euroAPI

Active Solutions for Health

2022 Universal Registration Document

Including the Annual Financial Report

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AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This Universal Registration Document was approved on April 14, 2023 by the Autorité des Marchés Financiers (the "AMF"), in its capacity as competent authority under Regulation (EU) 2017/1129.The AMF has approved this Universal Registration Document after having verified that the information it contains is complete, coherent and comprehensible. This Universal Registration Document has been given the following approval number: R.23-009. This approval should not be construed as a favorable opinion of the AMF on the Company that is the subject of this Universal Registration Document.

This Universal Registration Document may be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if it is supplemented by a securities note and, where applicable, a summary and its supplement(s). In this case, the securities note, the summary and all amendments made to the Universal Registration Document since its approval are approved separately in accordance with Article 10 paragraph 3, second subparagraph, of Regulation (EU) 2017/1129. It remains valid until April 14, 2024 and, during this period and, at the latest, simultaneously with the securities note and pursuant to Articles 10 and 23 of Regulation (EU) 2017/1129, must be completed by an amendment in the event of significant new facts, errors or significant inaccuracies.

This Document is a reproduction of the official version of the Universal Registration Document including the Annual Financial Report prepared in accordance with the European Single Electronic Format (ESEF) and approved by the AMF, available on the websites of the Company and the AMF.

Message from Karl Rotthier

How would you describe EUROAPI's performance in 2022?

EUROAPI delivered a solid performance last year, and we executed our growth strategy despite the challenging geopolitical and macroeconomic conditions facing the industry and the world at large. Net sales stood at €976.6m, up +8.5% compared to 2021 reflecting both a strong acceleration in CDMO activities (+18.3%) and a solid contribution from API Solutions (+5.3%). All this was made possible by our spinoff from Sanofi and our stock market listing on May 6, 2022.

EUROAPI's strategy in three words?

Our strategy is organically based on 3 pillars.

Contract development and manufacturing organization (CDMO): our goal is to rapidly expand our offering in this business. We aim to be in the top 5 by 2025, up from our current 7th place. We have approximately 35 APIs and differentiated technologies powering a broad service offering, especially in peptides and oligonucleotides, lipids and high-potency APIs.

API Solutions leadership: we are proud to be the world leader in small molecules, with 165 APIs in our portfolio. Our objective is now to strengthen this activity by maximizing our portfolio through customer, product, price, and geographical mix optimization.

Operational excellence: this is the third pillar of our strategy. We aim to deliver the right quantity of APIs at the right time, quality, and cost, from development to commercialization, and to maximize the potential of each site. Spending optimization is important in this area, and we announced last year an initial €18 million investment to increase the overall peptide and oligonucleotide capacity of our Frankfurt site to roughly 500 kilograms per year by 2025.

We are also thinking in terms of inorganic growth in order to fuel our API Solutions and CDMO ambitions through potential bolt-on acquisitions and strategic partnerships. Our focus in on technology and regulated areas, so that we can generate proximity with our customers and best meet their needs.

> Our goal is to rapidly expand our offering in the CDMO business. We aim to be in the top 5 by 2025, up from our current 7th place.

Could you tell us more about the Group's ESG commitments?

There are four of them. The first is to produce safe products and ensure we have a resilient and responsible supply chain. Second, we offer innovative processes and services that are sustainable by design. Let me give you an example: we recently announced a €40 million investment in a more efficient and sustainable production process for vitamin B12 at our Saint-Aubin-lès-Elbeuf site in France.

It's a new fermentation process designed to be nitrite-free, produce less waste and consume less water. It comes on top of a €24 million investment to build a biomass boiler at the same location, powered by wood waste.

Third, we've committed to creating a safe and multicultural workplace; and lastly, in terms of corporate governance, we're continuously working with our internal and external stakeholders to promote compliance and fair practices. I'll add that at the international level, EUROAPI has made strong environmental commitments by signing the Responsible Care® Global Charter and joining the United Nations Global Compact.

Can you elaborate on the accomplishments regarding people and culture?

We have a corporate culture based on strong values. "Taking ownership" means that we are accountable for what we do and "Driven by our clients" reminds us that we create value by putting our clients at the center of everything we do. With "Achieving together", we empower our people for greater positive impact, and "Caring for all" means that we value and respect our stakeholders. We had some success in this area last year as we were successful with our first global employee shareholding plan, which more than 67% of eligible employees subscribed to. And we are very proud of our program for inclusive and equal parental leave: we grant 14 weeks' paid parental leave to any EUROAPI employee welcoming a new child, through childbirth, adoption or surrogacy, no matter what country they work in and no matter what their gender or sexual orientation is. This is a step forward for equality in the workplace and concrete proof of our determination to make our diversity and equal opportunity ambitions a reality.

How are you approaching 2023?

Our 2022 results, as well as our 2023 objectives and mid-term perspectives, demonstrate our resilience and our ability to navigate in a challenging environment. Our fundamentals are strong, and we are committed to maximize the business we have in hand to become a leading fast-growing, CDMO company. What I can say is that as we work toward achieving these results, we will remain true to our ESG ambitions and values.

Karl Rotthier
Chief Executive Officer

At the international level, EUROAPI has made strong environmental commitments by signing the Responsible Care® Global Charter and joining the United Nations Global Compact.

History

With more than 150 years of experience in the API market, the Group is composed of six manufacturing sites and development centers equipped with state-of-the-art technology, all located in Europe (Vertolaye and Saint-Aubin-lès-Elbeuf in France, Frankfurt in Germany, Budapest in Hungary, Brindisi in Italy and Haverhill in the United Kingdom). Thanks to a customer-oriented structure, these European sites oversee the commercialization and marketing of EUROAPI's products around the world. The Frankfurt site is the largest production site for APIs in Europe. As at December 31, 2022, the Group employed around 3,450 people.

Key dates for the Group

2022	Announcement by Sanofi of the decision to distribute a supplementary dividend in kind taking the form of a distribution of shares of the Company and their admission to trading on the regulated market of Euronext Paris.
2021	Completion of the process to carve out a portion of the development, manufacture, marketing and distribution of APIs of the Sanofi group and the regrouping of these operations within the Company and/or its subsidiaries. Announcement of the appointment of Karl Rotthier to the position of future Chief Executive Officer of the Company (in January) and of Viviane Monges as future Chair of the Board of Directors (in July).
2020	Sanofi's announcement of the project to create a European leader dedicated to the production of APIs and their sale to third parties.
2011	Acquisition of Genzyme by the Sanofi group resulting in the addition of the Haverhill site.
2006	Installation of the oligonucleotide synthesis unit at the Frankfurt site.
2004	Acquisition by the Sanofi Group of Aventis, the result of a merger between Hoechst and the Rhône-Poulenc Rorer group, resulting in the addition of the Vertolaye, Frankfurt and Brindisi sites.
1999	Merger of Sanofi and Synthélabo Launch of the peptide synthesis operations at the Frankfurt site.
1993	Sanofi's acquisition of control of Chinoin, which owned the site located in Bupapest, Hungary.
1982	Creation of the Haverhill site in the United Kingdom.
1976	Start of peptide production by the Hoechst group site in Frankfurt, Germany.
1973	Start of the recombination of companies within the Sanofi group.
1966	Creation of the Aminova site in Brindisi, Italy, which was subsequently acquired by Gruppo Lepetit (1970), DOW Chemical (1973), Marion Merrel (1990) and finally by the Hoechst group (1995-1997).
1959	Registration of Francopia, which first began operating in 1932.
1946	Creation of the site in Saint-Aubin-lès-Elbeuf, France.
1939	Creation of the site in Vertolaye, France.
1910	Creation of the Chinoin site in Budapest, Hungary.
1863	Creation of the Hoechst site in Frankfurt, Germany.

2022 Highlights

Independence | Listing

EUROAPI successfully became independent on May 6, 2022, via its listing on Euronext Paris. This milestone enabled EUROAPI to consolidate its leadership position in the dynamic CDMO and API markets. By operating as an independent company, EUROAPI will increase in flexibility and capture further growth opportunities. This will reinforce its status as a partner of choice for all pharmaceutical and biotech companies around the world. By June 9, 2022, EUROAPI had already joined the SBF 120 index, one of the flagship indices of the Paris Stock Exchange, composed of the top 120 stocks listed on Euronext Paris in terms of both liquidity and market capitalization.

CDMO

In October 2022, EUROAPI announced an initial €18 million investment for the installation of a state-of-the-art manufacturing equipment in Frankfurt. This strategic decision will allow EUROAPI to further meet the growing CDMO demand for peptides and oligonucleotides, a growing market with limited available capacity. This investment will be focused on the debottlenecking of current capacity with the objective of increasing peptide and oligonucleotide output to roughly 500 kilograms per year by 2025. EUROAPI is currently working on 19 CDMO large molecule projects (including peptides, oligonucleotides and lipids). These projects are part of a broad portfolio of 79 projects as of December 31, 2022. In 2022, EUROAPI reported solid CDMO sales, up +18.3% compared with 2021.

ESG

EUROAPI made significant progress on its Environmental, Social, and Governance (ESG) commitments in 2022, with the Group signing on to both the United Nations Global Compact and the Responsible Care® Global Charter. EUROAPI also moved forward with its carbon reduction plans. In July 2022, the Group announced the construction of a €24 million new-generation biomass boiler, which is expected to drive a near-76% reduction in CO_2 emissions by 2026 for its Saint-Aubin-lès-Elbeuf site in France. This puts EUROAPI on the right track to reach its 2030 carbon emissions reduction target of 30% (compared to 2020). Moreover, this investment will allow EUROAPI to reduce the amount of energy required for the fermentation process behind the production of vitamin B12.

2022 key figures

~200
APIs in portfolio

Sales and support functions covering
80+
countries

20+
years of client collaboration and loyalty with most of our 500+ clients

~330
scientists delivering expertise and scientific excellence

~3,450
employees

6
manufacturing sites

15
years of seniority
in average

100%
of sites will be certified
ISO 14001 and 50001 by 2023

Activities

API solutions

We provide a large range of products addressing multiple therapeutic areas: originator and generic products through our dedicated core platforms...

- Prostaglandins
- Controlled substances
- Anti-infectives
- Corticoids & Hormones
- Vitamin B12
- Other small and complex molecules

CDMO core platforms

...and innovative medicines through our CDMO activities

- Oligonucleotides and peptides
- Small and complex molecule synthesis
- Steroids & Hormones
- Particle Engineering
- Controlled substances
- Drug delivery solutions
- Prostaglandins

CDMO Services

- Custom development
- APIs for clinical development
- Commercial Supply

Geographic coverage

EUROAPI is the largest small molecule company in the industry, with a worldwide presence

Our commercial network covers more than 80 countries

- EUROAPI headquarters
- Plants
- Commercial organizations
- Local representatives (agents)

Industrial footprint

EUROAPI is a global company with a unique European industrial footprint, including six manufacturing sites offering scalability and a wide range of innovative technologies

Haverhill
Continuous manufacturing
and spray drying

Frankfurt
API development,
and oligonucleotides
and peptides

St Aubin-lès-Elbeuf
Fermentation
and vitamin B12

Budapest
API development
and prostaglandins

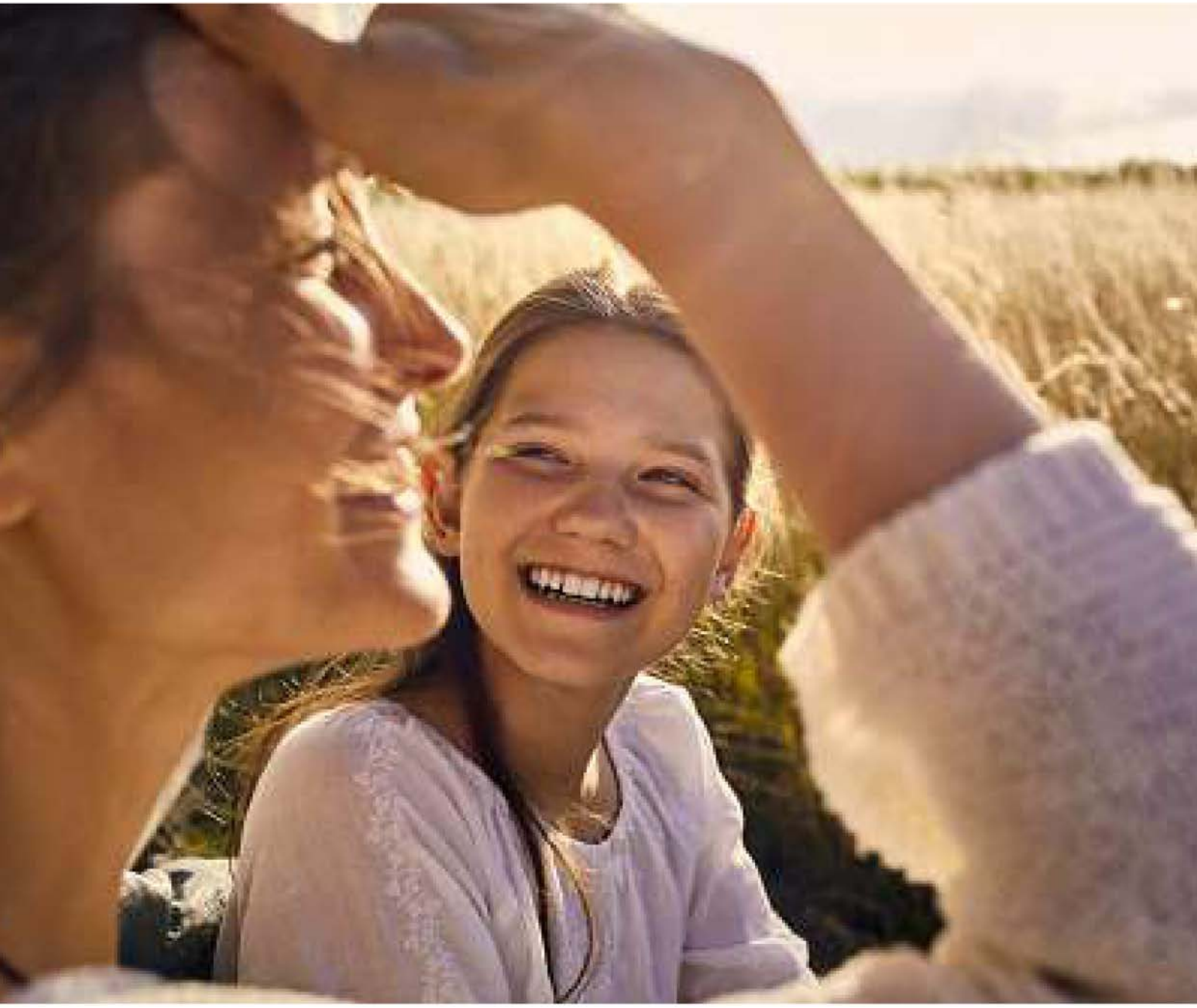
Vertolaye
API, corticosteroids
micronization and solid chemistry

Brindisi
APIs, anti-infectives,
chemistry
and biochemistry

- EUROAPI sites are 2.5 times bigger than Western peers'
- Frankfurt site is the biggest European site with ~865m³ of reactors (fine chemistry reactors)
- All sites above critical size with optimized infrastructures
- CDMO activities integrated at all sites with capabilities from early development to commercial stage
- All technology required to deliver near-term strategy already within EUROAPI

Our vision

Reinventing active-ingredient solutions to sustainably meet customers' and patients' needs around the world



Our mission

Every day, we are hard at work developing, manufacturing and supplying active-ingredient solutions for our healthcare partners around the world.

Drawing on a combination of scientific excellence, industrial expertise and wide-ranging technologies, we deliver solutions that meet the highest quality, social and environmental standards – all while ensuring stakeholder satisfaction.

Our aim is to become Europe's leading API company by reliably delivering high-quality APIs.

EUROAPI is a global leader in small molecule APIs.

As a leader in innovation and R&D, we are able to accelerate development in more complex-molecule segments through our contract development and manufacturing organization (CDMO) activities.

With approximately 200 APIs, EUROAPI has one of the largest portfolios in the industry, providing solutions for a wide variety of patients and covering more than 80 countries.

Our manifesto

EUROAPI, active solutions for health

In this day and age, acting for health is what inspires us every day.

