)

- On June 6, 2024, EUROAPI has received official notification from the European Commission that the Company has been selected as one of the 13 companies eligible to share up to EUR 1 billion in total public funding under the Important Project of Common European Interest (IPCEI) dedicated to the pharmaceutical sector, “IPCEI Med4Cure”.

EUROAPI share-based payments

- On May 22, 2024, the Board of Directors granted several new stock option plans, performance shares and free shares. Detailed information concerning the terms and conditions of these plans and the financial impacts on the consolidated financial statements is presented in Note 5.11.

Capital increase

- By decision of June 3, 2024, 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 €536,093.

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 2024.

Note 5. Notes to the statement of financial position

5.1 Business combinations and goodwill

As described in Note 3 of 2023 consolidated financial statements, the provisional goodwill recognized on the acquisition of BianoGMP, dated November 21, 2023, totaled €4.6 million.

The purchase price allocation is in progress and will be finalized in the second semester.

5.2 Property, plant and equipment

The net carrying amount of property, plant and equipment owned by EUROAPI stood at €469.1 million as of June 30, 2024.

(in € millions)	December 31, 2023	Acquisitions and other increases	Depreciation expense	Impairment losses, net of reversals	Disposals and other decreases	Currency translation differences	Transfers (a)	June 30, 2024
Land	16.3	—	—	—	—	0.3	—	16.6
Buildings	321.4	—	—	—	—	(1.5)	11.9	331.9
Machinery and equipment	1,628.9	(0.2)	—	—	(14.4)	(1.8)	36.1	1,648.6
Fixtures, fittings and other	174.2	0.4	—	—	(0.2)	(0.3)	5.2	179.3
Property, plant and equipment in progress	206.2	29.7	—	—	—	(1.2)	(54.0)	180.7
Gross value	**2,346.8**	**29.9**	**—**	**—**	**(14.6)**	**(4.4)**	**(0.8)**	**2,357.1**
Land	—	—	—	—	—	—	(0.5)	(0.5)
Buildings	(211.8)	—	(3.1)	—	—	0.9	(14.2)	(228.1)
Machinery and equipment	(1,527.9)	—	(14.2)	(1.4)	14.4	(0.6)	45.1	(1,484.5)
Fixtures, fittings and other	(134.7)	—	(2.5)	(0.2)	0.2	—	(1.1)	(138.3)
Property, plant and equipment in progress	(3.5)	—	—	(3.9)	—	—	(29.2)	(36.6)
Accumulated depreciation and impairment	**(1,877.9)**	**—**	**(19.8)**	**(5.5)**	**14.6**	**0.4**	**0.2**	**(1,888.0)**
Land	16.3	—	—	—	—	0.3	(0.5)	16.2
Buildings	109.6	—	(3.1)	—	—	(0.5)	(2.2)	103.7
Machinery and equipment	101.0	(0.2)	(14.2)	(1.4)	—	(2.3)	81.2	164.1
Fixtures, fittings and other	39.4	0.4	(2.5)	(0.2)	—	(0.3)	4.1	40.9
Property, plant and equipment in progress	202.7	29.7	—	(3.9)	—	(1.2)	(83.2)	144.1
Net value	**468.9**	**29.9**	**(19.8)**	**(5.5)**	**—**	**(3.9)**	**(0.6)**	**469.1**

(a) The movements in column "Transfers" of accumulated depreciation and impairment are mainly due to the finalization of the 2023 impairment allocation.

5.3 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, 2023	Acquisitions and other increases	Depreciation expense	Disposals and other decreases	Currency translation differences	Transfers	June 30, 2024
Land and buildings	50.6	—	—	—	(0.1)	0.1	50.6
Machinery and equipment	—	—	—	—	—	—	—
Other property, plant and equipment	8.8	1.5	—	—	—	—	10.3
Gross value	**59.4**	**1.5**	**—**	**—**	**(0.1)**	**0.1**	**60.9**
Land and buildings	(17.6)	—	(2.2)	—	0.1	—	(19.8)
Machinery and equipment	—	—	—	—	—	—	—
Other property, plant and equipment	(4.7)	—	(0.9)	—	—	(0.3)	(5.9)
Accumulated depreciation and impairment	**(22.3)**	**—**	**(3.2)**	**—**	**0.1**	**(0.3)**	**(25.7)**
Land and buildings	33.1	—	(2.2)	—	(0.1)	—	30.8
Machinery and equipment	—	—	—	—	—	—	—
Other property, plant and equipment	4.1	1.5	(0.9)	—	—	(0.3)	4.4
Net value	**37.2**	**1.5**	**(3.2)**	**—**	**(0.1)**	**(0.2)**	**35.2**

Lease expense on short-term leases and low-value assets are not recognized under IFRS 16. The rental expenses recorded in 2024 in relation to these leases are not material.

