euroAPI **Press Release**

Full-Year 2023 results

Ludwig de Mot appointed Chief Executive Officer

Strategic Review outcome: launch of the FOCUS-27 project to improve competitiveness and unlock sustainable & profitable growth

Full-Year 2023 results: resilience in a challenging business environment

- **1,013.2 million in Net Sales, up 3.8%**[1]
- €93.1 million Core EBITDA**,** with a **9.2% Core EBITDA margin**, down from 12.3% in 2022 due to unfavorable fixed cost absorption and input cost inflation
- €226.4 million impairment on Tangible Assets
- €(189.7) million Net income, compared to €(15.0) million in 2022
- **€129.0 million Capex,** of which 52% invested in Growth projects
- €(82.0) million Core Free cash flow, compared to €(54.2) million in 2022
- €(171.0) million Net Debt position, vs. €(25.6) million at the end of December 2022
- **ESG Roadmap on track with 30% of 2030 objectives achieved –** CDP[2] B Score awarded in February 2024

Ludwig de Mot appointed Chief Executive Officer

- **Ludwig de Mot**, who joined EUROAPI as EVP and Chief Transformation Officer in January 2024, is named Chief Executive Officer and will drive the accelerated transformation of the company.
- **Viviane Monges** will continue as Chair of EUROAPI's Board of Directors

Strategic Review outcome: build on our strengths to refocus on high-value and growing market segments, improve competitiveness, and unlock EUROAPI's sustainable and profitable growth potential

- Solid long-term market momentum for CDMO business and highly differentiated APIs
- Launch of **FOCUS-27**, a comprehensive project that will unlock profitable growth and increase returns through:
  - a streamlined **value-added API** portfolio:
    13 APIs with low or negative margins discontinued, and focus on highly differentiated, profitable products such as Vitamin B12, Prostaglandins, Peptides and Oligonucleotides,
  - a focused CDMO offer leveraging our recognized capabilities and technology platforms,
  - a **rationalized industrial footprint prioritizing high-return CAPEX,** and a **leaner organization** with more **efficient ways of working**.

2024 key objective: focus on cash in a year of transition

Amended contractual terms signed with Sanofi

On-going discussions with our key stakeholders to finalize the implementation and financing of the project

Sanofi and EPIC BpiFrance have agreed to extend the duration of their lock-up until December 2025.

FOCUS-27 is subject to various local information and consultation processes with employee representatives. Its finalization is dependent on discussions and agreements with EUROAPI's key

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[1] All comments in this press release are made compared to FY 2022 figures unless stated otherwise.
[2] CDP: Carbone Disclosure Project.

stakeholders. **EUROAPI plans to communicate the outcome of these steps and discussions in Q2 2024.**

"The Board of Directors wishes to extend its most sincere gratitude to Viviane Monges for accepting the responsibility of managing the transition as the interim CEO of EUROAPI. As CEO, she led the organization to stay focused in a challenging business environment, strengthened our relationships with key stakeholders, and retained key talent. In her role as Chair of the Board, she will provide invaluable support to Ludwig as he leads the transformation," **said Elizabeth Bastoni, Independent Lead Director and EUROAPI's Chair of the Nominations and Compensation Committee.**

"Building on our core strengths, FOCUS-27 will accelerate our transformation into a more innovative and efficient company and deliver long-term profitable growth. In line with our values of respect, we will do everything possible to support our employees and serve our customers during this transformation period.

As CEO, Ludwig de Mot will play a decisive role in the successful execution of FOCUS-27 and the transformation of our company. I look forward to continuing to work with him and to help him drive EUROAPI to a new level in our strategic roadmap," **commented Viviane Monges, Chair of EUROAPI's Board of Directors.**

2024 outlook

In a transition year, we will focus on putting the company back on track toward sustainable and profitable growth by focusing on high-value products, prioritizing high-return CDMO projects, and improving working capital.

Full-Year 2024 guidance is the following:

- Between 4% and 7% decrease in Net Sales on a comparable basis, notably driven by a decrease in sales to Sanofi
- A material impact of transformation and early restructuring costs, including industrial under-activity resulting from the execution of the FOCUS-27 project
- Between 6% and 9% Core EBITDA margin
- Prioritized CAPEX and strong improvement in Working Capital, driven by a significant reduction in inventory.

Paris, 28th February 2024 – EUROAPI's Board of Directors met today and approved the FY2023 results, and appointed Ludwig de Mot as Chief Executive Officer. It also acknowledged the outcome of the strategic review launched in October 2023 and the subsequent measures proposed to transform the company. Having proactively studied possible alternatives and considering it was, at this stage, its best option to regain strategic flexibility, the company launched the FOCUS-27 project.