Acting for health is the cornerstone and a vital part of everyone's future.

Acting every day because the future of humanity also depends on those who move forward and commit to having the most sustainable and positive impact on society.

Acting so that we are always one step ahead in the race for innovation and leading the way in developing active pharmaceutical ingredients across Europe and beyond, with the highest quality standards.

Acting hand in hand with our partners to improve their businesses and products, placing active solutions at the heart of their success.

Together, we act to open the field of possibilities for better health, to contribute to people's well-being everywhere around the world.

Our culture and values

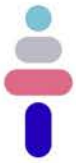
Our independence was an opportunity to breathe new life into the company, with values that are engaging, impactful and reflect our positioning as an industry leader-meets-startup.

This led us to identify four core values for our business and the culture we want to promote: Taking ownership, Achieving together, Driven by our clients, and Caring for all.

Taking ownership

Achieving together

Driven by our clients



Caring for all

At EUROAPI, we want our new culture to inspire every action in our professional lives. We strongly believe that:

- Our values and associated behaviors are relevant to each of us
- How we do things is as important as what we do
- Our culture will enable career development and talent management

Let's bring our culture to life in the way we work every day

TAKING OWNERSHIP

We are accountable for what we do, always acting with the Company's interest in mind. **Adaptable and resilient** in the face of change, we promote excellence in execution. We focus relentlessly on our goals – and chart the smartest route to reach them.

DRIVEN BY OUR CLIENTS

We create value by putting our clients at the center of everything we do. We meet their needs for quality solutions by striving for best-in-class performance. And **we drive innovation to address their future expectations.**

ACHIEVING TOGETHER

We empower our people for greater positive impact. All employees are encouraged to communicate openly and directly. We build trust by sharing achievements and challenges in a transparent way, and listening to other people's perspectives. **We expect employees at every level to reach for greatness.**

CARING FOR ALL

We value and respect our stakeholders: our own people, our clients and patients, our partners and the environment. Never compromising on **integrity and ethics**, we promote a **safe, inclusive environment** and nurture talent. We build resilient supply chains to ensure a steady supply of quality products. And we seek new ideas to improve our environmental footprint.

Governance

EUROAPI is a French joint-stock corporation. Our shares are listed for trading on the regulated market of Euronext Paris. EUROAPI has chosen the AFEP-MEDEF Corporate Governance Code of Listed Companies as its reference code.

EUROAPI has a dual governance structure with separation between the roles of Chair of the Board and Chief Executive Officer. This ensures an appropriate balance of power and is in line with market best governance practices.

Board of Directors

The main mission of the Board of Directors is to set the strategic direction of EUROAPI and oversee its implementation. It comprises 13 members, who bring a diverse and complementary range of skills and experience:

- 5 nationalities represented
- 63% independent members
- 45% women
- 2 employee representatives

Specialized committees

EUROAPI's Board of Directors has set up specialized committees responsible for assisting the Board in its oversight and initiatives. The members of these committees are appointed by the Board of Directors from among the directors, based on their experience and on independence criteria.

The three committees are:

- the Audit Committee
- the Nomination and Remuneration Committee
- the Environment, Social and Governance (ESG) Committee

Executive Committee

Led by the Chief Executive Officer, the Executive Committee provides leadership and oversees the day-to-day operational management of the Company.

The Executive Committee oversees and leads the Group's various activities in accordance with the strategic initiatives defined by the Board of Directors. Its members lead the corporate functions.

Business ethics and compliance

At EUROAPI, ethics and compliance are essential to ensuring that our objectives are met while respecting our Code of Ethics and all applicable laws and regulations.

One of EUROAPI's priorities is to put ethics and integrity at the heart of the decisions we make. Our Code of Ethics sets the ground rules for acting in compliance with our values and principles, helping us to make the right choices as we work to deliver reliable and sustainable growth.

Viviane Monges
Chair of the Board,
Independent Member

Karl Rotthier
Chief Executive Officer

Elizabeth Bastoni
Independent Member

Emmanuel Blin
Independent Member

Jean-Christophe Dantonel
Member appointed
on a proposal from
the French State

Cécile Dussart
Independent Member

Claire Giraut
Independent Member

Adeline Le Franc
Representative
of Sanofi Aventis
Participations

Guillaume Mortelier
Representative
of Bpifrance
Investissement

Mattias Perjos
Independent Member

Rodolfo J. Savitzky
Independent Member

Marie-Isabelle Penet
Member representing
employees

Kevin Rodier
Member representing
employees

Euroapi - Budapest (Hungary)

1

PRESENTATION OF THE GROUP AND BUSINESS OVERVIEW

1.1 PRESENTATION OF THE GROUP

The Group develops, manufactures, markets and distributes active pharmaceutical ingredients (APIs) and intermediates used in the formulation of medicines for human and veterinary use, both from originators and generics, including all types of molecules in the API market: small molecules (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and highly potent molecules (HP-APIs)) and large molecules (such as peptides and oligonucleotides). As of December 31, 2022, the Group markets its APIs to approximately 590 customers in more than 80 countries. Its customer base includes the majority of the world's largest pharmaceutical companies (such as Sanofi, Daiichi Sankyo and Alfasigma), generic drug manufacturers (such as Teva, Viatris), and animal health product manufacturers (such as Boehringer Animal Health, MSD Animal Health, Ceva), consumer health and nutrition products companies (such as DSM), biotech companies (such as Sarepta Therapeutics, Mithra, SQY Therapeutics, Rancho Santa Fe and NH Theraguix), Contract Development & Manufacturing Organization (CDMO) (such as Catalent) and distribution companies. The Group, which generated €976.6 million in revenue for the year ended December 31, 2022, compared to €892.8 million for the year ended December 31, 2021, estimates that, in terms of revenue, it is the world's leading manufacturer of small molecules and the world's second-largest manufacturer of APIs (including small molecules and large molecules) in 2021, as well as the seventh-largest manufacturer in the global CDMO market in 2020[1].

The Group is the result of a reorganization of part of the Sanofi group's activities (see Section 3.1.1 "Description of the Reorganization Transactions" of the Universal Registration Document) in the development, manufacturing, marketing and distribution of APIs. With more than 150 years of experience in the API market, the Group is composed of six manufacturing sites and development centers equipped with state-of-the-art technology, all located in Europe (Vertolaye and Saint-Aubin-lès-Elbeuf in France, Frankfurt in Germany, Budapest in Hungary, Brindisi in Italy and Haverhill in the United Kingdom), as well as a customer-oriented and regional organization responsible for the commercialization and marketing of its products, with a worldwide reach. The Frankfurt site is the largest production site for APIs in Europe.[2] As of December 31, 2022, the Group employs around 3,390 full-time equivalent employees (FTEs).

The Group manufactures APIs which enable the pharmacological activity of a drug and are one of the two key components of a drug together with excipient. The Group is engaged in the merchant market for APIs, corresponding to the development and production of APIs intended for sale to third parties.

The Group offers its customers (i) a diversified portfolio of APIs, for which the intellectual property is owned by the Group or licensed by the Group and/or is subject to a distribution agreement (the "API Solutions" business), and (ii) development and/or manufacturing services for APIs, as a CDMO, for which the intellectual property is owned by the Group's customers (the "CDMO" (Contract Development & Manufacturing Organization) business). In addition to the sale and development of APIs, the Group also offers a range of high value-added services to meet customers' business needs and to support them in their regulatory filings. For the year ended December 31, 2022, the API Solutions business and CDMO activities respectively accounted for 72.6% and 27.4% of the Group's consolidated revenue.

The Company's strategy is focused on reinforcing its status as a key player in the small molecules market, both by accelerating revenue growth of its existing portfolio of APIs, as well as expanding with new APIs, in its API Solutions business, and by increasing the exposure of its portfolio to its CDMO activities, especially by continuing to invest in technology, in innovation, and in the development of its production capacities. It also aims to improve the Group's operating margin, continue efforts to improve cash position and pursue a strong environmental and societal commitment by capitalizing mainly on the strong legacy of Sanofi.

[1] *Source: Company's estimate based on third-party market research conducted using the annual reports published by the main industrial players in the API sector, public databases (including Capital IQ and Orbis) as well as interviews with market experts.*
[2] *Source: Company's estimate based on the market research conducted by third parties and interviews with market experts.*

1.2 BUSINESS OVERVIEW

1.2.1 Description of markets and competitive position

Presentation of the API market[3]

Medicines are generally composed of two key elements: the APIs or "drug substances", which enable the pharmacological activity, and the excipients, which are necessary for enhanced stability and better absorption of the API within the drug.

The value chain of the pharmaceutical industry includes the discovery and development of the medicine (including the API), the development of the manufacturing processes to produce the API and the drug product, production (API and medicines), packaging (primary and secondary) and logistics operations, as well as the marketing of the medicine (exclusively, during the term of the patents, then in generic form thereafter). The market for the manufacturing process development and production of APIs breaks down into two sub-markets:

- the captive market: the development and production of the API are carried out by the company that markets the finished drug product; and
- the merchant market: the development and/or the production of the APIs is outsourced by the company that markets the finished product to third parties.

Due to the criticality of APIs in the value chain of the drug, production is heavily regulated by the health authorities, from quality and patient safety to health aspects in the workplace and the environment. Certifications (regulatory dossiers) are necessary to sell them. Regular inspections by health authorities are conducted at the sites.

In addition, the industry is characterized by development and manufacturing processes with long and complex cycles that require significant financial investments, a high level of expertise and control of different production technologies, as well as solid experience in managing the value chain (including supply, complex analytical validation methods and the elimination of manufacturing waste) which generate major investments, technological and logistics constraints.

Market dynamics[4]

Market size and segmentation of the API

Within a pharmaceutical market of around €1,411 billion in 2022 (excluding COVID-19 vaccines), EUROAPI targets the merchant segment of the API process development and manufacturing market, resulting in an addressable market valued at €75 billion in 2021 (out of a total market for APIs, including the captive segment, of around €190 billion).

The merchant market for process development and the manufacture of APIs can be further segmented by molecule type between the small molecules market (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs) with a value of €60 billion in 2021 (versus €59 billion in 2019), representing around 80% of the total merchant market, and the large molecules market (such as peptides and oligonucleotides), valued at €15 billion in 2021 (versus €13 billion in 2019) or around 20% of the total merchant market. During the 2016-2022 period, small molecules represented more than 60% of all molecules approved by the United States FDA (*Food and Drug Administration*).[5] By the end of 2025, around half of the molecules approved by the FDA should be small molecules.

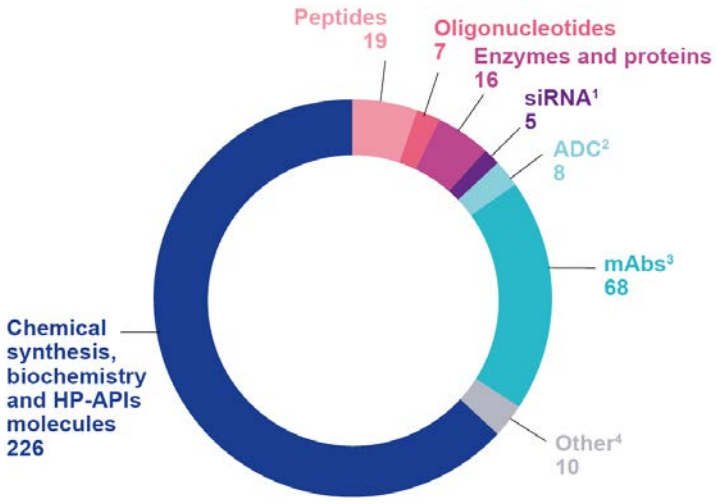
The merchant market for small molecules can be segmented into three sub-families: complex chemical synthesis molecules (a market valued at €25 billion in 2021), biochemistry molecules derived from fermentation (with a market value of €25 billion in 2021) and HP-APIs (with a market value of €10 billion in 2021).

[3] *Sources: Technavio – Global Active Pharmaceutical Ingredients Market, 2017-2021; BCC – Active Pharmaceutical Ingredients: Global Markets, January 2021; Interviews with experts on the API market conducted early in 2021; World Health Organization (WHO), Company's estimates on the basis of market studies conducted by third parties.*

[4] *Sources: IQVIA Institute for Human data Science – Global Use of Medicine in 2023 and Outlook to 2027, January 2023; Technavio – Global Active Pharmaceutical Ingredients Market, 2017-2021; Global APIs Market 2022 by CPA ; ResultsHealthCare – CRO Sector – M&A Drivers and Market Trends, March 2019, BCC – Active Pharmaceutical Ingredients: Global Markets, January 2021; Mordor Intelligence – Global Active Pharmaceutical Ingredients (API) market (2019 – 2024), 2018; William Blair, Catalent, Inc. Fiscal Third-Quarter Analysis; Increasing Estimates Following Very Strong COVID-Driven Surge in Biologics, May 2021, Interviews with experts in the API market early in 2021, Company's estimates on the basis of market studies conducted by third parties. Use of 1EUR = 1.05USD conversion rate*

[5] *Sources: FDA database; BioPharma Trend - Will Biologics Surpass Small Molecules In The Pharma Race? – July 2018.*

The distribution of the new molecules approved by the FDA since 2016 to 2022 is presented below[6]:



1 Small interfering RNA
2 Antibody-drug conjugates
3 Includes antibodies and equivalents
4 Including lipids, radioconjugates, polymers and neurotoxins

The Group, which has the capacity to produce more than 80% of the new molecules approved by the FDA since 2016, has a strong presence in the complex chemical synthesis molecules and biochemistry molecules derived from fermentation sub-families, with an emerging presence in HP-APIs and in large molecules (peptides and oligonucleotides in particular), which are key components in the Group's strategy for future growth.

Market growth[7]

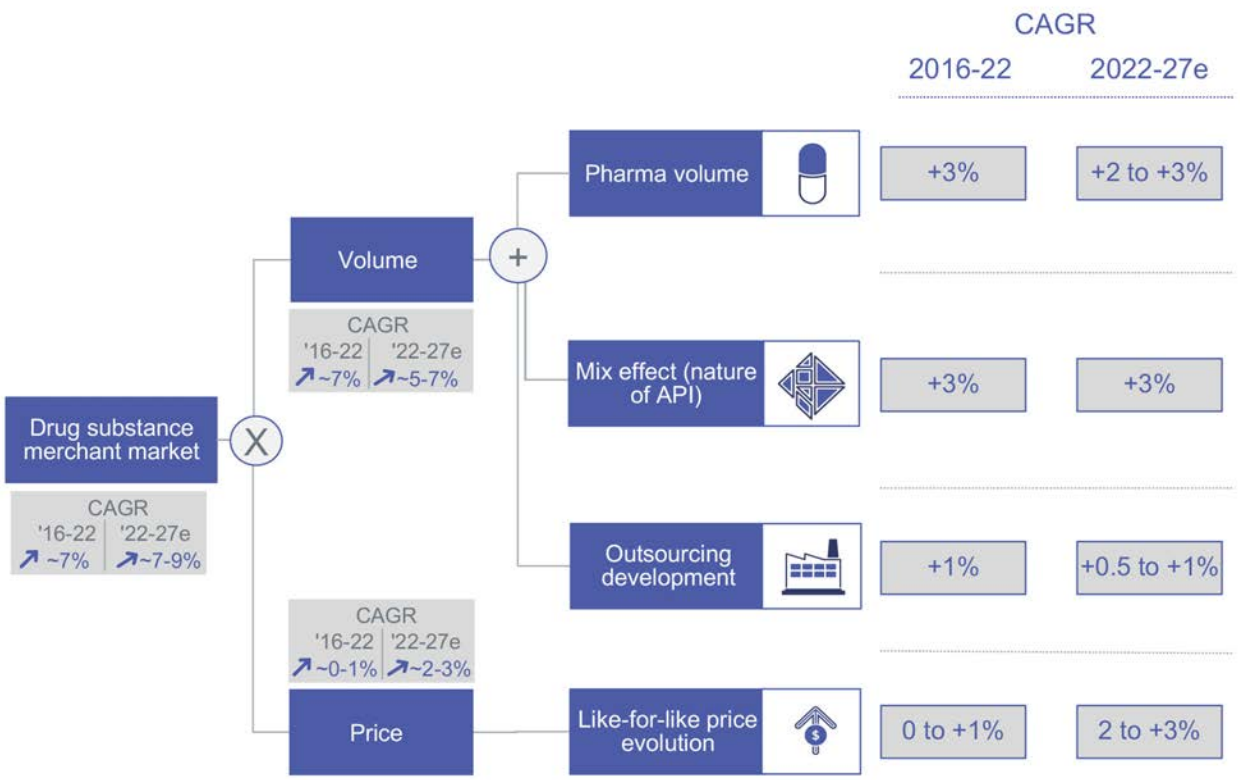
The merchant market for process development and the manufacture of APIs is expected to grow in line with historical growth (around 7% per year over the period from 2017 to 2022), from 7% to 8% per year from 2022 to 2027, despite an annual growth rate that fell to 2% between 2019 and 2021 due to the COVID-19 pandemic.[8]

In 2027, the size of the merchant market for process development and the manufacture of APIs is expected to reach €119 billion, amounting to €94 billion for the small molecules market (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs), i.e., around 80% of the total merchant market, with an average annual growth rate of 5% to 7%, and €25 billion for the large molecules market (such as peptides and oligonucleotides), representing approximately 20% of the total merchant market, with an average annual growth rate of 8%.