A maturity analysis of the lease liability is disclosed in Note 5.12.

5.4 Intangible assets

Movements in other intangible assets during the first-half of 2024 were as follows:

(in € millions)	December 31, 2023	Acquisitions and other increases	Depreciation expense	Currency translation differences	Transfers	June 30, 2024
Software	51.9	5.2	—	(0.2)	1.5	58.4
Other intangible assets	5.9	2.2	—	—	(0.6)	7.5
Other rights	1.3	—	—	—	—	1.3
Gross value	**59.1**	**7.4**	**—**	**(0.1)**	**0.8**	**67.2**
Software	(23.7)	—	(3.6)	0.1	0.1	(27.0)
Other intangible assets	—			—	—	—
Other rights	(1.2)	—	—	—	(0.1)	(1.3)
Accumulated amortization and impairment	**(24.9)**	**—**	**(3.6)**	**0.1**	**0.1**	**(27.1)**
Software	28.2	5.2	(3.6)	—	1.6	31.4
Other intangible assets	5.9	2.2	—	—	(0.6)	7.5
Other rights	0.1	—	—	—	(0.1)	—
Net value	**34.2**	**7.4**	**(3.6)**	**—**	**0.9**	**38.9**

As of June 30, 2024, costs related to the ELLA program in Elbeuf (a new process to improve B12 production) and Buprenorphine project in Vertolaye (launch of a new product as part of the pipeline extension program) were capitalized as intangible assets derived from in-house development for €6.9 million, including a €2.2 million increase in the first half of 2024.

5.5 Impairment of goodwill, property, plant and equipment, right of use assets and intangible assets

At June 30, 2024, EUROAPI reviewed its cash-generating units (CGUs) for any internal and external indications of impairment, according to accounting principles defined in the Note 5.5 to the 2023 consolidated financial statements. The Group did not identify any impairment indicator except for its Italian CGU due to the temporary suspension of API production in Brindisi.

Based on the last developments described in Note 3.2 and the Group's analyses, this event does not significantly impacts the recoverable value estimated as of December 31, 2023 based on the FOCUS-27 plan. Thus, as there is no new strategic plan, the Group updated its impairment test as of June 30, 2024 based on assumptions described in Note 5.5 to the 2023 consolidated financial statements. This test results in an additional impairment of €3.4 million corresponding to the acquisition of tangible assets over the period.

5.6 Other non-current assets

The amount €6.7 million as of June 30, 2024 corresponds mainly to a €4.0 million receivable in respect of the indemnity provided by Sanofi against environmental liabilities arising on non-operating sites, as presented in Note 10.4.

5.7 Inventories

	June 30, 2024			December 31, 2023		
(in € millions)	Gross value	Allowances	Carrying amount	Gross value	Allowances	Carrying amount
Raw materials	97.1	(5.4)	91.7	104.6	(3.7)	100.9
Work in progress	339.5	(8.8)	330.7	334.0	(7.7)	326.3
Finished goods	235.5	(19.1)	216.4	238.4	(20.8)	217.6
Total	**672.0**	**(33.3)**	**638.7**	**677.0**	**(32.2)**	**644.8**

Inventories amount to €672 million as of June 30, 2024, versus €702.1 million as of June 30, 2023. The decrease of €30.1 million is mainly due to the inventory reduction program as described in Note 6.4.

5.8 Trade receivables

Trade receivables break down as follows:

(in € millions)	June 30, 2024	December 31, 2023
Gross value	180.2	220.3
Allowances	(3.5)	(4.1)
Carrying amount	**176.7**	**216.3**

(in € millions)	June 30, 2024	December 31, 2023
Trade receivables - third parties	106.5	127.3
Trade receivables - related parties	70.1	89.0
Carrying amount	**176.7**	**216.3**

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, 2024	**169.8**	**2.4**	**3.2**	**2.8**	**0.6**	**1.3**	**10.3**
December 31, 2023	197.5	12.9	4.0	1.3	1.9	2.8	22.9

5.9 Other current assets

Other current assets comprise:

(in € millions)	**June 30, 2024**	**December 31, 2023**
Customer contract assets[(a)]	—	0.6
Tax receivables[(b)]	25.4	50.2
Other receivables[(c)]	13.7	17.2
Prepaid expenses	11.0	7.2
Other current financial assets[(d)]	7.4	8.4
Total	**57.5**	**83.7**

(a) See Note 5.10.

(b) In 2024, this caption includes €16.5 million in VAT receivables. In 2023, this caption includes €40.7 million in VAT receivables. The decrease over the period is mainly due to VAT reimbursement in France and Germany.