Full-Year 2023 Results

Key figures

(in € millions)	**FY-2023**	**FY-2022**
Net Sales	**1,013.2**	**976.6**
Year-on-Year change in %	*+3.8%*	*+8.5%*
Gross profit	**164.6**	**176.9**
Gross Profit Margin	*16.2%*	*18.1%*
EBITDA	**68.6**	**93.7**
Core EBITDA	**93.1**	**120.0**
Core EBITDA Margin	*9.2%*	*12.3%*
Net Income	**(189.7)**	**(15.0)**
Basic EPS (in euros)	**(2.02)**	**(0.16)**
Core Free Cash Flow[3]	**(82.0)**	**(54.2)**
Free Cash Flow before financing	**(132.2)**	**(122.6)**
Net Debt Position	**(171.0)**	**(25.6)**
Net debt to Core EBITDA ratio (IFRS 16 restated)	**1.98x**	**0.21x**

Net Sales

EUROAPI 2023 Net Sales reached €1,013.2 million, +3.8% versus 2022 and +3.1% at Constant Exchange Rates.

Net sales per type of activity

(in € millions)	**FY-2023**	**FY-2022**	**Change**
API Solutions – Other	360.3	336.5	+7.1%
API Solutions – Sanofi	367.2	372.6	-1.5%
API Solutions	**727.5**	**709.1**	**+2.6%**
CDMO – Other clients	180.5	168.4	+7.2%
CDMO – Sanofi	105.3	99.0	+6.3%
CDMO	**285.8**	**267.5**	**+6.8%**
Net sales	**1,013.2**	**976.6**	**+3.8%**
Of which Other Clients	*540.7*	*504.9*	**+7.1%**
Of which Sanofi	*472.5*	*471.6*	**+0.2%**

[3] See definition page 13.

API Solutions' Net Sales increased 2.6% to €727.5 million

- **Sales to Other clients rose 7.1%**. The performance was driven by the deployment of the commercial roadmap, with 46 new clients added in 2023 in both small and large molecules, the acceleration of the cross-selling strategy, product mix, and positive price adjustments over the year despite raising pricing pressure in Q4. This was partially offset by year-end destocking programs initiated by certain customers, particularly in Africa, Asia, and Latin America. The negative impact of the suspension of prostaglandin production in Budapest in H1 2023 was more than compensated in H2 2023.

- **Sales to Sanofi decreased by 1.5%**. The negative impact of the progressive discontinuation of Buserelin[4] production after its divestment by Sanofi and the decreasing demand for certain APIs was partially offset by the activation of the Global Manufacturing and Supply Agreement raw material pass-through and energy compensation clauses. In addition to the energy & raw material pass through clauses, €12m additional payment from Sanofi was agreed upon, on top of the contractual clauses[5].

CDMO sales grew 6.8% to €285.8 million

- **Sales to Other Clients grew 7.2%**, driven notably by increased sales from commercial products. This was partially offset by weaker sales from early-stage projects resulting from Biotech companies funding constraints, the negative impact of the completion of a COVID-19-related commercial project (approximately €(6.8)m on 2023 sales performance), and a high comparison base vs H2 2022 (sales of commercial batches for a US biotech).
- **Sales to Sanofi rose 6.3%**. Commercial projects progressed, driven notably by the stock replenishment of Pristinamycin, an anti-infective product, in spite of the discontinuation of two late-stage programs at the end of 2022 (approximately €(16) million on 2023 sales performance).
- **Number of RFPs received in 2023:** 211 incoming RFPs were received in 2023, compared to 230 last year, of which 57% were early-stage projects and 43% were late-stage projects. The average value per offer sent grew 1% on average[6] in 2023. The weaker average value in H2 was mainly due to a focus on early-stage innovative projects and year-end late-stage offers postponed in Q1 2024.
- **Number of CDMO projects:** 69 projects were active at the end of December 2023. Throughout the year, **23 new contracts were signed**, **of which 12 were in the pre-approval or commercial phase**, spurred by the increasing demand for peptides and oligonucleotides, complex chemistry RSM or API re-shoring and dual sourcing with European players. 16 projects were stopped, paused, or delayed by customers, including 2 in late-stage with Sanofi, and 12 in early-stage.

(Number of CDMO projects)	**Phase 1 & earlier**	**Phase 2**	**Phase 3**	**Commercial Phase**	**Total**
Large molecules	7	3	2	3	**15**
Highly potent molecules	2	-	2	2	**6**
Biochemistry derived from fermentation	1	1	-	6	**8**
Complex chemical synthesis	7	5	8	20	**40**
Total	**17**	**9**	**12**	**31**	**69**

[4] Large molecule used primarily in the treatment of prostate cancer and endometriosis.
[5] Based on customer service performance criteria.
[6] Based on RFPs with a value.