Growth in the coming years should be primarily carried by the growth in volumes in the pharmaceutical market, the favorable product mix effect with a progressive shift to more complex and more expensive APIs, the trend toward increased outsourcing by the pharmaceutical companies of a portion of the value chain of the drug, and a limited increase in prices at constant scope, as follows:

- pharmaceutical market volume: set to grow at 2% to 3% per year going forward, driven by an aging population, increased access to healthcare in the emerging markets, patents cliffs, increasing generics penetration, an increase in the incidence of chronic and lifestyle diseases and innovation in the development of new drugs and application forms (in immuno-oncology in particular, in rare diseases and gene and cell therapies);
- product mix effect: a positive mix effect contributing around 3% to the annual growth, carried by a growing portion of high value medicines (particularly the large molecules and the HP-APIs), with a growing demand for targeted therapies;
- outsourcing trend: further outsourcing is expected to contribute 0.5% to 1% per year going forward as pharmaceutical companies take advantage of development and production capacities, shorter delays in the market launch of new therapies as well as the scale of the CDMOs; and
- like-for-like prices: price evolution is expected to remain positive (contributing an average from 2% to 3% per year). Price changes are higher in certain sub-families of APIs.

[6] Sources: FDA extraction; C&En - The Years in New Drugs 2016, 2017, 2018, 2019, 2020, 2021 & 2022.
[7] Sources: BCC – Active Pharmaceutical Ingredients: Global Markets, January 2021; Technavio – Global Active Pharmaceutical Ingredients Market, 2017-2021; Mordor Intelligence – Global Active Pharmaceutical Ingredients (API) market CPA 2022.
[8] Source: Company's estimates based on market research conducted by third parties using the IQVIA database.



During the 2022-2027 period, the merchant market for process development and the manufacture of APIs is expected to grow at an average rate of 7% to 8% per year. The API Solutions market is expected to grow at an average rate of 5% to 6% per year and the CDMO market is expected to grow at an average rate of 7% to 9% per year over the same period.[9]

The strongest growth by family of APIs is expected in the peptides and oligonucleotides market (the family of large molecules), with respective average annual growth of 8% to 12% and 10% to 14% until 2027. An average growth of about 5 to 7% per year is expected until 2027 in the market for biochemistry molecules derived from fermentation (including growth of 3% to 5% per year for anti-infectives and 6% to 7% per year for vitamin B12 and its derivatives) and HP-APIs (including growth of 5% to 7% per year for prostaglandins). Complex chemical synthesis molecules are expected to grow by 3% per year over the same period (including growth of 2% to 3% for steroids, 3% to 8% for alkaloids and 5% to 7% per year for sartans).

In therapeutic areas, oncology, cardiovascular diseases and pneumology are expected to record the highest growth rates (7% per year from 2022 to 2027) given the growing prevalence of the underlying diseases.

Competitive landscape[10]

Overview

The worldwide merchant market of APIs is very fragmented with over 800 plants (with US or EU DMF), including approximately 250 in India, approximately 220 in China (Hong Kong included), around 225 in Europe, approx. 35 in North America and around 70 in the rest of the world[11].

In the pharmaceutical value chain, three main archetypes compete in the process development and manufacture of APIs: CDMOs focused on the manufacture of APIs (such as AXPLORA (merger of Pharmazell, Farmabios and Novasep) or Bachem), integrated CDMOs offering both the manufacture of drug substances (APIs) and drug products (such as Lonza and Siegfried), and pharmaceutical companies that have an adjacent CDMO for third parties in addition to their captive business (such as Pfizer, CentreOne or Teva API).

[9] *Sources: BCC – Active Pharmaceutical Ingredients: Global Markets, January 2021; Technavio – Global Active Pharmaceutical Ingredients Market, 2017-2021; Mordor Intelligence – Global Active Pharmaceutical Ingredients (API) market (2019 – 2024), 2018.*
[10] *Sources: Analyses conducted from Capital IQ and MergerMarket databases; FDA (Food and Drug Administration) Drug Quality Inspections; press releases of rival companies; Company information; analyses performed by brokers on the competitive landscape using public data about the competing companies; interviews with experts on the API market conducted early in 2021*
[11] *Based on CORTELLIS plateform: around 800 plants worldwide with API Activity and US DMF and/or CEP validated*

Among the 20 largest players in APIs, which share approximately 15% of the merchant market with a value of €75 billion, EUROAPI is positioned as the leading global manufacturer of small molecules (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs), the world's second-largest manufacturer of APIs in 2021 (including small molecules and large molecules) after Lonza,[12] and the seventh-largest in the global CDMO market in 2020.[13]

The Group stands out from its competitors with one of the broadest portfolios of APIs in the industry (around 200 APIs), including a large portion of APIs with high specificity, due to a wide panel of innovative technologies.

Market characteristics

The competitive positions of the players are relatively secure due to the market's following features:

- Commercialization of the APIs is heavily regulated by health authorities: detailed and costly technical documentation with long registration timeframes (from nine to 40 months to qualify a new API source not yet certified), with six key steps: (i) evaluation and planning, (ii) transmission of samples, (iii) the test of pilot batches at laboratory scale to verify the product's specifications, (iv) industrialization of the process for the manufacture of commercial batches, (v) stability tests for the first commercial batches and (vi) registration with authorities before production of an API. Certain APIs marketed by the Group are the subject of a large number of regulatory dossiers: for example, Latanoprost and Sevelamer are the subject of over 50 and 60 dossiers respectively. Manufacturing sites are subject to intense vigilance with regular inspections by health authorities and customers, and are subject to different regulatory obligations depending on the region of the world; these obligations evolve over time and require ongoing work to ensure compliance at all times;
- significant requirements that prioritize long-term relationships with suppliers known for their quality and reliability of supply: the process of changing a supplier is long and requires a financial investment of several hundred thousand euros. It is usually done when the supplier in place runs into recurring problems of supply quality or reliability (for example, if delivery deadlines are missed), when the alternative source offers significantly lower prices, or when the customer wants to diversify its supply sources (for example, by looking for a Western source);
- the industrial excellence necessary to propose a competitive offer: an upstream investment and heavy startup costs are necessary to establish production of APIs. Only sufficient critical size allows attractive prices and viable margins. In fact, certain infrastructure costs at the sites, such as the purification sites, cannot be reduced, and give a competitive advantage to large sites. It is also crucial to have specific technological expertise with control of complex industrial processes with long cycles.

The competitive landscape is continually evolving around the major trends described below:

- Outsourcing of the supply of APIs: the pharmaceutical companies are increasingly outsourcing the supply of APIs, which gives them better control over their supply, allows them to vary their production costs via a contractual relationship and makes suppliers compete with each other and outsource a portion of their carbon footprint. This is a trend already seen in R&D with CROs (Contract Research Organization).
- Streamlining of suppliers: pharmaceutical companies are increasingly concerned about the security of their supplies due to a number of disruptions in supplies of drugs essential to patients, the end market's tension on drug prices, and shorter R&D cycles for new drugs; new projects are increasingly proposed only to a limited list of large-scale suppliers with a broad portfolio of APIs ("one-stop shops").
- Consolidation through mergers & acquisitions: mergers & acquisitions are at the center of the development strategies of suppliers of APIs because they make the use and marketing of technologies already in the market or new technologies immediate in contrast to the construction of organic capacities. The trend is toward an integrated positioning over all technologies. As a result, the competitive landscape is becoming increasingly consolidated, and about 85 merger-acquisition transactions were completed between 2010 and 2022 by the 20 largest players in APIs.[14]
- Increased demand for premium APIs: certain APIs such as peptides and oligonucleotides are increasingly in demand from pharmaceutical laboratories and biotechnology companies due to the possibilities offered by their specification and complexification.
- Price pressure increase: every single dollar counts mentality, especially for generics with standard technology and limited competitive edge.

[12] *EUROAPI holds a share of approximately 1.2% of the global API market while Lonza holds a market share of approximately 2.6%, the majority of which consists of biologics.*
[13] *Sources: Company's estimate based on third-party market research conducted using the annual reports published by the main industrial players in the APIs sector, public databases (including Capital IQ and Orbis) as well as interviews with market experts.*
[14] *Source: analyses completed from Capital IQ and MergerMarket public databases and internal competitive intelligence..*

- Increased interest in manufacturers with high social, environmental and quality standards: pharmaceutical companies are placing increasing importance on compliance by manufacturers of APIs used in finished medicines with high and demanding social, environmental and quality performance standards.
- A growing number of opportunities for Western manufacturers: recurring quality problems and supply disruptions at manufacturers in countries with low production costs (India and China, for example) are triggering changes in the supply strategy of pharmaceutical companies, which are moving toward a multi-source purchasing strategy that is resulting in relocations of operations to Western countries. For example, in 2019, 56% of FDA inspections of Chinese manufacturers and 47% of inspections of Indian manufacturers concluded with observations of serious problems, compared to 34% of inspections of Western manufacturers. In particular, 9% of inspections of Chinese manufacturers and 7% of inspections of Indian manufacturers resulted in critical level observations, compared to 3% of inspections of Western manufacturers. The Group considers that large-scale Western suppliers are better positioned to take advantage of this trend and gain market share.

Building on its position as the world's leading manufacturer of small molecules (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs) and the world's second-largest manufacturer of APIs (including small molecules and large molecules) in 2021[15] and on its strategic goals, the Group could participate in the trend toward consolidation in its reference market, which remains particularly fragmented, and may plan acquisitions to acquire additional technologies or exposure in new markets.

In this context, the Group may also benefit from a healthy balance sheet to successfully complete consolidation operations.

Impact of COVID-19[16]

In the short term, the pharmaceutical industry proved its strong resilience during the COVID-19 pandemic. On the demand side, the industry saw sudden increases in the demand for certain medicines, particularly two APIs manufactured by the Group: high demand for Dexamethasone after it was recommended by the World Health Organization (WHO) for serious COVID-19 cases, and a strong temporary increase in the price and volumes of Hydroxychloroquine sulfate after studies published the hypothesis of its potential efficacy against COVID-19. In contrast, suspicions of contra-indications for specific substances (such as Profen family) had a negative impact on demand in the short term.

During the year ended December 31, 2020, supply was partially disrupted due to lockdowns in China and India that affected production sites. In addition, some countries like India set limits on the export of certain APIs and drugs in order to secure minimum inventories of essential medicines for their national population. Due to the lack of visibility on the development of the COVID-19 pandemic, pharmaceutical companies created inventories of APIs that were not completely used due to the decrease in certain infectious pathologies resulting from the governmental measures taken to curtail the spread of the pandemic, but also the delay on certain care considered to be non-essential. In 2021, the Group also saw a decline in the sales of APIs such as Pristinamycin, which acts primarily on certain bacterial diseases and pneumonias, the prevalence of which declined during the COVID-19 pandemic, while other APIs such as Dexamethasone recorded high demand. In 2021, the Group estimates that this pandemic generated a decrease in revenue of around €29 million on certain products compared to the year ended December 31, 2020. In 2022, the Group witnessed a resurgence in operations as global sales volumes returned towards pre-COVID-19 levels.

In the long term, growth in the market is not expected to suffer from major distortions. However, there should be a positive impact and an opportunity for Western suppliers that are perceived as a safer supply source for drugs than suppliers in countries with low production costs. Problems with the supply of essential drugs during the first months of the pandemic triggered major discussions about the safety of the supply, both within governments in Western countries (as part of efforts to relocate in the European Union), and within major pharmaceutical companies. Western governments launched actions to relocate operations (for example, through public financing, regulations, public-private partnerships) in order to strengthen European health sovereignty by relocating a basic supply of essential drugs to domestic territory. In particular, the European Commission has announced the launch of a Health Important Project of Common European Interest (*Projet important d'intérêt européen commun*, "PIIEC") intended to support the development of health innovations. The Group is currently positioned on six PIIEC projects, including three in France. The pharmaceutical companies are increasingly diversifying their sourcing strategy in order to avoid costly supply disruptions (such as a long supply chain cycles involving many parties and potential loss of profits). This phenomenon, which had already begun before the start of the COVID-19 pandemic, has rapidly accelerated and created an opportunity for

[15] *Source: Company's estimate based on third-party market research conducted using the annual reports published by the main industrial players in the API sector, public databases (including Capital IQ and Orbis) as well as interviews with market experts.*
[16] *Sources: BCC – Active Pharmaceutical Ingredients: Global Markets, January 2021; HBW Insight – COVID Impact on US Health and Wellness, March 2021; Reuters – Global supplier India curbs drug exports as coronavirus fears grow, March 2020; interviews with experts in the API market conducted early in 2021; press releases from companies operating in the API market; Company information.*

Western manufacturers of APIs with a high level of vertical integration to win contracts in markets historically dominated by suppliers in countries with low production costs.

Impact of Russia-Ukraine war

In the short term, the main impacts of the situation in Ukraine on the Group include rising inflation with major impact on energy costs and related energy-intensive raw materials, and consequently the need to increase our prices to customers - e.g., the average purchase price of some key solvents increased by more than 50% between January 2022 and December 2022. To mitigate these risks and within the company-wide transformation program, the Group is implementing a dedicated stream to respond to current energy crisis and raw material price increases, with a focus on the following priorities:

- regarding challenging energy sourcing context (huge price increase), the company has reviewed its energy management strategy by also evaluating the opportunity of on-site green energy production.
- for raw materials, accelerating the development of several sources of supply for critical raw materials.
- arbitrating the make or buy options with reinternalization of some intermediates.

In the long term, the Group anticipates a slow return to prior context regarding raw material/energy costs and sourcing. However, unforeseeable events materially impacting the price and availability of raw materials, intermediates as well as energy might reoccur in the future - thus the Group considers the situation in Ukraine as a catalyst to take several proactive measures to mitigate any future risks.

- First, the Group will strive to decrease the risk associated with having its most critical API platforms in the same manufacturing sites by geographically spreading its future platforms across all its manufacturing sites.
- Second, the Group will decrease its reliance on one supplier, and/or on several vulnerable suppliers by promoting double sourcing on each and any major raw materials and intermediates and pushing for backward integration when possible.
- Third, the Group will strengthen its commitment to energy independence at each manufacturing site, favoring sustainable sources whenever possible and seeking to reduce its consumption through innovative processes and green chemistry.
- Finally, the Group will continue to optimize its supply chain operations to meet the growing demand on sales and products.

However, despite the implementation of these measures, there is no guarantee that the Group will be able to fully mitigate at all times these adverse conditions, which may materially impact its financial results.