(c) In 2024, this caption includes mainly €4.4 million in receivables in respect of indemnities provided by Sanofi resulting from various agreements signed in 2021 (see Note 10.4) and €8.2 million in grants receivable in France and Italy. In 2023, this caption includes €6.3 million in receivables in respect of indemnities provided by Sanofi resulting from various agreements signed in 2021 and €10.4 million in grants receivable in France and Italy.

(c) In 2024, this caption mainly comprises the current portion of the indemnity provided by Sanofi for €7.4 million against environmental liabilities arising on non-operating sites. As of December 31, 2023 the amount was €7.8 million (see Note 10.4).

5.10 Customer contract assets and liabilities

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

(in € millions)	**June 30, 2024**	**December 31, 2023**
Customer contract assets	—	0.6
Customer contract liabilities [(a)]	17.7	16.3

(a) Customer contract liabilities amounted to €17.7 million as of June 30, 2024 and are split between:

- *€7.5 million of payments made by EUROAPI customers under technology and development service contracts (CDMO contracts), versus €6.7 million as of December 31, 2023.*
- *€10.2 million corresponding to advance payments from EUROAPI customer for the modernization of equipment related to API product at Frankfurt site (versus €9.5 million as of December 31, 2023) and which do not constitute separate performance obligations.*

Those payments are recognized as revenue as and when the related goods and services are delivered.

5.11 Equity

Total equity stood at €889.5 million as of June 30, 2024.

5.11.1 Share capital and share premium

By decision of June 3, 2024, 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 €536,093.

As of June 30, 2024, EUROAPI's share capital amounted to €95.6 million and the share premium stood at €1,861.3 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, 2024	**95,589,777**	**100.0**
December 31, 2023	95,053,684	100.0

5.11.2 Treasury shares

At June 30, 2024, 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 2024 were as follows:

	2024
Number of shares purchased during the year	1,004,976
Number of shares sold during the year	893,848

At June 30, 2024, EUROAPI held 326.718 treasury shares representing 0.34% of the share capital.

5.11.3 Number of shares used to calculate earnings per share

(in millions)	**2024**
Average number of shares outstanding	94.3
Adjustment for share-based payment with dilutive effect	1.6
Average number of shares used to compute diluted earnings per share	**95.9**

Earnings per share and diluted earnings per share as of June 30, 2024 are presented in the consolidated income statement.

5.11.4 Currency translation differences

Cumulative currency translation differences amounted to a negative €-1.7 million as of June 30, 2024, and mainly related to Hungary for a negative €-11.5 million, the United Kingdom for a positive €11.4 million and Japan for a negative €-1.6 million.

5.11.5 Share-based payments

Share-based payments are accounted for in accordance with the accounting principle described in Note 5.11 to the consolidated financial statements for the year ended December 31, 2023.

2024 EUROAPI free shares, performance share and stock option plans:

On May 22, 2024 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, performance share and stock option plans subject to performance and service conditions.

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 remaining cash compensation for the 2021 Sanofi performance share plan was settled in May 2024 and reinvoiced to Sanofi.

The total amount expensed during the period for the remaining performance share plan represented €0.4 million (including payroll taxes).

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

	Executive Committee matching performance share plan (c)	CEO matching performance share plan	Performance share plan 2022(d)	Stock option plan 2022	Performance share plan 2023 (e)	Stock option plan 2023	Retention plan 2024	Performance share plan 2024 (f)	Stock option plan 2024
Date granted by the Board	May 30, 2022	June 3, 2022	June 3, 2022	June 3, 2022	June 5, 2023	June 5, 2023	May 22, 2024	May 22, 2024	May 22, 2024
Total number of shares or options granted *(in thousands)*	461.2	181.2	216.3	327.1	357.9	405.4	526.4	602.3	623.0
Vesting period	3 years	3 years	3 years	4 years	3 years	1 to 4 years	2 years	3 years	1 to 4 years
Exercise period	NA	NA	NA	June 3, 2026 to June 3, 2031	NA	June 5, 2024 to June 3, 2032	NA	NA	May 22, 2025 to May 22, 2033
Exercise price	NA	NA	NA	13.91	NA	10.30	NA	NA	3.30
Shares or options delivered or canceled	384.1	181,2	37,5	103,5	81.0	187.3	—	—	—
Outstanding shares or options at June 30, 2024	77.2	—	178.8	223.6	276.8	218.0	526.4	602.3	623.0
Share price at grant date in euros (a)	13.45	14.20	14.20	14.20	10.18	10.18	3.30	3.30	3.30
Fair value per share or option in euros (b)	13.18	13.92	13.99	4.51	10.02	3.25	3.27	3.25	1.57

(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%.