Net Sales per type of molecule

(in € millions)	FY-2023	FY-2022	Change
Large molecules	76.5	98.4	-22.3%
Highly potent molecules	96.4	82.2	+17.2%
Biochemistry molecules derived from fermentation	184.1	148.3	+24.2%
Complex chemical synthesis	656.2	647.7	+1.3%
Net Sales	**1,013.2**	**976.6**	**+3.8%**

- **Large molecules** decreased by 22.3% to €76.5 million, notably affected by the discontinuation of a CDMO phase 3 project with Sanofi in 2022 and the progressive discontinuation of Buserelin production after its divestment by Sanofi.
- **Highly potent molecules** were up +17.2% to €96.4 million, mainly driven by the growth of prostaglandins which production resumed in mid-April 2023.
- **Biochemistry molecules derived from fermentation** increased by 24.2% to €184.1 million. The growth was driven by the increase in vitamin B12 sales, and the stock replenishment of anti-infective products by Sanofi (Pristinamycin).
- **Complex chemical synthesis molecules increased by 1.3% to €656.2 million.** The positive impact of price adjustments and the increase in volumes of a CDMO commercial product with Sanofi was partially offset by the discontinuation of a phase 3 project with Sanofi in 2022, and of a COVID-19-related project.

Financial performance

(in € millions)	FY-2023	FY-2022
Net Sales	1,013.2	976.6
Other revenues	5.7	4.3
Gross profit	**164.6**	**176.9**
Gross Profit Margin	*16.2%*	*18.1%*
EBITDA	**68.6**	**93.7**
Restructuring costs and similar items	24.5	26.3
Core EBITDA	**93.1**	**120.0**
Core EBITDA Margin	*9.2%*	*12.3%*
Impairment of non-current assets	(226.4)	(21.8)
Operating Income	**(234.3)**	**(0.8)**
Finance revenues/costs	*(8.5)*	*4.0*
Income before tax	**(242.8)**	**3.1**
Income tax expense	53.0	(18.2)
Net income/(loss)	**(189.7)**	**(15.0)**
EPS (in euros)	**(2.02)**	**(0.16)**
Fully diluted EPS (in euros)[7]	(2.02)	(0.16)

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

Gross Profit

Gross profit was €164.6 million, compared to €176.9 million in 2022. The gross profit margin was down by 190 bps Year-on-Year to 16.2%. This includes the negative impact of decreasing volumes and of energy and raw materials higher prices.

Key components of the change in 2023 Gross Profit margin	2023/2022 impact in basis points
Volume impact	-80 bps
Price and Mix	+320 bps
Operating performance	+170 bps
Energy and Raw Materials	-630 bps

EBITDA and Operating Income

EBITDA was €68.6 million compared to €93.7 million in 2022, including €24.5 million non-recurring, of which:

- €12.3 million costs related to the value creation plan announced in March 2023.
- €11.5 million linked to employee share plan, free share plans, forfeited share expenses and employee contribution[8].

Core EBITDA amounted to €93.1 million, down 22.4% compared to €120.0 million in 2022. Core EBITDA margin was 9.2%, compared to 12.3% in 2022 negatively impacted by

- a less favorable fixed cost absorption as sales volumes were lower than initially anticipated
- an unfavorable margin mix
- the increase in Opex, of which €3.5 million negative one-off impact related to the Executive Committee's reorganization, or cc (170) bps

The extra-profit tax in Hungary (€3.4 million, or cc. (35) bps) was partially offset by the €2.5 million provision reversal from the pharma tax accrued in 2022 (+0.3 pts on Core EBITDA).

Impairments[9]

The strategic review triggered

- €(226.4) million impairments on non-current assets on a total of €859.5 million, reflecting the deterioration of future Cash Flow compared to the previous plan and the increase of WACC from 7.1% to 8.3%

Operating Income

Operating Income was €(234.3) million compared to €(0.8) million in 2022. Depreciation and amortization amounted €76.5 million in 2023, compared to €94.5 million in 2022.

Net Income

Financial income was €(8.5) million, compared with €4.0 million in 2022, negatively impacted by the increasing cost of debt and the lower positive impact of the discounting effects of provisions in 2023. As a reminder, the effect of discounting of provision was positive €8.1 millions in 2022. **Income tax** was €53.0 million, of which €42.0 million deferred taxes from the revaluation of EUROAPI Hungary assets. The revaluation was triggered by the tax treatment applied by Sanofi in 2023 to the transfer of the Hungarian business to EUROAPI as part of the carve-out in 2021 and the subsequent exit of EUROAPI from Sanofi[10].

Net income was €(189.7) million in 2023. Excluding the impact of the €42.0 million deferred tax asset from the revaluation of EUROAPI Hungary assets and the €(226.4) millions of impairment on non-current assets triggered by the strategic review, the 2023 net income would have been €5.3 million.