1.2.2 Strengths and competitive advantages

Leading position in a large number of API categories

The Group is a leading player in the API market. It estimates that, in terms of revenue, it was the world's leading manufacturer of small molecules (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs) and the world's second-largest manufacturer of APIs (including small molecules and large molecules) in 2021, and the seventh-largest in the global CDMO market in 2020.[17] The Group's sites are on average 2.5 times larger than its Western competitors, in terms of average production and employees per site.[18] For example, the Frankfurt site is the largest API production site in Europe, with approximately 865 cu.m of fine chemistry reactors.[19] Moreover, the Group considers that all of its sites have sufficient scale and appropriate infrastructures to allow it to be production-cost competitive. The Group also has the largest market share in a number of key API categories, such as the market for prostaglandins, where it is the world's leading manufacturer.[20]

The Group's positioning for each of the main categories of APIs that it manufactures is presented below:

- prostaglandins: the world's leading APIs producer, including Latanoprost, Bimatoprost and Iloprost;
- alkaloids (including non-narcotic and opioids): world leader in the market of the following key APIs: Codeine, Morphine, Noscapine, Naltrexone, Apomorphine and Naloxone. The Group markets alkaloids in particular in France, Canada and Japan, but not in the United States, except for Nals to counteract opioid addiction;
- vitamin B12 (Cyanocobalamine) and its salt derivatives: the third largest in the market and the only Western manufacturer; and
- steroids: world leader and only fully vertically integrated European supplier of APIs for the following key corticosteroid categories: Prednisolone, Methylprednisolone, Dexamethasone, Hydrocortisone and Spironolactone.

In addition to these categories of APIs for which the Group has a leading market position, the Group also holds a strong position in the following categories of APIs:[21]

- anti-infectives: market leader in the Group's following key APIs: Pristinamycin, Gamithromycin, Rifaximin, Teicoplanin, Roxithromycin, Spiramycin, Rifapentine and Rifampicin;
- antipyretics: number two in the market for the Group's following key APIs: Metamizol Magnesium and Metamizol Sodium;
- sartans: market leader in the Group's following key APIs: Irbesartan and Olmesartan;
- hyperphosphatemia: market leader for the Group's following key APIs: Sevelamer Carbonate and Sevelamer Hydrochloride;
- antihistaminics: market leader for the Group's key APIs (Fexofenadine Hydrochloride); and
- peptides and oligonucleotides: development and production capacities capable of supporting the CDMO business among the top ten CDMOs in the regulated geographical areas (European Union, United Kingdom, United States and Japan).

The breakdown of the Group's consolidated revenue for the years ended December 31, 2022 and 2021, is presented in Note 8.2 (Additional information) of the notes of the consolidated financial statements.

Scale is a major factor affecting competitiveness in the production of APIs and intermediates, given the large share of fixed costs in total production costs and the high amount of industrial investments. As the world's leading manufacturer of small molecules (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs), the Group benefits from important economies of scale, which enable it to have a competitive product portfolio, including with its competitors operating in countries with lower production costs. The volume capacity of the Group's sites for certain APIs, such as Fexofenadine, Sevelamer and Irbesartan, enables it to reduce unit costs and thus to absorb a large part of sites' fixed costs. Due to continued investments, the Group has a prime position in the API market and is well positioned compared to its competitors in terms of product quality and diversity, regulatory compliance, supply reliability and technical support, which is reflected in the price sensitivity and competitiveness of the Group's products.

[17] *Source: Company's estimate based on third-party market research conducted using the annual reports published by the main industrial players in the APIs sector, public databases (including Capital IQ and Orbis) as well as interviews with market experts.*
[18] *Source: Comparison made on the basis of data obtained by experts in the market on average production and number of people per site.*
[19] *Source: Company's estimate based on the market research conducted by third parties and interviews with market experts.*
[20] *Source: Company's estimates based on third-party market research conducted using IQVIA statistics listing revenue by API, interviews with API market experts conducted in early 2021 and analyst reports; IQVIA Institute for Human Data Science – Global Use of Medicine in 2019 and Outlook to 2023, January 2019.*
[21] *Source: Company's estimates based on third-party market research conducted using the IQVIA database as well as interviews with experts in the API market conducted in early 2021 and analyst reports; IQVIA Institute for Human Data Science – Global Use of Medicine in 2019 and Outlook to 2023, January 2019.*

Strong vertical integration offering greater autonomy and security of supply

The Group considers that it has greater vertical integration than its main European competitors, enabling it to supply its customers with more APIs manufactured from intermediates produced by the Group and derived from largely commoditized basic raw materials. It is thus less dependent on countries with low production costs for the purchase of basic and advanced intermediates.[22] For example, it has a very high rate of vertical integration for anti-infectives, alkaloids, salts derived from vitamin B12, corticosteroids, prostaglandins and hyperphosphatemia (greater than or equal to 90%), and a very advanced rate of integration for the other categories of APIs (greater than or equal to 60%). A supply chain program was designed to guarantee transparent processes throughout the value chain to deliver APIs to the Group's customers within the required timeframes, by targeting APIs used in the composition of essential medications and/or medications of vital importance. The principal components will focus on responsible supply initiatives, including codes of conduct and audits of the principal suppliers, as well as the program to end single sourcing. A partnership will be established by the Group and PSCI in order to further share supplier audits, implement a supplier code of ethics and plans for sustainable supply training for Group employees responsible for the supply.

The Group considers its vertical integration with family of products fully manufactured on one single site with greater reliability of supply and manufacturing and a superior quality positioning, given the application of good manufacturing practices (GMP) for the production of most of the raw materials and basic and advanced intermediates used by the Group, and cost control due to the large number of potential suppliers for basic intermediates. The Group considers that this vertical integration constitutes a significant competitive advantage in its markets.

The Group owns, controls and integrates almost all of the main chemical technologies used for the manufacture of APIs, spread over its six production sites. These sites are specialized in differentiated and complementary technologies in chemistry and biofermentation, which enable the Group to industrialize new molecules for its customers. The technological capacities of the Group's sites are presented in paragraph "Manufacturing excellence and innovation platform" of this section. Thanks to its production platform located in Europe and the large size of its multi-technology sites, facilitating the development of processes and industrialization aimed at introducing new products on the production sites, the Group also considers that it has the necessary attributes to be a leading candidate in the event of the relocation of the production of certain APIs to Europe. The Group's teams have thus established several complementary projects related to the technological platforms of its industrial sites in order to respond to governmental and European initiatives to relocate Europe. These projects aim to secure the supply of intermediates and mature APIs of major therapeutic interest through process innovation in order to ensure competitive, diversified, secure and environmentally sustainable production in Europe. These initiatives primarily include:

- a project to produce Erythromycin, an anti-infective molecule, and use it for the manufacturing of second-generation of key macrolides (Azithromycin, Clarithromycin, etc.) using the integrated bioproduction platform for antibiotics and vitamin B12 at the sites in Brindisi (Italy), Frankfurt (Germany), Vertolaye and Saint-Aubin-lès-Elbeuf (France), and a project to expand vitamin B12 production capacity at Saint-Aubin-lès-Elbeuf;
- an integration project for the production of key intermediate chains of corticosteroids prior to their manufacturing on our platform located at the Vertolaye site, which is comprised of breakthrough technological innovations;
- the development of an integrated prostaglandin production platform, including all stages of synthesis for intermediates and finished products necessary for the manufacturing of molecules of the prostaglandin family, at the Budapest site (Hungary) with a project to expand prostaglandin production capacities;
- the study of breakthrough processes for the production of large volumes of mature complex chemical synthesis molecules such as Metamizole, Ramipril, Ketoprofen and Furosemide at its Frankfurt site (Germany);
- capacity expansion for the development and production of HP-APIs at the Budapest site (Hungary);
- capacity expansion for development and production at industrial scale of solid phase and liquid phase complex and conjugated peptides and oligonucleotides at the Frankfurt site (Germany);
- the manufacturing of therapeutic nanoparticles at industrial scale using the particule engineering technologies such as micronization and spray drying platforms at the Vertolaye (France) and Haverhill (United Kingdom) sites; and
- the development and manufacture of Lipids such as cationic Lipids used to encapsulate therapeutics API (e.g., mRNA or other RNA)

[22] *Source: Company's estimates based on interviews with experts in the API market conducted in early 2021.*

These projects are long-term initiatives with strong R&D components, the conclusion of which is not yet known at the date of the Universal Registration Document. These initiatives are therefore not included in the Group's projections on the same date.

These projects aim to make it possible to sustainably produce these molecules in Europe and to develop more cost competitive products in a more environmentally friendly manner through the development of new chemical synthesis routes. These objectives can be achieved only by leveraging the disruptive innovation brought about by the principles of green chemistry, including resource minimization, solvent and waste reduction and energy input reduction, and by scouting new synthesis routes or using key new technologies such as synthetic biology, flow chemistry and biocatalysis. The Group's Environmental, Social and Governance (ESG) policy is described in detail in Chapter 5. Corporate Social Responsibility of the Universal Registration Document.

Finally, the Group also considers that the risks associated with its procurement strategy are limited. In 2022, the Group's top ten raw material suppliers accounted for 32% of its total raw material expenditures, and 42% of these raw material expenditures were from dual or multiple sources. Moreover, raw materials used by the Group sourced from China or India accounted for 23% of the Group's total raw material expenditures, while 71% were sourced from Europe.

Manufacturing excellence and innovation platform

The Group benefits from a wide range of technologies allocated to its six production sites, each of which benefits from appropriate investments and an experienced development team.

Group's technological capacities by production site

	Chemistry				Fermentation	
	 Vertolaye	 Frankfurt	 Ujpest	 Haverhill	 Elbeuf	 Brindisi
# of reactors	108	165	186	7	48	62
Total volume (m^3)	567	~865[1]	448	22	3,553	2,583
Key technologies	• Complex organic synthesis (Steroids) • High-Potent product manufacturing • Micronization & inhalable • High pressure chromatography	• Chemistry solid phase for peptide & oligos. • High volume organic synthesis • Lyophilization • High pressure hydrogenation • Pilot plant with flow chemistry	• High potent product manufacturing • Complex organic synthesis • Large range of production scale	• Industrial flow chemistry (large scale) • Spray drying from pilot to large scale	• Large scale fermentation and downstream processing	• Large scale fermentation and development process • High potent product handling • Process development capabilities
Small batches (Reactors<1m³ or <10m³)	✓	✓	✓	*Flow chemistry & Continuous process*		✓
Large batches (Reactors>20m³ or >200m³)	✓	✓	✓		✓	✓
Development center	💡	💡 💡	💡 💡	💡	💡	💡

1 *Fine chemistry reactors*

The Group's production capacities have benefited from regular investments enabling it to support its growth plan until 2025. The Group anticipates that the average net occupancy rate at its sites,[23] which was around 70% in 2020 and about 68% in 2021 and 2022,[24] will increase in the coming years, primarily due to the increase in the CDMO activities and the development of additional volumes in its API Solutions business, while investing in certain families of APIs for which world demand exceeds production capacity.

The Group's future investments (some of which must still be approved by the Company's Board of Directors), is focused on the development of new production capacities dedicated to the Group's families of key APIs and for which the Group considers that its capacities will reach saturation in the coming years within the framework of its expansion strategy. These investments will mainly include:

1) at the Vertolaye site, the design and construction of a new production workshop dedicated to the production of HP-API hormones, with the objective of reaching an annual production capacity of more than ten tons (compared to a maximum annual capacity of six to seven tons per year in 2021); during the intermediate period, the increase in production can be ensured by existing installations to be optimized and adapted to the needs of production in the context of the CDMO activities and API production.
2) the increase in prostaglandin production capacity at the Budapest site as the portfolio and order volumes grow, through the construction of a new building and gradual employee recruitment in order to multiply prostaglandin production capacity by four in order to achieve a production volume of up to two tons;
3) the construction of a new oligonucleotides downstream processing facility and a new freeze drying line at the Frankfurt site with the objective of increasing the Group's downstream processing capacity (purification, downstream process after synthesis). Manufacturing capacity of peptides and oligonucleotides will reach 500 kilograms per year by 2025-26 (compared with a maximum capacity of 15 to 17 kilograms per year in 2021).
4) the implementation at the Saint-Aubin-lès-Elbeuf site of a new vitamin B12 ""nitrite-free" process requiring a €40 million CAPEX investment for a 60% capacity increase (fully in-place by 2027) allowing also a decrease of cost of sales by approximately 25% and a significant reduction of the environmental footprint (waste and water);
5) the adaptation and transformation of the existing spray drying capacities at Haverhill, as well as the construction of new capacities in order to offer a range line of capacities and expertise in this technology;
6) construction of biofermentation and purification capacities at the pilot scale at the Brindisi site.
7) Increase of the R&D lab capacity in Budapest with the creation of an HP-API kilolab to be released on the first half of 2023.

The Group also benefits from an innovative scientific development team that continuously improves the manufacturing processes for APIs in order to increase industrial yields and reduce production costs. As of December 31, 2022, approximately 356 employees from the Group's Research and Development (R&D) team, including about 110 employees entirely dedicated to the CDMO activities, were spread over the Group's six sites covering the Group's five R&D missions (CDMO, manufacturing process improvement, support to production for continuous process improvement and compliance programs, extension of the portfolio of its API Solutions business through the integration of new products, and other scientific expertise services to support the quality and regulatory affairs departments). The Group has initiated a program to recruit qualified persons to accelerate the development of its activities in CDMO and is planning the recruitment of more than 100 employees who hold PhDs in science fields or who are engineers, with the goal of raising the number of employees on its R&D teams to approximately 575 in 2025, including more than 250 employees on the development teams dedicated to the CDMO activities.

[23] *The net occupancy rate of the Group's sites is calculated from the reference capacity, which corresponds to nominal capacity (taking into account effective working hours at the sites and excluding production capacities that have been completely closed) adjusted for a standard efficiency rate. For a production site, it represents the ratio of the sum for all sites' workshops (i) of the occupancy rate of each workshop multiplied by the number of equipment in the workshop (ii) over the total number of equipment at the site.*

[24] *The Group estimates that the optimal maximum occupancy rate is 85% to 90% to ensure maintenance and to be able to increase production to absorb last-minute needs.*

In the peptide and oligonucleotide segment, the Group considers itself to be one of the few operators in the market to have the necessary capacities for manufacturing complex conjugate products. Since 2010, around 30% of the peptides entering the clinical development phase have been conjugates. Given the growing complexification of the peptides to make them more selective, the molecules conjugation technology appears to be determinant. Principal peptide conjugation methods include peptides conjugated with a protein (i.e., 27% of the total share of conjugated peptides), with a lipid (24%), combined peptides (15%), pegylated peptides (13%) and small molecules conjugation (11%).[25] For example, the combined applications and procedures show increasing therapeutic effectiveness of conjugation with small molecules.[26] The Group considers itself to be well positioned in the conjugation of complex peptides and oligonucleotides due to its solid technical expertise and its main differentiating factors, including (i) diversified technologies enabling it to complete conjugation operations using its own capacities without using outside partners; (ii) knowledge and capacity in the area of conjugation and innovative synthesis sub-units, which facilitate conjugation; and (iii) extensive experience with several solid phase conjugated APIs.

In addition, the Group benefits from internal capabilities and intends to take advantage of external opportunities to continue to be a leader in innovation. In order to monitor and take advantage of technological advances, it has set up a scientific advisory board committee which will be supported by continuous collaboration with numerous university and academic partners in Europe and private R&D companies. As of the date of the Universal Registration Document, the Group has entered into more than 20 R&D partnerships relating to manufacturing processes, seven in Italy, four in Germany, three in France, two in Netherlands, two in UK, in Austria, in Switzerland, in USA and is negotiating more partnerships across Europe. Finally, initiatives have been put in place to continuously monitor potential acquisition opportunities and to remain at the forefront of innovations.

Excellence in regulatory and quality performance

The Group's production sites are regularly inspected by several health regulatory authorities, such as the *Food and Drug Administration* ("FDA") in the United States, the European Medicines Agency ("EMA") or European national agencies such as the French National Agency for the Safety of Medicines and Health Products (*Agence Nationale de Sécurité du Médicament et des produits de santé* – "ANSM"), with a track record that the Group considers exemplary in terms of compliance with regulations, in particular GMP rules, and quality.[27] As a result, the most recent regulatory inspections carried out on each of the Group's sites by the FDA and the local health authorities did not reveal any critical observations.[28] Moreover, between 2020 and 2022, more than 110 audits conducted by customers have confirmed the quality level of the Group's sites.[29] All processes for the manufacturing of APIs at the Group's sites are certified as GMP compliant. During an internal assessment, the Group identified certain deviations from good documentation practices at its Budapest, Hungary manufacturing facility related to the production batch dossiers for certain prostaglandins manufactured in a dedicated unit at the Budapest site. After identification, as a precautionary measure, EUROAPI proactively decided on November 30, 2022 to suspend the release of batches and, secondly, to temporarily stop the production of prostaglandins. The Group also immediately put into place the necessary corrective action plans for remediation and to date these are on track. Subsequently, EUROAPI announced it has gradually restarted the production of prostaglandins at its Budapest site on January 19, 2023. As the restart is by nature gradual, EUROAPI predicts that a majority of prostaglandin production will resume by mid-April 2023Please refer to Section 4.1.1 "Main events - Temporary suspension of prostaglandin production activity".