(d) The 2022 performance share plan is subject to internal performance conditions (growth in revenue, core EBITDA margin and inventory coverage).

(e) The 2023 performance share plan is subject to internal performance conditions (growth in revenue, core EBITDA margin and ESG indicators).

(f) The 2024 performance share plan is subject to internal performance conditions (CDMO, highly differentiated products and ESG indicators).

The total amount of share-based payments recognized as an expense in the consolidated income statement amounted to €2.3 million (including payroll taxes).

5.12 Lease liabilities

Lease liabilities comprise:

(in € millions)	**June 30, 2024**	**December 31, 2023**
Non-current lease liabilities	14.5	15.5
Current lease liabilities	4.3	4.5
Total lease liabilities	**18.8**	**20.1**

Total cash outflows on leases (excluding annual lease expense on short-term leases and low-value assets) amounted to €2.9 million for the 6-months period ended June 30, 2024 (of which €2.7 million in repayments of lease liabilities and €0.2 million in interest).

A maturity analysis of lease liabilities as of June 30, 2024 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, 2024	**18.8**	**4.2**	**5.8**	**3.7**	**5.0**
Total lease liabilities as of December 31, 2023	20.1	4.5	6.3	3.4	5.7

5.13 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, 2023	**29.3**	**71.4**	**31.8**	**26.1**	**158.6**
Additions to provisions	—	2.3	(1.1)	2.1	3.2
Reversals of provisions (utilizations)	(1.5)	(0.8)	(0.5)	—	(2.8)
Reversals of surplus provisions	(0.1)	(0.7)	—	(0.1)	(1.0)
Transfers	—	—	—	—	—
Net interest related to employee benefits, and unwinding of discount	0.4	1.1	0.2	0.4	2.2
Currency translation differences	(0.1)	(0.1)	—	—	(0.2)
Actuarial gains and losses on defined-benefit plans [(d)]	—	(4.8)	—	—	(4.8)
Balance at June 30, 2024	**28.0**	**68.4**	**30.4**	**28.5**	**155.3**

(a) The non-current portion of the provision for environmental risk amounts to €28 million as of June 30, 2024, mainly concerning France and Germany. The current portion of the provision for environmental risk amounts to €13 million and is presented in Note 5.15.

(b) The €30.4 million in this aggregate comprises seniority bonuses for €14.4 million (of which €9.3 million in France and €5.1 million in Germany) and €15.4 million in long-term provisions for vacation in France.

(c) This item mainly comprises restoration provisions for leased buildings in Germany (€25.1 million).

(d) The negative €4.8 million impact on the line "actuarial gain and losses on defined-benefit plans" (of which negative €3.8 million in Germany and negative €1 million in France) is linked to the update of discount rate as explained in Note 5.13.1.

5.13.1 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 5.13 to the 2023 consolidated financial statements.

The main assumptions used at June 30, 2024 are in line with those used at the previous year-end closing (described in Note 5.13 of 2023 consolidated financial statements), except for the discount rates that have been updated in France (3.58%) and in Germany (between 3.46% and 3.58%), impacting the line "actuarial gains and losses on defined-benefit plans" as disclosed in the table above.

5.14 Trade payables

Trade payables break down as follows:

(in € millions)	**June 30, 2024**	**December 31, 2023**
Trade payables - third parties	121.0	129.0
Trade payables - related parties	22.6	30.6
Carrying amount	**143.6**	**159.6**

5.15 Other current liabilities

Other current liabilities break down as follows:

(in € millions)	June 30, 2024	December 31, 2023
Customer contract liabilities [a]	17.7	16.3
Current income tax liabilities	0.8	0.3
Taxes payable, other than corporate income taxes	7.4	1.9
Employee-related liabilities	60.8	52.0
Provisions [b]	21.6	17.2
Amounts payable for acquisitions of non-current assets	17.6	41.9
Other current liabilities	9.3	9.8
Total	**135.1**	**139.3**

(a) See Note 5.10.

(b) As of June 30, 2024, provisions amounted to €21,6 million, and mainly comprised the current portion of environmental provisions (€13 million) and restructuring provisions (€2.9 million). As of December 31, 2023, provisions amounted to €17.2 million, and mainly comprised the current portion of environmental provisions (€11.6 million) and restructuring provisions (€1.4 million).