[8] In connection with the initial listing.
[9] See page 15 for detailed information.
[10] See detailed explanation page 13.

Core Free Cash Flow

(in € millions)	FY-2023	FY-2022
Cash flow provided by operating activities	**5.1**	**44.8**
Net change in other current assets and other current liabilities and current taxes	24.3	26.5
Acquisitions of property plant and equipment and intangible assets	(132.8)	(167.4)
Intangible assets relating to the carve-out and Group IT set up	3.8	29.1
Restructuring costs and similar items – inflows/outflows	14.1	7.6
Expenses relating to environmental provisions – inflows/outflows	3.5	5.2
Core Free Cash Flow	**(82.0)**	**(54.2)**
Core Free Cash Flow conversion (Core Free Cash Flow/Core EBITDA)	**(88.0)%**	**(45.2)%**

Core Free Cash Flow was €(82.0) million in 2023 versus €(54.2) million in 2022. 2023 Core Free Cash-Flow was notably impacted by:

- €48.9 million change in trade receivables
- €(40.4) million change in inventories mainly driven by the impact of inflation and sales phasing. Inventory Months On Hand (MOH)[11] was 7.6 in 2023 compared to 7.3 in 2022
- €(52.9) million change in payables.

Capex reached €(129.0) million (12.7% of Net Sales), of which 52% were dedicated to growth projects.

Net Debt Position

(in € millions)	FY 2023
Net cash/(Debt) position – December 2022	**(25.6)**
Cash Flow from Operating activities	**5.1**
Of which Operating Cash Flow	*73.9*
Of which change in Operating Working Capital	*(44.5)*
Of which change in other current assets and liabilities	*(24.3)*
Cash Flow from Investing Activities	**(137.2)**
Of which acquisition of property plant and equipment and intangible assets (CAPEX)	*(129.0)*
Of which intangible assets relating to the carve-out and Group IT setup	*(3.8)*
Of which acquisition of shares on consolidated entities	*(4.5)*
Cash Flow from Financing activities	**(14.3)**
Exchange rate	**1.0**
Net Cash/(Debt) position – December 2023	**(171.0)**

The increase in Net Debt position, €(171.0) million compared to a €(25.6) million at the end of December 2022, is driven by the financing of the working capital and part of the Capex. Net Debt to Core EBITDA restated for IFRS 16 was 1.98x, below the RCF covenant of 4.0x.

[11] Net Inventory value at the of the period divided by Net Sales.

Ludwig de Mot appointed Chief Executive Officer

Upon the recommendation of the Nominations and Remunerations Committee, EUROAPI's Board of Directors appointed **Ludwig de Mot** as Chief Executive Officer, effective on 1st March 2024. Ludwig joined EUROAPI on January 2nd, 2024, as EVP and Chief Transformation Officer. With over 30 years of experience, notably in companies undergoing transformation, Ludwig will be instrumental to the success of the FOCUS-27 project and the company's turnaround.

Serving as interim CEO since October 2023, **Viviane Monges** will resume her position as Chair of EUROAPI's Board and actively oversee the deployment of the transformation project. **Elizabeth Bastoni,** Chair of the Nominations and Compensation Committee, remains independent lead-Director.

FOCUS-27: build on our strengths to refocus on high-value and growing market segments, improve competitiveness, and unlock EUROAPI's sustainable and profitable growth potential

Over the last four months, EUROAPI's management has carried out a comprehensive analysis of the company's operational strengths and weaknesses, expected net sales growth, and subsequent financial trajectory.

The review confirmed the **long-term growth potential of the company as a leading CDMO and API supplier.**

- The **merchant API market is expected to deliver a +6% to +8% CAGR** between 2024 and 2028, with Tides (+10% CAGR), HP-APIs (+9.0% CAGR), and Biochemistry (+6.5% CAGR) leading the growth
- EUROAPI has one of the **broadest CDMO portfolios**, offering a diversified range of technology platforms to its customers
- EUROAPI benefits from state-of-the-art innovative technologies to better serve its customers
- Other than Sanofi, **EUROAPI has built a broad 500+ customer base**, from large Pharma and Biotech to Animal Health, Food, and Cosmetics.

To leverage its potential, the company needs to adapt quickly launching **FOCUS-27**, a comprehensive 4-year project that builds on EUROAPI's inner strengths to improve competitiveness and unlock sustainable and profitable growth potential.