[25] *Sources: Therapeutic peptides: Historical perspectives, current development trends, and future directions by Jolene L. Lau, Michael K. Dunn – July 2017.*
[26] *Source: New Modalities for Challenging Targets in Drug Discovery by Dr. Eric Valeur, Dr. Stéphanie M. Guéret, Dr. Hélène Adihou, Dr. Ranganath Gopalakrishnan, Dr. Malin Lemurell, Prof. Dr. Herbert Waldmann, Prof. Dr. Tom N. Grossmann, Dr. Alleyn T. Plowright – July 2017.*
[27] *Source: Company's estimate based on interviews with experts in the API market conducted in early 2021.*
[28] *The Frankfurt site was the subject of non-critical level observation following an inspection, which is now closed.*
[29] *The Group considers an audit to be successful when it does not result in the loss of a customer.*

The Group has put in place a proactive methodology to assess and prevent the risks of nitrosamines in its products. Thus, a risk analysis relating to the presence of mutagenic impurities of the nitrosamine family conducted between 2018 and 2021 by Sanofi and the Group has shown that there is no risk for nearly all the APIs produced by the Group. In particular, the absence of Nitrosodimethylamine and Nitrosodiethylamine impurities was proven for sartans such as Irbesartan and Olmesartan Medoxomil. In 2022, additional expertise allowed to further confirm the absence of patient risk versus Nitrosamine Drug Substance Related Impurities (NDSRIs) for some APIs such as Metamizol and Ramipril. For two other active ingredients, Rifampicin and Rifapentine, nitrosamine content is monitored on each batch in line with health authorities recommendation and the Group is developing a remediation plan in line with health authorities' expectations. The Group will also continue to proactively assess the risk of mutagenic impurities in its key APIs over the next five years in accordance with the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) guideline M7(R1) on assessment and control of DNA reactive (mutagenic) impurities in pharmaceuticals to limit potential carcinogenic risk. This expertise will enable the Group to ensure risk control and develop a competitive advantage over its competitors by offering its pharmaceutical customers regulatory files that comply with the current requirements of the authorities.

As of the date of the Universal Registration Document, the Group has a broad portfolio of files and certifications, including 69 Certificates of Suitability to the European Pharmacopoeia ("CEP"), 50 files filed with the FDA (Drug Master File, "DMF") and 46 Japanese Drug Master Files ("JMF") filed with the Japanese health authority.

The Group considers its level of reliability[30] to be higher than that of its Western competitors, with a 98% average rate of on-time deliveries to the Group's sites, compared with 95% to 97% for its Western competitors.

The Group's ambition is for all its sites to obtain ISO 14001 and ISO 50001 (best environmental and energy practices) certifications by end of 2023 at the latest. The Group has also defined certain objectives in terms of social and environmental responsibility (see Chapter 5 "Corporate social responsibility" of the Universal Registration Document).

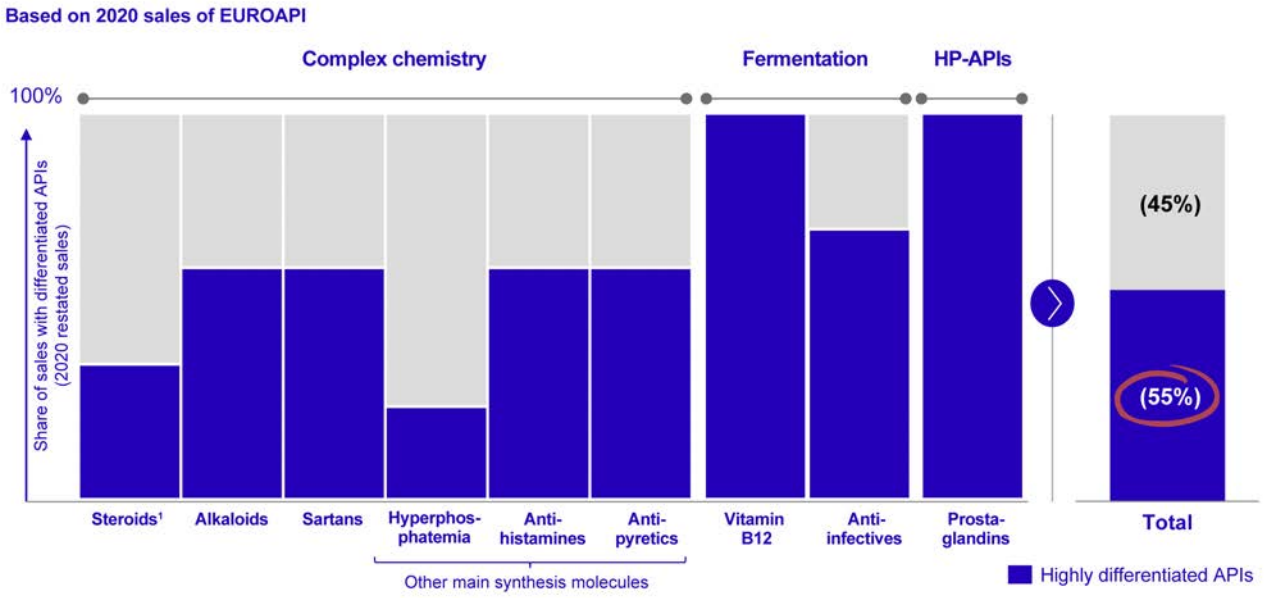
Broad and diversified portfolio of APIs[31]

As of the date of the Universal Registration Document, the Group has one of the largest portfolios in the industry, consisting of approximately 200 APIs for its API Solutions business and CDMO activities, and covering each of the 14 anatomical therapeutic classifications defined by the World Health Organization ("WHO"). The Group's activity covers all types of molecules in the API market: small molecules (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs) and large molecules (such as the peptides and oligonucleotides). For the year ended December 31, 2022, the Group's top ten APIs accounted for 34.4% of its consolidated revenue, while the top 54 APIs accounted for 80.0% of its consolidated revenue.

[30] *Source: customer and industry interviews, 2019 internal customer survey.*
[31] *Source: Official list of the WHO ATC (Anatomical Therapeutic Chemical) classification system, Official list of medicines of the WHO – 2019; Official list of essential medicines of the ANSM (French National Agency for the Safety of Drugs and Health Products – Agence nationale de sécurité du médicament et des produits de santé) – 2013; Company's estimates based on third-party market studies conducted using public databases, interviews with experts in the API market conducted in early 2021 and analyst reports and Company's information.*

The Group is positioned in differentiated categories of APIs. A market is considered differentiated when it is a niche market or, in case of strong scale or efficiency requirements, when a specific chemical complexity exists, or when the value chain is considered to be complex. Approximately 55% of the Group's sales are generated from highly differentiated[32] APIs, mainly biochemistry molecules derived from fermentation, HP-APIs, large molecules (such as peptides and oligonucleotides) and some complex chemical synthesis molecules. The Group anticipates a faster growth curve in sales and higher margins for the portion of its portfolio composed of differentiated APIs compared with the non-differentiated portion. It considers that its portfolio of APIs has a good balance between niche and/or complex-to-manufacture substances, representing approximately 90% of the Group's sales for the year ended December 31, 2022, and high-volume APIs that can partially absorb the fixed costs of sites, representing approximately 10% of the Group's sales. The Group benefits from strong positions in families of APIs with significant technological constraints: in particular, it ranks first in the world in the market for APIs from the prostaglandin family (including Latanoprost, Bimatoprost and Iloprost); it is a world leader in the market for key APIs from alkaloids (Codeine, Morphine, Noscapine and Naltrexone) and is the world leader in the Apomorphine and Naloxone market and a world leader in the market for APIs from the following key corticosteroid families: Prednisolone, Methylprednisolone, Dexamethasone, Hydrocortisone and Spironolactone; it is third in the world in the market for vitamin B12 and its solid salt derivatives and the sole Western producer to have manufactured peptides, with more than 40 years of experience at its Frankfurt site.[33]

Directional segmentation of the Group's portfolio of APIs



1 Steroids are also partly biochemistry molecules derived from fermentation to the extent that most synthetic pathways include non-chemical synthesis steps.

The Group's portfolio of APIs consists largely of molecules that are integrated into long-established standard of care treatment protocols and are unlikely to be replaced. Moreover, sales of APIs included in the list of essential medicines as compiled by the WHO (2019) and the ANSM (2013) represent 55% of the Group's restated revenue in 2021. Essential medicines, or "medicines of major therapeutic interest", correspond to therapeutic proprietary medicines used primarily for care. They are characterized by a broad spectrum of use, often generic molecules and large markets spread over several continents for the manufacturer of APIs.

[32] *Source: Company's estimates based on market studies conducted by third parties established with the help of interviews with experts in the API market conducted in early 2021.*
[33] *Source: IQVIA Institute for Human Data Science – Global Use of Medicine in 2019 and Outlook to 2023, January 2019, IQVIA statistics that list revenue by API; PharmaCompass public database providing market data on APIs based on specific needs.*

Balanced and diversified customer base

The Group considers that it benefits from a well-balanced customer portfolio with Sanofi, which provides stability and visibility on the level of its sales, and a diversified group of loyal customers offering growth opportunities.[34]

Sanofi

Sanofi, which represents approximately 48.3% of the Group's consolidated revenue for the year ended December 31, 2022, is a key strategic partner. By 2025. The Group has entered into a manufacturing and supply agreement (the "Global Manufacturing and Supply Agreement") for APIs with Sanofi Winthrop Industrie, a Sanofi group affiliate, effective October 1, 2021, as amended on March 1, 2022, for a period of five years after the date of the Company's initial listing that occurred on May 6 2022, renewable by mutual agreement of the parties and exclusive on a major portion of the products. Paragraph "Manufacturing and supply agreements for certain APIs" of Section 3.1.1 "Description of the prior Reorganization Transactions" of the Universal Registration Document contains a description of the main provisions of the Global Manufacturing and Supply Agreement.

The Group is also a key strategic partner of Sanofi; it thus supplied, in terms of revenue, around 30% of the APIs purchased by the Sanofi group in the year ended December 31, 2020, including the APIs necessary for the production of 21 of Sanofi's key drugs (such as Fexofenadine, which is used in the manufacture of Allegra, an over-the-counter antihistamine, or Lixisenatide, the API in Soliqua, an injectable drug for Type 2 diabetes). For the year ended December 31, 2022, the principal APIs in terms of revenue recorded with the Sanofi group were Sevelamer, Fexofenadine, Pristinamycine, Irbesartan, Metamizole, Codeine phosphate, Drotaverine HCl and Hydroxychloroquine sulfate. The Group is also a CDMO partner of choice for Sanofi due to the signature on October 1, 2021 of a Master Agreement for Development and GMP Manufacturing Services (as defined in paragraph "Special agreements between the Group and the Sanofi group relating to the development of APIs" of the Section 3.1.1 "Description of the prior Reorganization Transactions" below) with Sanofi under the terms of which each of the parties acts both, and as applicable, as provider or as beneficiary of services relating to the development and/or improvement of processes to manufacture certain APIs or intermediates. The Group is notably engaged in approximately ten projects to develop and/or manufacture new molecular entities in the Sanofi's R&D portfolio, including an intermediate of Tolebrutinib currently partially clinical hold for Phase 3 on multiple sclerosis following the Principia Biopharma acquisition by Sanofi in 2020, the peripheral chain and ligand of Tusamitamab ravtansine, an antibody-drug conjugate currently in Phase 3 in non-small cell lung cancer, or the development of cationic lipids for Flu mRNA vaccines encapsulation being developed by Sanofi Pasteur. Paragraph "Special agreements between the Group and the Sanofi group relating to the development of APIs" of the Section 3.1.1 "Description of the prior Reorganization Transactions" of the Universal Registration Document contains a description of the main provisions of the development agreement.

The Group and Sanofi also signed a Distribution Agreement, effective as of October 1, 2021, as amended on February 25, 2022, under the terms of which the Company agrees to distribute circa 20 APIs belonging to the Sanofi group, as a non-exclusive distributor (see Paragraph "Distribution agreements for certain APIs" of the Section 3.1.1 "Description of the prior Reorganization Transactions" of the Universal Registration Document).

Other customers

For the year ended December 31, 2022, sales to other Group customers represented 51.7% of the Group's consolidated revenue. The Group projects that revenue drawn from its sales to other customers will represent 65% to 70% of its consolidated revenue by 2025. It sells its products to a diversified base of around 530 longstanding customers, including most of the world's largest pharmaceutical companies (approximately 275 customers, including Boehringer Ingelheim, Daiichi Sankyo and Alfasigma), generic drug manufacturers (approximately 45 customers, including Viatris, Teva), animal health products manufacturers (approximately 15 customers, including MSD Animal Health, Boehringer Animal Health, Ceva), consumer health and nutrition products companies (approximately 165 customers, including DSM and P&G), biotech companies (approximately 20 customers, including Mithra, SQY Therapeutics, Rancho Santa Fe and NH Theraguix), CDMOs (Catalent) and distribution companies (approximately 15 customers). For the year ended December 31, 2022, the top ten customers (excluding Sanofi) represented 23.3% of the Group's consolidated revenue. 80% of the Group's consolidated revenue (excluding Sanofi revenue) was generated by 73 customers.

[34] *Sources: Company's estimates based on interviews with experts in the API market conducted in early 2021, IQVIA Institute for Human Data Science – Global Use of Medicine in 2019 and Outlook to 2023, January 2019, IQVIA statistics that list revenue per API.*

The Group's customers (excluding Sanofi) who purchase their APIs on an exclusive basis, i.e., as the sole source of supply listed in their regulatory file for a given drug, represented approximately 28.5% of the Group's consolidated revenue for the year ended December 31, 2022 (excluding Sanofi). The Group has also maintained commercial relationships for more than 20 years with most of its top 20 customers (relationships of ten to 20 years with around 10% of its customers, and five to ten years with around 30% of its customers). The Group recorded a revenue attrition of less than 1% per year due to the loss of customers between 2016 and 2020.[35] Apart from a privileged relationship based on the Group's performance and knowledge of its customers and their needs, these long-term relationships are also explained by the high transfer costs and the long transition period in the event of a change in suppliers. The Group has calculated that the average return on investment period associated with a change of API suppliers is more than one year, considering an investment of several hundred thousand euros in view of the regulatory context and the registration requirement.

Given these commercial dynamics, Group customers rely on purchase orders that represented approximately 75% of the revenue from its API Solutions business as of December 31, 2022 (excluding Sanofi); the Group has formalized contractual relations with its customers in other cases. In the future, the Group intends to formalize the relationship with its customers further through contracts rather than purchase orders. Within the framework of its CDMO activities, all commercial relations between the Group and its customers are formalized by contract.

The Group considers that it has competitive advantages that will allow it to benefit from the growth of the market for medicines including the Group's APIs because its major customers are experiencing very dynamic growth in their respective markets.

Additionally, the Group considers that there are cross-selling opportunities within its current customer base. In fact, the average number of APIs supplied to the Group's customers is increasing: a limited number of customers representing 53.6% of the Group's revenue (excluding Sanofi) purchased four or more APIs in 2022, while 80% to 90% of the customers purchased fewer than four APIs and 60% of the customers purchased only one API, which increases cross-selling opportunities in the future. According to the Company's estimate, the average number of APIs sold per customer is expected to increase by more than 10% by 2025.