5.16 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, 2024:

(in € millions)	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Market value at June 30, 2024 (net)	Market value at December 31, 2023 (net)
Currency derivatives								
Operating	—	—	—	—	0.2	0.2	(0.2)	0.1
Financial	—	0.1	0.1	—	0.2	0.2	(0.2)	(0.1)
Total	**—**	**0.1**	**0.1**	**—**	**0.4**	**0.4**	**(0.4)**	**—**

Currency derivatives used to manage operating risk exposures

The table below shows operating currency hedging instruments in place as of June 30, 2024. The notional amount is translated into euros at the relevant closing exchange rate:

June 30, 2024 *(in € millions)*	Notional amount	Mark-to-market
Forward currency sales	14.4	(0.2)
Of which USD	*14.4*	*(0.2)*
Forward currency purchases	24.0	(0.2)
Of which GBP	*5.0*	*—*
Of which HUF	*19.0*	*(0.2)*
Total	**38.4**	**(0.3)**

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, 2024. The notional amount is translated into euros at the relevant closing exchange rate:

June 30, 2024

(in € million)	Notional amount	Mark-to-market
Forward currency sales	11.9	(0.1)
Of which USD	*1.4*	—
Of which GBP	*9.4*	*(0.1)*
Of which JPY	*1.2*	—
Forward currency purchases	20.2	(0.1)
Of which USD	*3.7*	*0.1*
Of which HUF	*16.5*	*(0.2)*
Total	**32.1**	**(0.2)**

5.17 Debt, cash and cash equivalents

Changes in financial position during the period were as follows:

(in € millions)	June 30, 2024	December 31, 2023
Long-term debt	—	—
Short-term debt and current portion of long-term debt	452.8	205.4
Interest rate and currency derivative used to manage debt	0.2	0.1
Total debt	**453.0**	**205.4**
Cash and cash equivalents	(282.8)	(34.5)
Net debt/(Net cash)[(a)]	**170.2**	**171.0**

(a) Net debt does not include lease liabilities, which amounted to €18.8 million as of June 30, 2024 and €20.1 million as of December 31, 2023.

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

	June 30, 2024			December 31, 2023		
(in € millions)	Non-current	Current	Total	Non-current	Current	Total
Bond issues	—	—	—	—	—	—
Other borrowings	—	452.8	452.8	—	205.4	205.4
Bank credit balances	—	—	—	—	—	—
Interest rate and currency derivative used to manage debt	—	0.2	0.2	—	0.1	0.1
Total debt	**—**	**453.0**	**453.0**	**—**	**205.4**	**205.4**
Cash and cash equivalents	—	(282.8)	(282.8)	—	(34.5)	(34.5)
Net debt/(Net cash)	**—**	**170.2**	**170.2**	**—**	**171.0**	**171.0**

Cash and cash equivalents include overnight investment facility (liquid short-term investments) amounting to €254.5 million as of June 30, 2024 (versus €10.6 million as of December 31, 2023).

Net debt includes an amount of €451 million drawn under the RCF Loan Agreement as of June 2024 (versus €205 million as of December 31, 2023), recorded in other borrowings (see Note 9.3). The RCF has been fully drawn as of June 30, 2024.

Note 6. Notes to the income statement

6.1 Net sales and other revenues

Net sales amounted to €448.7 million as of June 30, 2024 (see Note 8.2).

Other revenue amounted to €2.2 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, 2024	June 30, 2023
Salaries	(103.8)	(98.3)
Social security charges and defined contribution plan [(a)]	(34.2)	(36.1)
Defined benefit plans, and voluntary and statutory profit-sharing schemes	(15.6)	(5.5)
Stock options and other share-based payment expense [(b)]	(2.3)	(6.5)
Other employee benefits	(3.7)	(9.2)
Total	**(159.6)**	**(155.5)**

(a) In first-half 2024, defined-contribution plan expenses amounted to €4.6 million, versus €6.1 million in first-half 2023.
(b) This amount includes payroll costs. See details of EUROAPI share plans in Note 5.11.

6.3 Other operating income and expenses

Other operating income and expenses amounted to €1.3 million in first-half 2024, mainly due to foreign exchange gains on operating items, compared with €0.7 million in first-half 2023.

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 idle 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 (both internal and external) incurred in connection with FOCUS-27 plan.

Restructuring costs and similar items breaks down as follows:

(in € millions)	June 30, 2024	June 30, 2023
Employee-related expenses	(4.4)	—
Charges, gains or losses on assets	0.1	—
Transformation programs and other costs	(45.3)	(4.3)
Total	**(49.6)**	**(4.3)**

Employee-related expenses of €4.4 million include redundancy plan impact announced in EUROAPI UK and severance payment in connection with the renewal of the Executive leadership team.

In the first-half 2024, transformation programs and other costs include internal and external expenses, related to FOCUS-27 transformation plan described in Note 3.2 of which idle costs related to inventory reduction and temporary shutdown of production lines impact for €36.3 million.

Idle costs are mainly affecting (i) Vertolaye with inventory reduction program, which motivated the voluntary shutdown of certain workshops, as well as the discontinuation of 2 APIs and (ii) Frankfurt with the decision to discontinue 9 APIs (the ramp down of two workshops has already started in 2024) and to a lesser extend (iii) Brindisi (2 APIs discontinued and divestment of the site).