The project is built on 4 pillars:

- a streamlined **value-added API** portfolio,
- a focused CDMO offer leveraging our recognized capabilities and technology platforms,
- **a rationalized industrial footprint**, and a **leaner organization** with more **efficient ways of working.**

Streamlined value-added portfolio - Optimization of EUROAPI's API portfolio and focus on highly differentiated profitable products

The strategic review confirmed the **potential of several highly differentiated and profitable products,** mostly sold to clients other than Sanofi. The commercial strategy will be refocused on these **APIs to foster profitable growth, notably:**

- **Large molecules,** including Peptides and Oligonucleotides
- **HP APIs,** including Prostaglandins, Corticosteroids and Hormones
- **Vitamin B12** and derivatives
- **Opiates**

The decision has been taken to discontinue 13 APIs with low or negative margins, including certain complex small molecules manufactured in Frankfurt and in Brindisi.

These undifferentiated molecules represented 8% of 2023 net sales. To take into account EUROAPI's contractual commitments and regulatory constraints, they will be phased out gradually between 2026 and 2027.

Focused CDMO offer, leveraging our recognized capabilities and technology platforms

Thanks to its unique offer, the CDMO business will remain the main driver for growth and profitability, pending adjustments to enhance the organization's responsiveness and agility.

The portfolio will be progressively shifted towards more customized and high-value CDMO segments, with a focus on complex small molecules and complex tides.

The commercial strategy will be geared towards large biotech and big pharma companies, which accounted for 91% of the RFPs received in 2023. The goal is to increase the average value of the projects and de-risk the pipeline through late-stage projects while **strengthening EUROAPIs' capabilities in HP-APIs, fermentation, and complex tides through value-added and customized offers.**

Rationalized industrial footprint, prioritizing high-return CAPEX

The rationalization of the industrial footprint will allow for an increase in capacity utilization, with a targeted average utilization rate of 80% to 85%, in line with industry standards.

It will impact **the Frankfurt site,** and **two workshops could be mothballed to rightsize the small complex chemistry capacities.**

In light of the company's refocused commercial strategy on added-value APIs and the significant decrease in Sanofi's volumes, the **Haverhill and Brindisi sites are considered for divestment**. EUROAPI will continue to invest to ensure the required maintenance and compliance CAPEX as well as ongoing CMO activities while working on a potential divestment.

Prioritizing high-return projects, EUROAPI will invest between €350 and 400 million CAPEX between 2024 and 2027, with a focus on strategic growth initiatives, including increased capacities for Peptides and Oligonucleotides, Vitamin B12, and Prostaglandins.

To foster profitable growth, future CAPEX will be focused on:

- Dedicated growth investments will strengthen **Elbeuf** site biochemistry fermentation capabilities, where a steam generation biomass boiler will be built to reduce CO^2 emissions to achieve EUROAPI 2030 decarbonation plan
- **Vertolaye's** multi-production capabilities will be leveraged to boost **Corticosteroids and Hormones** sales through innovative processes and **accelerate the CDMO roadmap**
- **The Frankfurt Large Molecules platform to grow the Tides capacities**
- **In Budapest,** EUROAPI will continue to increase its **Prostaglandin capacities.**

Organizational transformation, and more efficient ways of working[12]

Our organization strives to become more agile and efficient, which includes reducing headcount across all functions. In addition to optimizing its portfolio and rationalizing its industrial footprint, EUROAPI intends to implement a leaner operating model.

All functions, including industrial operations, quality, R&D, and support functions, will contribute to the cost saving~~s~~ initiatives, which could lead to headcount reduction across the organization. The project will be presented to EUROAPI's social partners, local employee representatives, and European Works Council in the coming days, according to legal and social procedures.

Under the leadership of Ludwig de Mot, several organizational initiatives have been launched:

- The organization of the commercial teams will be redesigned to increase synergies and efficiencies, and support future growth

[12] Subject to local "information and consultation" processes

- The R&D teams will be reprioritized on innovative platforms and late-stage projects to support the CDMO activity
- The transformation of the procurement organization initiated in March 2023 will be accelerated, and a new indirect procurement strategy implemented
- Strengthened E2E processes will allow to improve supply chain efficiency, increase capacity, drive lead-time and inventory reductions.

Revised commercial terms signed with Sanofi

EUROAPI's initial mid-term perspectives factored in a low-single-digit regular decline in volumes sold to Sanofi, which were expected to be offset by the ramp-up of the sales to Other Clients.

However, the 2024 and 2025 cumulated demand forecasts for API received from Sanofi in early 2024 were significantly below IPO projections. In addition to the volume reduction, higher raw materials and energy prices, which could not be fully reflected in price increases as per the current MSA, **weighing on the profitability of our API Solution business.**

Acknowledging the need for both parties to adapt their commercial relationship to the current environment, Sanofi and EUROAPI have agreed on a series of revisions to the Manufacturing and Supply Agreement signed in October 2021, including:

- **Cancellation of the mutual performance clause**[13]. This clause required notably EUROAPI to retrocede to Sanofi a portion of the fixed and variable cost savings realized on APIs sold to Sanofi annually until the end of 2026
- **Price increases in 6 selected APIs**
- **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
- **Narrowing of the Price-Volume corridor**, an annual compensation mechanism protecting both parties from annual revenue fluctuation
- **Shortened payment terms.**

ESG Roadmap

EUROAPI ESG roadmap is on track, with 30% of 2030 goals achieved at the end of 2023.