Strong positioning in the CDMO market with higher potential margins

Revenue from the Group's CDMO activities represented 27.4% of its consolidated revenue for the year ended December 31, 2022, of which 17.2% was for customers other than Sanofi and 10.1% was for Sanofi. The Group, which ranked seventh in the global CDMO market in 2020, considers it has a solid foothold in this business activity and substantial room for growth given the limited resources allocated to this activity in the past and the integration within the Sanofi group. It has the ambition of entering the top five CDMO companies worldwide in terms of sales by 2025. The Group is increasingly moving toward CDMO partnerships in the early phases of the drug development cycle in order to benefit from greater customer loyalty due to the Group's position as the first supplier in terms of precedence. These partnerships have the potential to generate higher margins based on the complexity of manufacturing and the growth potential of APIs throughout the life cycle of the products of the Group's customers. It also seeks to generate a significant number of contracts for drugs in commercial phases to mitigate the risk of attrition from the molecules development cycles not reaching the commercial phase. In order to secure their supply of APIs and be able to respond to the increase in sales during the commercial phase, the Group's customers sometimes use additional suppliers whose margin levels are generally lower than those of the CDMO partners. The Group can capitalize on promising partnerships, such as those with Sanofi, Catalent and SQY Therapeutics, to further develop its CDMO activities. During the year ended December 31, 2022, the Group's CDMO activities also experienced an upturn, with 41 contracts signed, about 49% of which were with new customers, covering its four main technologies, i.e., thirteen projects in preclinical/phase I, eleven projects in phase II, seven projects in phase III and ten projects in commercial phase. In the context of its CDMO activities, the Group will have to simultaneously manage a certain number of API manufacturing projects at different clinical stages of development on behalf of its customers in order to take into account the natural attrition of clinical development projects inherent in the pharmaceutical sector.

[35] *The attrition rate is calculated by dividing the amount of the sales to customers lost by the total amount of the Group's sales. The Company considers a customer to be lost when no sale has been made with this customer for two consecutive years. The Company does not expect a significant change in this rate after taking into account the results for the year ended December 31, 2022.*

In order to grow its market share, the Group plans to continue to develop its capabilities dedicated to cutting-edge technologies (such as cytotoxic payloads, linkers, peptides and oligonucleotides, and micronization) and to transition to a customer-centric model, which will be made possible by its independence from the Sanofi group. This will help to strengthen its commercial and operational organization dedicated to the CDMO activities, to improve the evaluation and monitoring of CDMO projects, and to boost the commercial competitiveness of its offers (see paragraph "Capitalize on innovation and development to accelerate the reorientation of the portfolio toward the CDMO activities, particularly in the peptide and oligonucleotide segment" of the Section 1.3 "Strategy and objectives" of the Universal Registration Document). In the peptides and oligonucleotides segment, the efforts made by the CDMO sales team since the IPO have begun to bear fruit with the signature of new contracts. Eight contracts have already been signed (pre-clinical phase and clinical phases 1 to 3) since the IPO.

The five main technological pillars of the development of the CDMO activities are the following:

- Large molecules, benefiting from an integrated offer with unique historical expertise in post-synthesis conjugation, innovative ligands and customization at the Frankfurt site and in sub-units of oligonucleotide chain synthesis; and a mastery of production technologies that enable it to achieve failure rates significantly lower than the average for CDMOs for the manufacturing of batches of APIs, with the Group estimating its failure rate for peptides to be at 5%, whereas the average failure rate for CDMOs is 20%.[36]
- Chemical synthesis at the Vertolaye, Budapest and Frankfurt sites, with a range of technologies enabling more than 95% of the chemical reactions to be carried out in volumes that can reach industrial levels equal to or greater than those of the main CDMOs in the sector; a portfolio of customers whose projects are currently in various stages of development, already established at the Group's different production sites; and an existing list of opportunities currently being evaluated or negotiated, spread across the United States, Europe and Asia, including biotechnology companies and pharmaceutical laboratories of all sizes.
- Microbial fermentation at the Brindisi and Saint-Aubin-lès-Elbeuf sites for the production of complex chemical synthesis molecules, with large capacities and a strong commercial pipeline (including for antibiotics and vitamins), which can also be used to produce molecules such as recombinant proteins, plasmids or enzymes.
- Particle engineering at the Vertolaye and Haverhill sites, with the ambition of becoming a key player in solid state chemistry by capitalizing on spray-drying facilities and by creating a center of excellence for the solid state phase of small-scale development (nanoparticles) for the development of the process up to the industrial phase through intermediate size productions for pilot tests; and
- HP-APIs at the Vertolaye and Budapest sites, with additional capacity from 2023 to prepare for the development of future large-scale products. Certain hormones are part of the HP-APIs portion (OEB5 class). A growing number of active molecules for oncology are considered as HP-APIs, even cytotoxic.

The Group is therefore proposing a complete range of services covering development from the pre-clinical phase up to the commercial phase, and including analytic methods validation, scaling up of production from pilot level to marketing, and competitive prices with a potential for improvement due to the occupancy rate optimization at the Group's sites.

[36] *Source: The Journal of Organic Chemistry - Sustainability Challenges in Peptide Synthesis and Purification: From R&D to Production by Albert Isidro-Llobet (GSK), Martin N. Kenworthy (AstraZeneca), Subha Mukherjee (BMS), Michael E. Kopach (Lilly), Katarzyna Wegner (Ipsen), Fabrice Gallou (Novartis), Austin G. Smith (Amgen), and Frank Roschangar (Boehringer Ingelheim) – March 2019.*

1.2.3 Strategy and objectives

In terms of revenue, the Group considers itself to be the world's leading manufacturer of small molecules (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs), the second largest manufacturer of APIs (including small molecules and large molecules) in 2021, and the seventh largest in the global CDMO market in 2020[37]. Its priority strategy is to strengthen its position in the market for small molecules through three pillars: (i) strengthening of API Solutions leadership by optimizing the existing portfolio through a mix of pricing, product, customers and geographical optimization, as well as expanding into new APIs; (ii) growth and expansion into must-win CDMO platforms by leveraging existing capabilities and developing into new promising platforms and technologies, i.e., manufacture for a customer that holds the intellectual property of the manufactured API; and (iii) operational excellence by improving EUROAPI's cost structure and financial performance through strategic cost saving plans, working capital & investment optimization

These strategic pillars are aimed at the following three objectives: (i) increase revenue generated via CDMO activities by 2025 and (ii) reduce the weight of Sanofi in the Group's total consolidated revenue, primarily through greater-than-market growth in sales to other customers, resulting in (iii) an improvement in the Group's operating margin with a Core EBITDA margin greater than 20% by 2026 (versus a Core EBITDA margin of 12.3% in 2022).

The Group also intends, first, to pursue a strong environmental and societal commitment within the framework of its ESG policy and, second, to position itself as a potential player in the future consolidation of the markets in which the Group is present; these markets are still very fragmented with a multitude of players around the world. To achieve its strategic objectives, the Group can draw on an efficient industrial organization, a rigorous investment policy and a constantly improving financial performance.

Stimulate the revenue growth of the API Solutions business

Building on its estimated position as the world's leading manufacturer in small molecules (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs)[38] the Group aims to accelerate the growth in revenue from its portfolio of around 165 APIs, which represented €709.1 million, or 72.6% of its consolidated revenue, for the year ended December 31, 2022 (compared with €673.6 million (74.9% of its restated revenue) for the year ended December 31, 2021), in line with the growth in the API market, estimated at 2% between 2019 and 2021 due to the COVID-19 pandemic and at 6% to 7% per year between 2021 and 2025.

Within this portfolio, Sanofi (with which the Group recorded revenue of €471.6 million for the year ended December 31, 2022 i.e., 48.3% of its consolidated revenue) is a reference customer and a privileged partner representing a pledge of stability for the Group's business model. The Group is the leading manufacturer and the main distribution platform for APIs of the Sanofi group. The Global Manufacturing and Supply Agreement provides, among other things, for the exclusive supply to Sanofi of APIs and/or intermediates and/or other substances covered by the Global Manufacturing and Supply Agreement, subject to certain exceptions, from an established list of territories. The manufacture of these high volumes has enabled the Group to reach critical size and to benefit from a level of competitiveness that it considers to be excellent. This level of business activity is expected to continue and to decrease slowly in line with the dynamics of the Sanofi Group's corresponding General Medicines products, while ensuring a substantial and recurring revenue stream for the Group. Indeed, anticipating and safeguarding the future of the Group's Manufacturing and Supply Agreements contracts with Sanofi as a customer and as a supplier will be a key enabler to successfully achieve the Group's ambition. In order to substantially accelerate revenue from the product offering in the API Solutions business, the Group intends to continue its efforts to increase sales to customers other than Sanofi, and anticipates an increase in these sales at a higher-than-market rate, thus representing a potential expansion of its market share. In accordance with the provisions of the Distribution Agreement, Sanofi also supplies the Group with circa 20 APIs over the period for which the Group holds the commercial relations with the end customers. A detailed description of the Global Manufacturing and Supply Agreement and the Distribution Agreement is provided in paragraphs "Manufacturing and supply agreements for certain APIs" and "Distribution agreements for certain APIs" of the Section 3.1.1 "Description of the prior Reorganization Transactions" of the Universal Registration Document.

[37] *Source: Company's estimate based on third-party market research conducted using the annual reports published by the main industrial players in the API sector, public databases (including Capital IQ and Orbis) as well as interviews with market experts.*
[38] *Source: Company's estimate based on third-party market research conducted using the annual reports published by the main industrial players in the APIs sector, public databases (including Capital IQ and Orbis) as well as interviews with market experts.*

Thus, the Group plans to develop its sales in its API Solutions business around six main vectors:

- First, the Group's strategy will focus on an increase in the production capacity of certain niche APIs such as prostaglandins, hormones or vitamin B12, for which demand is growing strongly and exceeds the available offer, and for which the Group will make additional investments (see Section 4.2.5 "Investments" of the Universal Registration Document).
- Second, the Group considers that there are cross-selling opportunities within its current customer base. In fact, the average number of APIs supplied to the Group's customers is increasing: a limited number of customers representing 53.6% of the Group's restated revenue (excluding Sanofi) purchased four or more APIs in 2021, while 80% to 90% of the customers purchased fewer than three APIs, with additional opportunities to further increase cross-selling in the future.
- Third, the Group conducted a competitive analysis and segmentation of its customer base and intends to set up, for the first time, a sales policy to optimize the prices of its products on the basis of the segmentation and strategic positioning of its customers.
- Fourth, the Group will accelerate prospecting for new customers, particularly in the United States and the emerging and less regulated geographic regions.
- Fifth, around 15 APIs, once reserved exclusively for Sanofi's general medicinal products in some specific territories, will be available for sale to other existing and potential customers, which the Company estimates could represent an additional yearly sales potential of around €15 to €30 million.
- Sixth, the Group will expand its API Solutions portfolio in new attractive APIs (about to be genericized or already on the generic market), with the overall ambition to launch two new APIs per year on the market from 2025 onward.

Finally, the Group considers that the relocation of production to Europe in order to reduce the European Union's current dependence on non-European suppliers, particularly from Asia, for APIs that are strategic for European public health, will promote growth in sales of products from its API Solutions business. Although the Group does not include this factor in its projections, it considers that it has the production capacity and infrastructure to benefit from this development and to take advantage of initiatives taken by manufacturers of finished products aimed at developing alternative sources of supply of APIs. Due to the scale of its production sites, all located in Europe, as well as the size of its factories, the high quality and diversity of its portfolio of APIs and its broad range of technologies, the Group is positioned to be a preferred player in the process of restoring the sovereignty of the manufacture of APIs in Europe (see paragraph "Strong vertical integration offering greater autonomy and security of supply" of the Section 1.2 "Strengths and competitive advantages" of the Universal Registration Document).

Capitalize on innovation and development to accelerate the reorientation of the portfolio toward the CDMO activities, particularly in the peptide and oligonucleotide segment

Revenue from the Group's CDMO activities represented 27.4% of the Group's consolidated revenue for the year ended December 31, 2022. The Group intends to raise the portion of its revenue from CDMO activities to around 35% by 2025 through greater-than-market growth in this activity up to 2025.

The Group plans to develop its sales in priority in its five main technological pillars i.e. large molecules, complex chemistry, microbial fermentation, particle engineering and HP-APIs, as well as explore any opportunity with a right-to-win i.e. ability to engage in any competitive market with a better-than-even chance of success, in highly differentiated emerging platforms.

To successfully develop its CDMO business, the Group relies on 3 key enablers:

First, the Group benefits from a wide range of technologies spread across its six manufacturing sites, and innovation is at the center of the Group's strategy. Although it considers that its sites are capable of supporting its growth strategy and offer a competitive advantage in terms of production costs due to their critical scale and technological specialization compared to the rest of the market, the Group is committed to continuous innovation in order to enhance its manufacturing processes and develop new ones. In order to stay abreast of the industry's shift toward sustainable technologies and to respond to rapidly changing customer needs, the Group plans to continue to invest in technology and innovation in the coming years, as well as in the development of its production capacities, in order to provide quality solutions at all type of scales, from clinical to large commercial scales, throughout the life cycle of its customers' products (See paragraph "Manufacturing excellence and innovation platform" of the Section 1.2. "Strengths and competitive advantages"). These investments will drive the future growth of its CDMO activities, which have historically been restricted to serving Sanofi's captive needs and which will be lifted as a result of EUROAPI's autonomy from the Sanofi Group.

Second, the Group plans to make substantial investments to optimize and increase its existing production capacities, in particular for peptides and oligonucleotides, highly potent APIs and small molecules (see Section 4.2.5 "Investments" of the Universal Registration Document), to develop the pipeline of ongoing CDMO projects and to continue to increase EUROAPI brand awareness on the market to generate a greater volume of business in this activity. The Group also intends to permanently manage a growing number of projects (in 2022 : 79 active projects) at different stages of clinical development, across technological platforms and types of clients in order to take into account the natural attrition of clinical development projects inherent to the pharmaceutical industry (versus 45 projects in the development phase as of the date of the Universal Registration Document) and to reach around 35% of its revenue for the CDMO activities by 2025 due to stronger-than-market growth in this activity.

Third, the Group's CDMO activities accelerated in 2022 with a greater strategic focus and the establishment of a dedicated commercial organization with a customer-centric approach. As of December 31, 2022, 41 new projects have been signed, compared to 23 in the entire year of 2021, with 230 RFPs received in 2022 versus 120 in 2021. These initial results are primarily stem from (i) the development of the Group's strategy for this activity; (ii) a strong prospecting effort and an increasing customer awareness of the Group's technology and unique value proposition, with the gradual ramp-up of the sales team dedicated to the CDMO activities, (iii) the progressive increase in the number of scientific resources related to this activity, (iv) the Group's effective independence from Sanofi and (v) the development of a customer oriented and solution driven culture, with the implementation of internal procedures adapted to their needs, such as the establishment of a weekly CDMO strategy committee to report on commercial prospecting and define the priorities for the upcoming weeks, as well as the development of best-in-class project management capabilities with the ability to manage CDMO projects successfully from origination to finalization.

By redirecting its API portfolio to its CDMO activities, the Group plans to expand its service and product offering in adjacent areas and to focus on the more complex molecules and HP-API segments. This is particularly reflected in the increased development of capacities and sales of peptides and oligonucleotides, complex chemical synthesis, particle engineering, and microbial fermentation, as well as in the HP-APIs segment.

The Group is already present in each of these segments, has expertise in the chemical synthesis processes required for their manufacture, and is capable of meeting the specific technical as well as regulatory requirements. The Group considers that it is well positioned to take advantage of the growth of these markets (benefiting from average annual growth rates of 8% to 13% between 2019 and 2024, higher than the average growth rate of the API market, estimated at 6% to 7% per year over the same period[39], despite an annual growth rate that fell to 2% between 2019 and 2021 due to the COVID-19 pandemic[40]). In the CDMO activity, the oligonucleotides and peptides prospecting initiated in 2021 has encountered some solid success, with 55 offers, sent in 2022 from 41 new customers, and 12 contracts signed. The construction of a new downstream processing facility and a new freeze drying line at the Frankfurt site with the objective of increasing the Group's downstream processing capacity of peptides and oligonucleotides to 500 kilograms per year by 2025 is essential for the Group to consolidate the current successes in the oligonucleotides and peptides space and meet the future market demand.

In addition, the Group is launching the Registered Starting Material repatriation program, with the objective to optimize the capacity utilization of the manufacturing sites through the internalization of selected key raw materials and intermediates – the Group is purchasing externally, and through the repatriation of selected key raw materials and intermediates for third parties – as an additional CDMO activity.

The evolution of the relationship between EUROAPI and Sanofi has enabled the Group to initiate a process of reorientation of the portfolio toward the CDMO activities, relying in particular on the Group's position as a preferred partner for Sanofi's clinical pipeline. In fact, Sanofi is poised to be a key partner in the Group's CDMO activities for some APIs or intermediates due to the signing on October 1, 2021 of a development agreement (Master Agreement for Development and GMP Manufacturing Services) that covers the current and future development of key molecules in the Group's CDMO activities.