6.5 Financial income and expenses

An analysis of financial income and expenses is presented below:

(in € millions)	June 30, 2024	June 30, 2023
Cost of debt[(a)]	(9.0)	(2.8)
Interest income	3.0	0.3
Cost of net debt	**(6.0)**	**(2.5)**
Non-operating foreign exchange gains/(losses)	—	1.7
Unwinding of discounting of provisions [(b)]	(0.9)	(0.9)
Net interest cost related to employee benefits	(1.3)	(1.4)
Net interest expense on lease liabilities	(0.2)	(0.2)
Net financial income/(expense)	**(8.1)**	**(3.3)**
Of which financial expenses	**(11.2)**	**(5.3)**
Of which financial income	**3.1**	**1.9**

(a) The cost of debt is linked to the interest on the RCF loan for €8.9 million as of June 30, 2024 (versus to €2.6 million as of June 30, 2023). The increase over the period is mainly due to the full drawing of the RCF over the period (see Note 5.17) and the increase in interest rates.

(b) See detail in Note 5.13.

Note 7. Taxes

Pillar 2 is a global tax reform introducing a global minimum tax rate of 15% for MNEs with revenues exceeding €750 million. The global minimum tax would be charged as a “top-up tax” in the tax jurisdiction of the parent company, or as the case may be, locally. This reform is entering in force in 2024 in all the European countries.

The Group performed a quantitative and qualitative analysis of the Pillar 2 regulations. No top-up tax is required at the end of June 2024.

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

(in € millions)	June 30, 2024	June 30, 2023
Current taxes	(3.5)	(1.8)
Deferred taxes	10.2	52.0
Total	**6.7**	**50.1**
Income/(loss) before tax	**(41.5)**	**12.6**

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

(in € millions)	June 30, 2024	June 30, 2023
Income before taxes	(41.5)	12.6
Standard tax rate applicable in France	25.83 %	25.8 %
Theoretical tax income/(expense)	**10.7**	**(3.3)**
Impact of permanent differences [a]	(1.7)	51.2
Research tax credit	0.6	0.4
Differences in tax rates	1.2	2.9
Impact of non-recognized deferred tax assets	(2.8)	(0.9)
Other	(1.2)	(0.2)
Effective tax income/(expense)	**6.7**	**50.1**

(a) In the first half 2023, the amount of permanent differences include inter alia the impact of (i) the revaluation of the tax value of the Hungarian assets, (iii) the share plans, (iv) prior year adjustments and (iv) several non-deductible/taxable items such as energy subsidies, or attendance fees.

Deferred tax assets are recognized under the same assumptions than those described in consolidated financial statements as of December 31, 2023. Deferred taxes are accordingly fully depreciated in Germany, UK and Italy and partially depreciated in Hungary.

As of June 30, 2024, deferred tax assets amounted to €85 million, of which €46.3 million in France and €34.3 million in Hungary. Unrecognized deferred tax assets amounted to €84.6 million, €84 million of which are related to Italy, Germany, Hungary and UK.

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, 2024 is shown below:

(in € millions)		June 30, 2024	June 30, 2023
Operating income/(loss) (EBIT)		**(33.4)**	**16.0**
(+)	Depreciation, amortization and impairment	32.0	36.1
Operating income/(loss) before depreciation, amortization and impairment (EBITDA)		**(1.4)**	**52.1**
(+)	Restructuring costs and similar items excluding depreciation, amortization and impairment [(a)]	47.2	4.3
(+)	Increase in provisions for environmental risks, net of reversals of surplus provisions	(0.2)	(0.3)
(+)	Other [(b)]	2.0	6.3
Core EBITDA		**47.6**	**62.5**

(a) See Note 6.4

(b) "Other" for 2024 and 2023 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 5.11.

8.2 Additional information

An analysis of net sales by category is provided below:

(in € millions)	June 30, 2024	June 30, 2023
API Solutions	332.4	362.4
CDMO	116.4	134.2
Total net sales	**448.7**	**496.6**

An analysis of net sales by product type is provided below:

(in € millions)	June 30, 2024	June 30, 2023
Large molecules	58.8	35.0
Highly potent molecules	47.1	43.7
Biochemistry molecules derived from fermentation	43.7	85.5
Complex chemical synthesis molecules	299.1	332.4
Total net sales	**448.7**	**496.6**

The total net sales of €448.7 million excluding €207.8 million sales to Sanofi (mainly invoiced to several entities located in Europe), are broken down by destination region as follows:

	Geographical split of 2024 net sales, excluding sales to Sanofi							
(in € millions)	Total EUROAPI	*of which sales to Sanofi*	Europe	*of which France*	*of which rest of Europe*	North America	Asia-Pacific	Rest of the World
Net sales	448.7	207,8	144,4	38,8	105,5	36,0	53,8	6,6

An analysis of 2024 non-current assets by geographical region is breakdown as below:

	June 30, 2024						
(in € millions)	Total EUROAPI	Europe	*of which France*	*of which rest of Europe*	North America	Asia-Pacific	Rest of the World
Non-current assets, excluding DTA and other non-current assets :							
- property, plant and equipment owned	469.1	469.0	277.3	191.7	—	—	0.0
- property, plant and equipment Right of use	35.2	34.4	7.9	26.5	0.2	0.6	0.0
- Goodwill	4.6	4.6	—	4.6	—	—	0.0
- intangible assets	38.9	38.9	34.1	4.8	—	—	0.0

An analysis of 2023 non-current assets by geographical region is breakdown as below:

	December 31, 2023						
(in € millions)	Total EUROAPI	Europe	*of which France*	*of which rest of Europe*	North America	Asia-Pacific	Rest of the World
Non-current assets, excluding DTA and other non-current assets :							
- property, plant and equipment owned	468.9	468.9	277.1	191.8	—	—	0.0
- property, plant and equipment Right of use	37.2	36.2	8.1	28.0	0.2	0.8	0.0
- Goodwill	4.6	4.6	—	4.6	—	—	0.0
- intangible assets	34.2	34.2	29.4	4.8	—	—	0.0

Note 9. Risk exposure

9.1 Foreign exchange risk

The EUROAPI Group sells 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 5.16).

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.

Loans borrowed under the RCF Loan Agreement will bear interest at a EURIBOR-indexed variable rate, plus an applicable margin.

The applicable margin level is reviewed every six months and was calculated for the first time on the basis of the financial statements at December 31, 2022.

The margin in the first half 2024 is 0.60% compared to 0.35% in the first half 2023 (it varies within a range of 0.35% and 1.10% as a function of the covenant defined in Note 9.3).

9.3 Liquidity risk

EUROAPI had the following arrangement in place as of June 30, 2024 to manage its liquidity in connection with ordinary operations:

- an RCF Loan Agreement for €451 million, drawable in euros, maturing February 26, 2027. As of June 30, 2024, the RCF has been fully drawn.

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 the Company's 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 contains certain affirmative and negative commitments, subject to the usual exceptions for this type of financing, including:

- the commitment not to divest, each year, more than 15% of consolidated assets (or, if this amount is greater, assets in an amount greater than €200 million);
- the commitment not to make large-cap acquisitions funded in whole or in part by the RCF Loan Agreement without the prior approval of the lenders;
- the commitment not to create certain security interests (pledges);
- the commitment not to enter into any merger, spin-off or regrouping transaction that would result in the dissolution of the Company;
- the commitment by the Company's subsidiaries not to incur debt in an aggregate amount exceeding 20% of the Group's consolidated debt; and
- the commitment not to grant loans to third parties or enter into transactions involving derivatives of a speculative nature.
- a covenant tested every six months stipulating that the ratio of total net debt to consolidated core EBITDA may not exceed 4.00. Total net debt being defined as the consolidated financial debt less available cash and cash equivalent investments and

the consolidated Core EBITDA as disclosed in the financial report of the Group for the relevant testing date adjusted by disapplying IFRS 16.

The ratio is respected and stands at 2.38 as of June 30, 2024.

It also provides for, inter alia, an event of repayment and/or early cancellation in the event of a change in control of the Company at the request of any lender after a conciliation period of at least 60 days. A change of control would occur in the event that (i) Sanofi ceases to hold, directly or indirectly, on a fully diluted basis, at least 15% of the capital and voting rights of the Company and ceases to hold, directly or indirectly, the right to appoint or dismiss a member of the Board of Directors of the Company, (ii) any person (other than Sanofi) or group of persons acting in concert (unless Sanofi would hold a majority share in such a group), would acquire more than 50% of the voting rights of the Company or (iii) all or a substantial portion of the Group's assets would be sold to a non-Group member (in one or more transactions).

Furthermore, EUROAPI is in advanced discussion with the Banks to amend the terms and extend the duration of this Revolving Credit Facility, as described in Note 3.2.

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 5.8).

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

On July 12th,2024, AIFA has approved the renewal of the GMP registration certificate of EUROAPI Italy Brindisi site allowing the site to restart production, release and shipment activities for all site's products.

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, 2024.

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 2024, €2.7 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 €4.7 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, 2024 (unchanged compared to December 31, 2023).

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 2024.