- 100% of our sites are now certified ISO14001 (environment management) and ISO50001 (energy management).
- The LTI rate increased in 2023 is due to accidents with low potential but longer-lasting consequences than last year. A comprehensive program called *Life Saving Rules* has been launched since reaching all employees, focusing on six unbreakable and non-negotiable rules that will be strictly followed.
- The silver medal was granted to EUROAPI by EcoVadis (Global Sustainability Rating). This result places EUROAPI among the top 25 percent of companies assessed by EcoVadis (100,000+) and the top 3% for the environmental criteria among its peers.

[13] MSA and Reverse MSA.

Commitments	Targets	Achieved in 2023
Accelerate innovation for environmental sustainability	100% sites ISO14001/50001 certification by the end of 2023	100%
	~ 100% sites with electricity from renewable sources by 2025	83%
	~ -30% of CO_2 emissions (vs. 2020) by 2030 (scope 1 & 2)	20%
Create a safe and multicultural workplace	30% women in a leadership position by 2025	Achieved
	LTI – Lost Time Injury frequency rate to 1.5 by 2025	2.1
	TRI – Total Recordable Injury frequency rate to 2.5 by 2025	2.8
Uphold best-in-class corporate governance	100% completion of code of conduct and compliance training in 2023	95%

On February 6th, 2024, EUROAPI received a “B” score from the CDP (Climate Disclosure Project) for 2023, on a scale from A to F. The CDP score is a snapshot of a company’s environmental disclosure and performance, and the B score indicates that EUROAPI is addressing the environmental impacts of its business and ensuring good environmental management. More information on EUROAPI’s website (ESG Certifications and Performance | EUROAPI).

Presentation of FY-2023 results and of the strategic review outcomes

EUROAPI’s management will hold an in-person presentation tomorrow at 2:00 p.m. CET. The meeting will also be live broadcasted (live and replay), and the presentations are available on the corporate website Full-Year 2023 Results and Strategic Review Outcomes | EUROAPI

EUROAPI consolidated financial statements as of December 31, 2023, were approved by the Board of Directors on February 28, 2024. A presentation related to this announcement is also available on EUROAPI’s website (www.euroapi.com). The Group's Statutory Auditors have completed their audit procedures on the consolidated financial statements and the audit report will be issued upon completion of the procedures required for the filing of the universal registration document, including the review of management report. This document contains forward-looking statements. Although EUROAPI believes its expectations are based on reasonable assumptions, these statements are subject to many risks and uncertainties. A description of the risks borne by EUROAPI appears in the section, "Risk factors" in EUROAPI’s 2022 Universal Registration Document approved on April 14, 2023 by the Autorité des Marchés Financiers (the “AMF”).

Financial Calendar

- May 22nd, 2024: Annual Shareholder General Meeting
- Q2: Further information of FOCUS-27
- July 31st, 2024 (before market opening): H1 2024 Results

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About EUROAPI

EUROAPI is focused on reinventing active ingredient solutions to sustainably meet customers' and patients' needs around the world. We are a leading player in active pharmaceutical ingredients with approximately 200 products in our portfolio, offering a large span of technologies while developing innovative molecules through our Contract Development and Manufacturing Organization (CDMO) activities.

Taking action for health by enabling access to essential therapies inspires our 3,450 people every day. With strong research and development capabilities and six manufacturing sites, all located in Europe, EUROAPI ensures API manufacturing of the highest quality to supply customers in more than 80 countries. EUROAPI is listed on Euronext Paris; ISIN: FR0014008VX5; ticker: EAPI). Find out more at www.euroapi.com and follow us on LinkedIn.

Forward-looking statements

Certain information contained in this press release is forward looking and not historical data. These forward-looking statements are based on opinions, projections and current assumptions including, but not limited to, assumptions concerning the Group's current and future strategy, financial and non-financial future results and the environment in which the Group operates, as well as events, operations, future services or product development and potential. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates", "plans" and similar expressions. Forward looking statements and information do not constitute guarantees of future performances, and are subject to known or unknown risks, uncertainties and other factors, including social risks, a large number of which are difficult to predict and generally outside the control of the Group, which could cause actual results, performances or achievements, or the results of the sector or other events, to differ materially from those described or suggested by these forward-looking statements. These risks and uncertainties include those that are indicated and detailed in Chapter 3 "Risk factors" of the Universal Registration Document approved by the French Financial Markets Authority (Autorité des marchés financiers, AMF) on April 14, 2023, under number R.23-009 and the Amendment to Universal Registration Document approved by the AMF on April 25, 2023 under number R.23-015 (which are both available at www.euroapi.com). These forward-looking statements are given only as of the date of this press release and the Group expressly declines any obligation or commitment to publish updates or corrections of the forward-looking statements included in this press release in order to reflect any change affecting the forecasts or events, conditions or circumstances on which these forward-looking statements are based."