These partnerships cover in particular an intermediate of Tolebrutinib currently partially hold for Phase 3 on multiple sclerosis following the Principia Biopharma acquisition by Sanofi in 2020, the peripheral chain and ligand of Tusamitamab ravtansine, an antibody-drug conjugate currently in Phase 3 in non-small cell lung cancer, a glycan starting material of Avalglucosiddase Alfa approved by the FDA and EMA in 2021 (Pompe disease), as well as several cationic lipids at pre-clinical and clinical stages for Sanofi mRNA vaccines platform including Flu.

[39] *Sources: IQVIA Institute for Human Data Science – Global Use of Medicine in 2019 and Outlook to 2023, January 2019; Technavio – Global Active Pharmaceutical Ingredients Market, 2017-2021; ResultsHealthCare – CRO Sector – M&A Drivers and Market Trends, March 2019, BCC – Active Pharmaceutical Ingredients: Global Markets, January 2021.*

[40] *Source: Company's estimates based on the market research conducted by third parties using the IQVIA data*

Subsequently, by generating an increasingly substantial share of its business with customers other than Sanofi, particularly by approaching biotech companies and large players in the pharmaceutical industry (including the world's top ten pharmaceutical companies) through key account management, the Group intends to continue and to accelerate this reorientation of its portfolio toward CDMO in order to stimulate its growth prospects in this activity.

The Group's experience in the field of innovation and development of APIs is offered as a service through its CDMO activities. These services respond to market needs for new APIs being formulated in cases where development and production activities are outsourced, which is the case for the various markets of interest for the Group. The Group's CDMO strategy was built to respond to demand in these high growth markets (at 8% to 10% for peptides and 12% to 14% for oligonucleotides until 2025 according to the Company's estimates). These mainly concern new APIs being developed, the manufacturing complexity of which justifies the Group's expertise in development and its premium prices. This is particularly true for the peptide and oligonucleotide markets valued at €2 billion and €500 million respectively, and which are mainly subcontracted to contract manufacturers (around 50% for the peptides in 2020 and which the Company considers will reach 65% in 2025, and 90% for the oligonucleotides)[41]. The Group considers it can compete with the best CDMOs specialized in these markets, which require strong technological control of the manufacturing methods and in which demand currently exceeds available capacity. The Group also intends to capitalize on its research and innovation skills to pursue its development in order to speed up the reorientation and improvement of its portfolio, in particular by expanding its presence in large molecules. For example, the peptide and oligonucleotide markets are at the frontier of the large molecules market, which is a development focus for the Group's CDMO activities in order to strengthen its presence in the innovative API market. In order to complete its offer, particularly in terms of complex conjugation processes, the Group will be able to benefit from its know-how in chemistry, peptides and oligonucleotides and to combine it with innovative ligands. As of December 31, 2022, the Group has an R&D team of approximately 370 people spread over the Group's six sites, of which approximately 110 people are entirely dedicated to the CDMO activities and 45% are PhDs or engineers. The Group's objective is to have more than 250 employees dedicated to the CDMO activities by 2025, of whom about 50% will have science or engineering doctorates, to support growth in this segment, the integration of technologies and the expansion of the offer on complex molecules in particular.

Improve the Group's operating margin

The large volumes of APIs being developed and produced, as well as the synergies achieved within its portfolio, allow the Group to facilitate the absorption of its fixed costs. Additionally, a dedicated team is tasked to continuously improve manufacturing processes in order to increase the capacity of the Group's sites and reduce production costs.

Moreover, the reorientation of the API portfolio toward the CDMO activities, particularly toward complex molecules that generate higher margins, and the increased level of differentiation of the API Solutions portfolio via unlocking of additional capacities for selected differentiated, high-contribution APIs i.e. prostaglandins, vitamin B12 and hormones, are expected to contribute to the improvement of the Group's industrial performance and its margins mix over the duration of the margin improvement plan and thereafter.

At the same time, through greater autonomy from Sanofi and following completion of the Prior Reorganization Transactions, the Group has put in place a clear path to allow substantial improvement of margins to approach industry levels, and a significant catch-up with the sector, primarily through optimization of costs and better use of the existing capacities. The Group's margin improvement targets are presented in Section 4.5 "Outlook" of the Universal Registration Document.

The Group's margin improvement plan is based first on the implementation of a program to optimize production costs initiated in 2020 and that would imply a streamlining of production costs of around 2% to 3% each year through 2025. This plan is based on a set of around 100 initiatives that include general productivity measures, measures to improve yields, reduce energy and maintenance expenses as well as other targeted measures to reduce costs (automation of processes, optimization of the use of assets). Out of a total of around 100 initiatives, approximately 60% are currently in progress, while around 25% are still to be launched, and around 15% are currently suspended or interrupted. In addition, the Group is continuously working on new projects. The real savings generated early by the Group in 2021, in 2022 and in 2023 totaled respectively €8.2 million, €8.7 million[42] and €15 million.

[41] *Sources: Company's estimates based on market studies conducted by their parties established with the help of interviews with experts in the API market conducted in early 2021.*

[42] *€8.7 million production savings in 2022 but without the savings generated through raw material and intermediates purchases improvement. Total production savings in 2022 including raw material and intermediates purchases are approximately €14 million*

Finally, to address the effect of the current energy crisis and raw material price increases, the Group is accelerating its company-wide transformation program to improve the operating margin with a focus on the following three priorities: (i) Reviewing and changing the way the Group purchases energy and raw materials, (ii) streamlining of process and tools to better align them to operational needs, (iii) assessing of the cost structure of the Group's operations with regards to industry benchmarks.

This transformation program which will generate € 50 million of value creation by 2026 encompass the impact initial industrial performance plan initiated in 2020.

Taking into account all these measures, the Group seeks to reach a Core EBITDA[43] margin greater than 20% by 2026 (versus a Core EBITDA of 12.3% in 2022).

Improve the Group's cash generation

The Group plans to continue the efforts already made to improve cash generation. In addition to the improvement in profitability, this plan includes a goal to significantly reduce inventory levels, particularly through a decrease in cycle times, as well as through a program to optimize investments.

The Group has the ambition to reach an optimal level of inventory to optimize EUROAPI's working capital and improve the customer satisfaction. The program to reduce inventories will have the long-term effect of lowering inventories to industry standards, but will have a negative impact on the margin in the short term.

Finally, streamlining regulatory and maintenance investments, reinvestment in equipment, laboratories and manufacturing facilities as well as the establishment of an ambitious project for performance investments and growth are strategic elements in meeting the growing future demand from the Group's current or new customers. Historically, the Group's investments amounted to €138.3 million for the year ended December 31, 2022, €88.6 million for the year ended December 31, 2021, and €88.4 million for the year ended December 31, 2020. By 2025, the Group plans in particular to strengthen its production capacities to support the redirection of the portfolio toward CDMO activities, by allocating available existing capacities to this activity as a priority. The Group's investment policy in coming years is discussed in paragraph "Main future investments" of the Section 4.2.5 "Investments" of the Universal Registration Document.

Engage in a strong environmental and societal commitment

Due to an experienced management team with diversified backgrounds, the Group seeks to generate a sustainable performance, taking into consideration respect for extra-financial criteria and the achievement of the ESG objectives as a key priority in establishing its strategy.

The goal of Group's ESG strategy is to capitalize on the solid heritage from Sanofi in sustainable development and on an internal and external survey that collected over 1,200 responses from different stakeholders in March 2021, which led to the development of a materiality matrix of the Group's specific risks completed by a comparative study of the ESG strategy of its peers and competitors.

In assessing its environmental performance, the Group monitors the following indicators, among others: greenhouse gas emissions (direct and indirect greenhouse gas emissions related to the Group's scope 1 and scope 2 activities and the indirect emissions related to the Group's scope 3 value chain), gas, electricity and water consumption, and the treatment of toxic and non-toxic waste.

The Group has already defined ambitious targets concerning respect for the environment and the health and safety of its employees, which are described below. It plans to:

- Reduce its carbon dioxide (CO2) emissions related to its activities, including its industrial sites (scopes 1 and 2), by 30% by 2030 (from 2020), with the goal of being a carbon neutral company by 2050.
- Reduce its emissions of volatile organic compounds (VOCs) resulting from the synthesis of APIs by 50% by 2025 (from 2019).
- Limit frequency rate of employee accidents that result in a work shutdown (LTI – Lost Time Injury) to 1.5 per 1,000,000 hours worked, and the rate of recordable work accidents (TRI – Total Recordable Injury) to 2.5 per 1,000,000 hours worked by 2025.
- Reach a percentage of 30% women on its expanded Executive Committee and among the principal executives in key Company positions by 2025.

The Group's ESG policy is described in detail in Chapter 5 "ESG-Corporate social responsibility" of the Universal Registration Document.

[43] Please refer to Section 4.2.6. "Alternative Performance Measures"

1.2.4 Overview of Group business activity

In 2021, the Group considers itself to be, in terms of revenue, the world's leading manufacturer of small molecules (including complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs) and the world's second largest manufacturer of APIs (including small molecules and large molecules) in 2021 as well as the seventh-largest in the global CDMO market in 2020[44]; it is also the largest player in the API market in the European Union.[45]

As of the date of the Universal Registration Document, the Group markets approximately 200 APIs, both within its API Solutions business and its CDMO activities, to 530 customers in more than 80 countries. The intermediates and APIs manufactured by the Group are used in the composition of drugs for human or veterinary use, both originator and generic.

Nature of the Group's business activities

The Group's API Solutions business

In its API Solutions business, the Group offers its customers a diversified portfolio of around 165 APIs, consisting of complex chemical synthesis molecules, biochemistry molecules derived from fermentation and HP-APIs. The intellectual property rights to the APIs of the Group's API Solutions business, and to manufacture the ingredients, are held by the Group or licensed by the Group and/or covered by a distribution agreement.

The Group's CDMO activities

The Group offers services to specific customers, covering upstream development (pre-clinical phase/clinical phase 1) and downstream development and production of the APIs (clinical phase 2/clinical phase 3) as well as the commercial phase. In its CDMO activities, it manufactures approximately 35 APIs or intermediates of APIs. The intellectual property rights to the APIs or intermediates of the APIs developed and/or manufactured by the Group as part of its CDMO activities are held by the Group's customers.

Upstream development of the API (pre-clinical phase/clinical phase 1)

The major steps in the pre-clinical phase/clinical phase 1 development process are the following:

- Completion in the laboratory of studies to become familiar with the process to manufacture the API resulting from the research.
- The transfer, development and optimization of the processes for manufacturing the API.
- The transfer, development and optimization of the analytic methods that will allow control of the final quality of the API.
- The production of non-GMP (Good Manufacturing Practices) batches used for toxicology studies (pre-clinical phase) and the development of the pharmaceutical formulation that will be used for administration in humans in clinical phase 1.
- The production of batches that comply with the GMPs in accordance with the regulatory obligations applicable to clinical phase 1 studies in humans.
- The completion of stability studies in order to verify the stability of the API and define an expiration date for the future API.

This phase may take approximately four years.

Laboratories that develop processes and analytic methods are primarily involved during the upstream development phase. Production at the pilot scale is performed by qualified operators and is generally done in restricted areas under conditions stipulated by the GMPs. The batches of APIs are analyzed and released by quality control and quality assurance for their clinical use.

Downstream development of the API with the production of batches intended for clinical trials and preparation of the regulatory registration application (clinical phase 2 and phase 3)

The major steps in the development and production process in clinical phase 2 and phase 3 are the following:

- Bringing the manufacturing processes to an industrial scale to cover the expanded need for APIs in clinical phase 2 and phase 3 by the required deadlines.
- Validation of the analytic methods to guarantee their reliability in the analysis of raw materials and the API.
- Characterization of the manufacturing processes in order to identify and ensure the reliability of the manufacturing process as regards to its capacity to deliver an API with the required quality.
- The production of batches that comply with the GMPs in accordance with the regulatory obligations applicable to clinical phase 2 and 3 studies in humans.
- The production of validation batches that will validate the process at the industrial scale, including at least three consecutive batches of APIs with the level of quality required, in accordance with the applicable regulatory obligations.

[44] *Source: Company's estimate based on third-party market research conducted using the annual reports published by the main industrial players in the API sector, public databases (including Capital IQ and Orbis) as well as interviews with market experts.*
[45] *Source: Company's estimates based on third-party market research conducted using the annual reports published by the main industrial players in the APIs sector, public databases (including Capital IQ and Orbis) as well as interviews with market experts.*

- Regulatory support in the preparation of the clinical regulatory and commercial registration applications that are submitted to the health authorities before effective use of the API in clinical trials and the marketing of the ingredient (see Section 3.4.1 "Sector Regulations" of the Universal Registration Document).

These phases may take approximately six years.

During the downstream development and production process in clinical phases 2 and 3, the laboratories that develop processes and analytic methods are involved in the scaling and validation of the analytic methods. Production at the pilot and industrial scales is performed by qualified operators and is carried out in restricted industrial areas under the conditions stipulated by the GMP. The batches of APIs produced are analyzed and released by quality control and quality assurance for clinical or commercial use.

Commercial phase

The major steps in the commercial phase are as follows:

- Supply of APIs to the Group's customers.
- Regulatory assistance in order to answer the questions of health authorities on the commercial registration applications and notify the authorities of any change and/or improvement in the process or analytic methods or a change in the site originally registered in the dossier operated after the API is marketed (see paragraph "Associated services offered by the Group" of this section).
- Quality assistance to ensure continuous compliance with GMPs in the manufacture of the API and guarantee the success of the inspections conducted by the health authorities at the sites where the API is manufactured (see paragraph "Associated services offered by the Group" of this section).
- Technical and commercial support (see paragraph "Associated services offered by the Group" of this section).
- Improvement of the manufacturing process in order to lower industrial costs, improve the quality and safety of the operators and/or reduce the environmental impact.
- Management of the life cycle of the products in order to adapt to changing needs for APIs (volumes), market prices, the availability of raw materials and regulatory and environmental quality requirements.

The commercial phase may take approximately eight to ten years.

During the commercial phase, industrial scale production is performed by qualified operators and is done in restricted industrial areas under the conditions set out by the GMPs. The batches of APIs produced are analyzed and related by quality control and quality assurance for commercial use. The supply chain sends the quantities of the APIs ordered by the customer pursuant to the production contract. The process development department may be involved in improving the manufacturing processes.

Associated services offered by the Group

In the context of its API Solutions business and CDMO activities, the Group offers its customers a range of high value-added services to meet their commercial and regulatory needs. These services include: (i) regulatory assistance, (ii) quality assistance and (iii) technical and commercial support.

Regulatory assistance

As part of its comprehensive service offering, the Group offers regulatory assistance to its customers. The regulatory heritage of the Sanofi group means that the Group benefits from solid expertise in the regulations governing each of the families of APIs sold.

The regulatory assistance offered by the Group includes the preparation of all the regulatory documentation required throughout the development cycle of the APIs, in the context of its CDMO activities in particular: (i) briefing packages; (ii) registration application packages or the chemical portion of the applicable marketing authorizations; and (iii) the permanent files of the API (ASMF – Active Substance Master File) in the European Union or the DMF (Drug Master File) in the United States, or the CEP (Certificates of Suitability to the European Pharmacopeia) (see Section 3.4.1 "Sector regulations" of the Universal Registration Document).

Moreover, the Group's experts responsible for regulatory assistance can assist the Group's customers with questions or information requests from the health authorities and participate in meetings with the Group's customers and competent authorities to support the customer in obtaining regulatory approval.

The Group also offers its customers regulatory assistance for its products in the commercial phase.

Quality assistance

Quality assistance is provided by the quality assurance, quality control and analytic development units of the Group. The Group develops production in accordance with GMP while providing assistance with regard to process developments in accordance with ICH guideline Q8 (Pharmaceutical development), process transfers and analytics, analytic validations, process validations, evaluation of mutagenic impurities in accordance with ICH guideline M7(R1) on assessment and control of DNA reactive (mutagenic) impurities in pharmaceuticals to limit potential carcinogenic risk, and impurity traceability studies.