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 2024, €1.4 million was invoiced to Sanofi by 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 €557.9 million commitment as of December 31, 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 2024, €3.8 million were recognized in the consolidated income statement under this clause.
- A €246.0 million commitment as of December 31, 2023, 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 2024, no amounts were recognized in the consolidated income statement under this clause.

The Memorandum of Understanding relating to the Global Manufacturing and Supply Agreement with Sanofi (described in note 3.2) generates off-balance sheet commitments for a total of €12 million including (i) Manufacturing Transfer Plan (ii) Lump sum allowance commitment to facilitate EUROAPI's capacity extension extension project set up (iii) Analytical support related to sales of services on certain products.

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 5.17, is presented below:

At June 30, 2024

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

EUROAPI has also received financial guarantees from banks for a total of €5.2 million and has given financial guarantees for €11.2 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, 2024		**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)]	0.3	0.1	0.1	—	0.1
Irrevocable purchase commitments					
- given [(b)]	251.8	126.3	57.2	40.1	28.2
- received [(c)]	(100.1)	(100.1)	—	—	—
Total - net commitments given	**152.0**	**26.2**	**57.3**	**40.2**	**28.3**

(a) This line mainly comprises future lease payment commitments for low value assets and short term leases for which no lease liability was recognized in the statement of financial position as of June 30, 2024..

(b) Irrevocable purchase commitments comprise commitments to suppliers of property, plant and equipment (for €50.4 million) and firm commitments to purchase goods and services under materials supply contracts (for €201.4 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 5.13.

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.

As of June 30, 2024, EUROAPI was subject to two ongoing claims: (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, 2024	June 30, 2023
Net sales and other revenues [(a)]	210.1	245.9
Purchases and other expenses	(51.0)	(71.2)

(a) Price adjustment clauses were activated over the period, including raw material pass-through and partial energy price sharing as defined in the Global Manufacturing and Supply Agreement with Sanofi. In addition,2024 net sales include €29 million related to the Memorandum of Understanding agreed with Sanofi in February 2024, primarily Buserelin's stock clearance.

(in € millions)	June 30, 2024	December 31, 2023
Trade receivables (Note 5.8)	70.1	89.0
Trade payables (Note 5.14)	(22.6)	(30.6)
Other non-current assets (Note 5.6)[(a)]	4.0	6.6
Other current assets (Note 5.9)[(b)]	8.4	14.1
Other current liabilities	—	—
Other current financial assets	—	—

(a) This line comprises a €4 million receivable in respect of the indemnity provided by Sanofi against environmental liabilities arising on non-operating sites. In 2023, this line comprises €4 million receivable in respect of the indemnity provided by Sanofi against environmental liabilities arising on non-operational sites and €2.6 million receivable in respect of the long-term portion of cash compensation for Sanofi forfeited shares.

(b) In 2024, this line comprises mainly €7.4 million receivable for the current portion of the indemnity provided by Sanofi against environmental liabilities arising on non-operational sites. In 2023, this line comprises €6.3 million receivable in respect of indemnities provided by Sanofi resulting from various agreements signed in 2021 (mainly operating excellence costs) and €7.8 million for the current portion of the indemnity provided by Sanofi against environmental liabilities arising on non-operational sites.

10.5 List of companies included in the scope of consolidation

Fully consolidated companies.

The principal subsidiaries controlled by EUROAPI and making up the Group's scope of consolidation as of June 30, 2024 are listed below by region:

		Group ownership interest		Group voting interest	
Europe		At June 30, 2024	At December 31, 2023	At June 30, 2024	At December 31, 2023
EUROAPI	France	100	100	100	100
EUROAPI France SAS	France	100	100	100	100
EUROAPI H1	France	100	100	100	100
EUROAPI H2	France	100	100	100	100
EUROAPI H3	France	100	100	100	100
EUROAPI Italy S.r.l	Italy	100	100	100	100
FRANCOPIA	France	100	100	100	100
EUROAPI Hungary	Hungary	100	100	100	100
EUROAPI Germany	Germany	100	100	100	100
BIANO	Germany	100	100	100	100
EUROAPI UK Limited	United Kingdom	100	100	100	100

North America		At June 30, 2024	At December 31, 2023	At June 30, 2024	At December 31, 2023
EUROAPI US	United States	100	100	100	100

Asia		At June 30, 2024	At December 31, 2023	At June 30, 2024	At December 31, 2023
EUROAPI Japan G. K.	Japan	100	100	100	100
EUROAPI Shanghai	China	100	100	100	100

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

To the Shareholders,

In compliance with the assignment entrusted to us by decisions of the sole shareholder 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, 2024,
- 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 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, August 2, 2024

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 30, 2024

Ludwig DE-MOT

Chief Executive Officer

French joint-stock company (Société anonyme)
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