Appendix

Glossary and definition of non-GAAP indicators

EBITDA and Core EBITDA

EBITDA corresponds to operating income (loss) restated for depreciation and amortization and net impairment of intangible assets and property, plant and equipment.
Core EBITDA thus corresponds to EBITDA restated for restructuring costs and similar items (excluding depreciation and write-downs), allocations net of reversals of unutilized provisions for environmental risks, and other items not representative of the Group's current operating performance or related to the effects of acquisitions or disposals.

Core Free Cash Flow and Core Free Cash-Flow conversion

Core FCF conversion corresponds to the ratio between, on the one hand, (i) cash flow generated by (used in) operating activities less the "acquisitions of property, plant and equipment and intangible assets" items, and restated for the "net change in other current assets and other current liabilities", "current taxes" and cash inflows and outflows relating to Core EBITDA restatements, and on the other hand (ii) Core EBITDA.

Cash Flow before Financing activities

Cash Flow before Financing activities corresponds to the sum of Cash Flow from Operating Activities and Cash Flow from Investing Activities as presented in the consolidated statement of Cash Flow.

New clients

Clients representing at least €50 thousands of net sales on the year.

Cross Selling

Selling a different product to an existing client that is already buying one or several products from EUROAPI.

Months on Hand (MOH)

Net Inventory value at the of the period divided by Net Sales

Early-stage and Late-stage projects

Early-stage: pre-clinical, phase 1, and phase 2
Late-stage: phase3, in validation, and commercial

Consolidated Income Statement

(in € millions)	December 31, 2023	December 31, 2022
Net sales	1,013.2	976.6
Other revenues	5.7	4.3
Cost of sales	(854.3)	(804.0)
Gross profit	**164.6**	**176.9**
Selling and distribution expenses	(40.9)	(37.7)
Research and development expenses	(29.6)	(21.8)
Administrative and general expenses	(90.0)	(90.5)
Other operating income and expense	0.4	0.2
Impairment of assets	(226.4)	(21.8)
Restructuring costs and similar items	(12.3)	(6.1)
Other gains and losses, and litigation	—	—
Operating income/(loss)	**(234.3)**	**(0.8)**
Financial expenses	(10.9)	(4.2)
Financial income	2.5	8.2
Income/(loss) before tax	**(242.8)**	**3.1**
Income tax expense	53.0	(18.2)
Net income/(loss)	**(189.7)**	**(15.0)**
Attributable to owners of the parent	(189.7)	(15.0)
Attributable to non-controlling interests	—	—
		—
Average number of shares outstanding (in millions)	94.2	93.7
Average number of shares after dilution (in millions)	95.9	95.0
- Basic earnings per share (in euros)	(2.02)	(0.16)
- Diluted earnings per share (in euros)[14]	(2.02)	(0.16)

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

Impairments

The FOCUS-27 project resulting from the strategic review initiated in October 2023 triggered impairment test on the value of the assets of the Company. The impairment testing was based on the strategic plan 2024-2027 with an extrapolation period of cash flow estimates.

Impairment test results

The results of this assessment displayed the following impacts:

- For France, the impairment of Property, Plant and Equipment amounting €68.3 million is triggered mainly by the change in the discount rate (8.3% in 2023 to be compared to 7.1% in 2022).
- For Germany (Frankfurt site), the revised cash flow projections reflecting (i) the restructuring envisaged to stop two workshops will infer material drop in sales due to the discontinuation of certain low margin APIs (e.g. Metamizole) and (ii) the decrease in sales to Sanofi across all APIs triggered an impairment of €51.9 million.
- For Haverhill, the net impairment is triggered by the sharp decrease of the Sanofi demand for Sevelamer whereas limited additional volumes will come from Other Clients. The amount of PPE and intangible assets impairment reach €57.6 million.
- For Italy (Brindisi site), the impairment of €48.6 million is triggered by the discontinuation of certain APIs (e.g. Spiramycin) and expected underactivity on other manufacturing lines while CDMO business will contribute marginally to the site performance.

Deferred Tax Assets

As already disclosed in our 2023 Half-Year financial report, as part of the carve out operation in 2021, Sanofi has transferred the Hungarian business to EUROAPI Hungary. Sanofi has applied for a favorable tax treatment upon this asset transfer, i.e. the deferral of the capital gain taxation. Symmetrically, EUROAPI has maintained the historical value of the assets from a tax perspective. This treatment has been maintained by Sanofi and EUROAPI until the exit from the Sanofi group in May 2022. Upon the filing of their 2022 tax return in May 2023, Sanofi has waived this favorable tax treatment and paid corresponding capital gain tax. As a result and having received from Sanofi necessary confirmations of capital gain tax payment, EUROAPI Hungary has performed a free step-up based on legal restructuring documentation and in the framework of the ownership change. In other words, EUROAPI would amortize tangible assets based on their FMV and would depreciate the goodwill. The step-up of the tax value of the assets results in the recognition of a deferred tax assets in an amount of €42.0 million in addition to the impact of the recurring amortization of the assets for the period.

Consolidated Balance Sheet

(in € millions)	December 31, 2023	December 31, 2022
Goodwill	4.6	—
Property, plant and equipment	468.9	597.1
Right-of-use assets	37.2	42.2
Intangible assets	34.2	28.7
Other non-current assets	9.0	14.9
Deferred tax assets	79.2	29.6
Non-current assets	**633.1**	**712.5**
Inventories	644.8	594.7
Trade receivables	216.3	264.2
Other current assets	83.7	90.3
Cash and cash equivalents	34.5	74.5
Current assets	**979.3**	**1,023.6**
Total assets	**1,612.4**	**1,736.1**

Equity attributable to owners of the parent	927.7	1,110.2
Equity attributable to non-controlling interests	—	—
Total equity	**927.7**	**1,110.2**
Non-current lease liabilities	15.5	16.2
Provisions	158.6	146.9
Other non-current liabilities	—	—
Deferred tax liabilities	1.6	6.3
Non-current liabilities	**175.8**	**169.4**
Trade payables	159.6	219.6
Other current liabilities	139.3	132.2
Current lease liabilities	4.6	4.5
Short-term debt and other financial liabilities	205.4	100.1
Current liabilities	**508.9**	**456.5**
Total equity and liabilities	**1,612.4**	**1,736.1**

Consolidated Statements of Cash Flow

(in € millions)	December 31, 2023	December 31, 2022
Net income/(loss) attributable to owners of the parent	**(189.7)**	**(15.0)**
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets	302.9	94.5
Net change in current and deferred taxes	(53.0)	18.5
Other profit or loss items with no cash effect and reclassification of interests [a]	13.7	13.4
Operating cash flow before changes in working capital	**73.9**	**111.3**
(Increase)/decrease in inventories	(40.4)	(31.7)
(Increase)/decrease in trade receivables	48.9	(29.6)
Increase/(decrease) in trade payables	(52.9)	21.4
Net change in other current assets and other current liabilities	(24.3)	(26.5)
Net cash provided by operating activities [b]	**5.1**	**44.8**
Acquisitions of property, plant and equipment and intangible assets [c]	(132.8)	(167.4)
Acquisitions of consolidated undertakings and equity-accounted investments	(4.5)	—
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	**(137.3)**	**(167.4)**
Capital increases	—	88.7
Dividends paid	—	—
Repayment of lease liabilities	(7.3)	(4.6)
Net change in short-term debt	105.0	98.5
Finance costs paid [d]	(6.1)	(2.9)
Acquisitions and disposals of treasury shares	(0.6)	(1.3)
Other net cash flow arising from financing activities [e]	1.2	9.3
Net cash provided by financing activities	**92.2**	**187.8**
Impact of exchange rates on cash and cash equivalents	—	(1.0)
Net change in cash and cash equivalents	**(40.0)**	**64.2**
Cash and cash equivalents at beginning of period	**74.5**	**10.3**
Cash and cash equivalents at end of period	**34.5**	**74.5**

Net Debt position

(in € millions)	31-Dec-23	31-Dec-2022
Bank Cash Balances	**34.5**	**74.5**
Revolving Credit Facilities	(205.5)	(100.1)
Net Debt Position	**(171.0)**	**(25.6)**

Reconciliation of Consolidated Operating Income (EBIT) to restated Core EBITDA

(in € millions)	FY-2023	FY-2022
Operating income	**(234.3)**	**(0.8)**
Depreciation and amortization	302.9	94.5
EBITDA	**68.6**	**93.7**
Restructuring costs and similar items (excluding depreciation and amortization)	12.3	6.1
Allocations net of reversals of unutilized provisions for environmental risks	0.8	6.3
Other	11.5	13.9
Core EBITDA	**93.1**	**120.0**
Core EBITDA margin	***9.2%***	***12.3%***

Reconciliation from Consolidated Statements of Cash Flow to Free Cash Flow before financing

(in € millions)	31-Dec-23	31-Dec-22
Net cash provided by operating activities	5,1	44,8
Net cash (used in) investing activities	(137,3)	(167,4)
Free Cash Flow before financing	**(132,2)**	**(122,6)**