Technical and commercial support

In the pre-clinical phase or clinical development phases in particular, the Group provides its customers with technical support to assist the process to develop APIs along with a technical analysis and expert assessment to support the preparation of the regulatory package.

Group products

The Group's portfolio of products comprises 11 families of APIs divided into four categories:[46]

- Complex chemical synthesis molecules including alkaloids, sartans and steroids,[47] molecules used in the treatment of hyperphosphatemia, antihistamines and antipyretics.
- Biochemistry molecules derived from fermentation including anti-infectives, vitamin B12 and its salt derivatives.
- HP-APIs including the prostaglandins.
- Large molecules including peptides and oligonucleotides.

Complex chemical synthesis molecules

Complex chemical synthesis molecules are organic compounds with low to medium molecular weight. They are generally obtained through a chemical route. They are characterized by a small to medium size allowing them to cross cellular membranes to reach intracellular targets and an increasingly complex and technologically sophisticated structure. Most of the complex chemical synthesis molecules can be administered orally, injected or inhaled. The production cost of these molecules varies.

For the year ended December 31, 2022, sales of complex chemical synthesis molecules represented 66.3% of the Group's consolidated revenue. The Group estimates that the potential revenue growth from sales of these molecules is high.

	Group portfolio		Group production sites	Number of customers	Examples of therapeutic use
Families of APIs	**Number of ingredients**	**Examples of ingredients marketed by the Group**			
Steroids	35.0	Prednisolone, Methylprednisolone, Dexamethasone, Hydrocortisone, Spironolactone	Vertolaye	100-300	Hypertension and anti-inflammatories used in the treatment of certain diseases (asthma and eczema)
Alkaloids (non-narcotic opioids and opiates)	20.0	Codeine phosphate, Naloxone hydrochloride, Noscapine, Naltrexone hydrochloride, Apomorphine	-	100-300	Pain and cough, opiate addiction
Sartans	<5	Ibersartan, Olmesartan Medoxomil	Budapest	<10	Heart failure and arterial hypertension
Hyperphosphatemia	<5	Sevelamer	Haverhill	<10	Kidney failure
Antihistamines	<5	Fexofenadine	Frankfurt	10-50	Rhinitis and allergies
Antipyretics	<5	Metamizole sodium, Metamizole magnesium	Frankfurt	10-50	Pain and acute inflammation
Other complex chemical synthesis molecules	~75	Hydroxychloroquine sulfate, Ramipril, Afoxolaner, Glimiperide	Budapest, Frankfurt	100-300	Rheumatoid arthritis and lupus

[46] *Sources: Company information; interviews with experts in the API market conducted in early 2021.*
[47] *Steroids are also partly biochemistry molecules derived from fermentation to the extent that most synthetic pathways include non-chemical synthesis steps.*

Due to the heritage and expertise from its site in Vertolaye, France, the Group is the world leader and the only fully vertically integrated European supplier in the market for the APIs from the following families of key corticosteroids: Prednisolone, Methylprednisolone, Dexamethasone, Hydrocortisone and Spironolactone.[48]

The Group is the world leader in the API market for the following key alkaloids: Codeine and Morphine (opiates), Noscapine and Naltrexone (opioids), and the global leader in the market of Apomorphine and Naloxone (opioids). Primarily through Francopia, a subsidiary of the Company, the Group sells alkaloids used both in the composition (i) of narcotic opiate products and (ii) in non-narcotic opioids primarily used to fight opiate addictions (such as Naloxone Access Laws), which respectively represented 51.8% and 48.2% of the Group's alkaloids sales for the year ended December 31, 2022. During the same year, the principal destination countries for sales of the Group's alkaloids (excluding sales to Sanofi) were France (23.9%), Japan (15.1%), the United States (3.2%) and Canada (5.4%), while sales to Sanofi represented 21.3% of the Group's total alkaloids sales (primarily in France, India, Colombia and Germany). It should be noted that the Group has no exposure to narcotic opiates in the United States and sells only non-narcotic opioids in the country.

Biochemistry molecules derived from fermentation

Biochemistry molecules derived from fermentation vary in size, and have a complex and differentiated structure, with an average production cost. They are administered orally or can be injected. The Group's portfolio of biochemistry molecules derived from fermentation comprises APIs of the family of anti-infectives and the family of vitamin B12 and its salt derivatives. The production of anti-infectives and vitamin B12 uses sophisticated and complex fermentation techniques. On the date of the Universal Registration Document, the Group ranks third in the world market and is the only Western producer of vitamin B12 and its solid salt derivatives.

For the year ended December 31, 2022, sales of biochemistry molecules derived from fermentation represented 15.2% of the Group's consolidated revenue. The Group considers that the potential revenue growth from sales of these molecules is substantial.

	Group portfolio				
Families of APIs	**Number of ingredients**	**Examples of ingredients marketed by the Group**	**Group production sites**	**Number of customers**	**Examples of therapeutic use**
Anti-infectives	10.0	Pristinamycin, Gamithromycin, Rifaximin, Teicoplanin, Rifampicin	Brindisi, Saint-Aubin-lès-Elbeuf, Vertolaye	50-100	Bronchitis, toxoplasmosis in pregnancy and tuberculosis
Vitamin B12	5.0	Cyanocobalamin	Saint-Aubin-lès-Elbeuf	100-300	Vitamin B12 insufficiency for persons following a vegetarian diet and in animal health

[48] *Source: Company's estimates on the basis of market studies conducted by third parties based on the data in public databases (Capital IQ and Orbis), IQVIA statistics listing revenue per API, and interviews with market experts conducted in 2021.*

HP-APIs

HP-APIs are used in very low concentrations (micrograms or nanograms) due to their high level of efficacy that reduces the side effects of the corresponding pharmaceutical specialty. Due to the heritage and expertise of its site in Budapest, Hungary, the Group is the global leader in the market for prostaglandins, which includes Latanoprost, Bimatoprost and Iloprost.[49]

For the year ended December 31, 2022, sales of HP-APIs represented 8.4% of the Group's revenue. The Group estimates that the potential revenue growth from sales of these molecules is relatively limited.

	Group portfolio				
Families of APIs	Number of ingredients	Examples of ingredients marketed by the Group	Group production sites	Number of customers	Examples of therapeutic use
Prostaglandins	15.0	Beraprost, Latanoprost, Limaprost	Budapest	50-100	Systemic or local vasodilators (including for the treatment of glaucoma in ophthalmology)

Large molecules

The Group's portfolio of large molecules contains around five APIs from the peptide and oligonucleotide family manufactured at the Frankfurt site. Peptides and oligonucleotides are molecules of average size, most of which can be injected, with a fairly complex structure. The production cost is high since these molecules are obtained through chemical synthesis, most often following a solid phase, which requires investments in specialized equipment and significant expertise in handling and analyzing such molecules. They combine the characteristics of the complex chemical synthesis molecules (including the possibility of crossing cell membranes) and those of biochemistry molecules derived from fermentation (strong selectivity and reduction of side effects).

For the year ended December 31, 2022, sales of large molecules represented 10.1% of the Group's consolidated revenue. The Group estimates that the potential revenue growth from the sale of these molecules is high.

	Group portfolio			
Families of APIs	Number of ingredients	Examples of ingredients marketed by the Group	Group production sites	Examples of therapeutic use
Peptides and oligonucleotides	~5	Lixisenatide, Lademirsen	Frankfurt	Type 2 diabetes

Organization of the Group

The organization of the Group is based on four components: (i) R&D, (ii) production, (iii) quality and (iv) marketing.

Research and Development

The Research and Development (R&D) teams of the Group include around 370 experienced process developers distributed over the Group's six production sites (see paragraph "Production" of this section); approximately 110 people are dedicated to the CDMO activities and 45% are PhDs or engineers. The Group's goal is to raise the number of employees on its R&D team to about 490 in 2025, including a number of employees in the development teams dedicated to the CDMO activities greater than 250. The Group's R&D capacities are primarily organized around two centers located at the sites in Budapest, Hungary, and Frankfurt, Germany. The R&D programs are developed at the Group's sites in close collaboration with the supply, quality and marketing teams.

The Budapest center, with around 165 employees (with a target of around 200 people by 2025 in order to develop the CDMO activities, in particular in complex chemical synthesis molecules, HP-APIs and lipids), houses chemical development laboratories and production facilities at pilot scale under the conditions stipulated by the GMP. In particular, it specializes in the production of complex chemical synthesis molecules and prostaglandins, due to a dedicated innovation center that supports the growth strategy for prostaglandins (see Section 1.2.3 "Strengths and competitive advantages" of the Universal Registration Document). The R&D capacities at Budapest serve local production and, to a lesser extent, the Vertolaye site. The center also specializes in CDMO activities,

[49] *Source: Company's estimates on the basis of market studies conducted by third parties based on the data in public databases (Capital IQ and Orbis), IQVIA statistics listing revenue per API, and interviews with market experts conducted in 2021.*

from development in the pre-clinical phase to regulatory registration and commercial supply.

The Frankfurt center, with around 120 employees (with a target of around 180 persons by 2025 in order to fully optimize the existing peptides and oligonucleotides production capacity), specializes in CDMO, the production of peptides and oligonucleotides, conjugated molecules and organic synthesis. It benefits from significant engineering capacities and a technological platform. The Frankfurt site also specializes in the search for the most adapted process for manufacturing a molecule (route scouting). The R&D capacities at Frankfurt serve local production and, to a lesser extent, production at the Brindisi site.

Finally, the other 85 R&D employees of the Group (with a target of around 110 people by 2025) are divided among the sites at Brindisi, Saint-Aubin-lès-Elbeuf and Haverhill, which specializes in spray drying, as part of the Group's CDMO activities, and Vertolaye, which houses an expert micronization center.

The Group considers that these capabilities enable its R&D teams to master key elements for its customers, including:

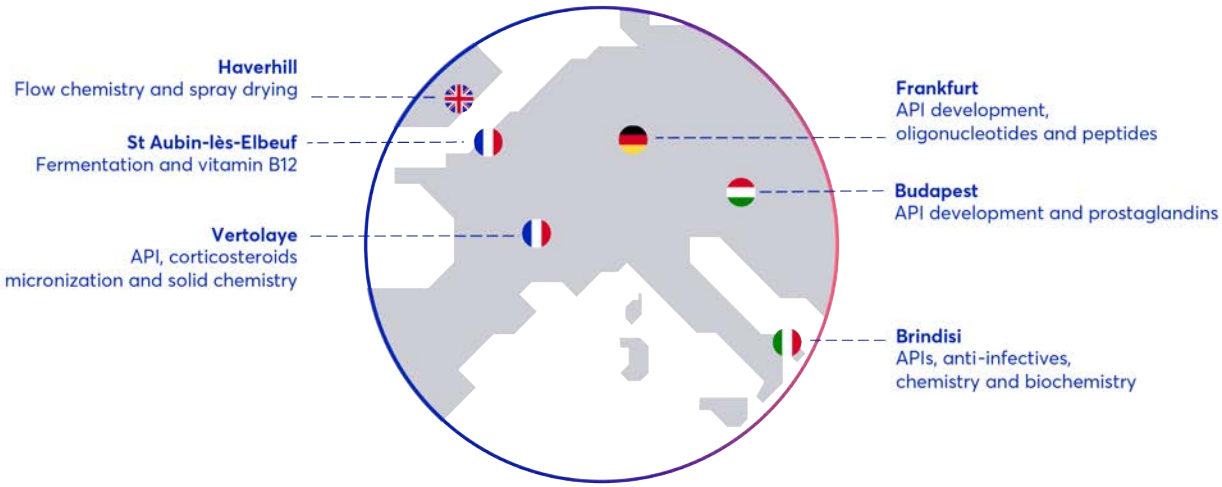
- The R&D activities necessary for the Group's CDMO activities;
- Improvement of the Group's production processes;
- Production of the APIs sold by the Group; and
- The support of experts.

The Group holds a portfolio of 27 patent families, containing approximately 400 patents and 100 pending applications filed by the Sanofi group in France and abroad, which were transferred to the Group in the context of the Prior Reorganization Transactions (see Section 3.1.1 "Description of the Prior Reorganization Transactions" of the Universal Registration Document). These patents and pending applications mainly cover processes to manufacture APIs, particularly for the production of prostaglandins and steroids. The Group also holds a very significant know-how, including business secrets, developed within the Sanofi group and transferred to the Group, concerning the production of APIs, their intermediates and analytic methods.

The Group, which primarily conducts activities to develop and manufacture APIs for its customers, considers that the patents and patent applications transferred are not essential to the pursuit of its economic activities. Even in the event of the expiration or loss of its patents, the Group will be able to continue to draw a competitive advantage from its industrial capacities, its expertise and knowledge in the development and production of APIs and intermediates from synthesis.

Production

The Group relies on a set of six production sites and development centers, all located in Europe.



These sites are industrial sites (chemical and/or pharmaceutical) operated for many years, including five hazardous facilities classified as "SEVESO" (as defined by the SEVESO directive): four are classified as "high threshold" (Vertolaye, Frankfurt, Brindisi and Budapest) and one as "low-threshold" (Saint-Aubin-lès-Elbeuf) (see paragraph 3.2.2 (a) "Risks related to the operation of industrial sites", paragraph 3.2.5 (b) "Risks related to environmental and safety regulations and environmental liabilities" and Section 3.4.3 "Environmental regulations" of the Universal Registration Document).

Vertolaye (France)

The operations at the Group's site in Vertolaye, where the Group employed approximately 679 people as of December 31, 2022, are primarily directed toward the production of hormones, corticosteroids and anti-infectives, and are based on all the technologies required for complex organic syntheses, custom synthesis including low-temperature reactions (up to -70°C), finished product particle engineering with micronization, ability to manufacture APIs dedicated to injectable drug production and a full range of high-pressure chromatography equipment. The Group operates 108 reactors at the site, representing a total volume of 567 m3. During the year ended December 31, 2022, production covered 65 APIs, including Hydrocortisone, Trenbolone acetate and Dexamethasone.

Frankfurt (Germany)

Operations at the Frankfurt site, where the Group had approximately 771 employees as of December 31, 2022, are primarily focused on multi-functional and high capacity chemistry, the production of antipyretics, antihistamines and peptides and oligonucleotides. These operations are based on the technologies for conducting:

- solid phase chemistry for peptides and oligonucletides with freeze-drying capacities,
- large volume organic synthesis with facilities equipped for low-temperature reactions (up to -70°C) and high-pressure hydrogenation
- ability to manufacture product for injectable drugs. The Group operates 165 fine chemistry reactors, representing a total volume of around 865 m3. During the year ended December 31, 2022, 27 APIs were manufactured, including Lixisenatide, Ramipril, Metamizol and Fexofenadine.

Budapest (Hungary)

Operations at the site in Budapest, where the Group employed approximately 935 people as of December 31, 2022, are essentially geared to the production of HP-APIs (majority dedicated to the prostaglandins), sartans and multi-functional chemistry

These operations are based on the technologies required to perform complex organic syntheses and produce injectable drugs. The Group operates 186 reactors at the site, representing a total volume of 448m3. During the year ended December 31, 2022, 55 APIs were produced, including Irbesartan, Olmesartan, Beraprost Sodium and Latanoprost.

Saint-Aubin-lès-Elbeuf (France)

Operations at the site in Saint-Aubin-lès-Elbeuf, where the Group had approximately 302 employees as of December 31, 2022, are primarily focused on the production of vitamin B12 and are based on large-scale fermentation and the technology required to produce injectable drugs. The Group operates 48 reactors (mainly as fermentors), representing a total volume of 3,553m3. During the year ended December 31, 2022, five APIs were manufactured around vitamin B12 and Pristinamycin.

Brindisi (Italy)

Operations at the Brindisi site, where the Group had approximately 208 employees as of December 31, 2022, are essentially focused on the production of anti-infectives and are based on the technologies required to perform large-scale fermentation including ability to manufacture highly active products and APIs to prepare injectable drugs. The Group operates 62 reactors (mainly as fermentors) at the site, representing a total volume of 2,583m3. During the year ended December 31, 2022, 12 APIs were manufactured, including Rifaximin, Rifampicin and Teicoplanin. A strategic plan to refocus the industrial operations at the Brindisi site, approved on December 17, 2021, provides for an increase in the production of vitamin B12 derivatives, the implementation of a program for anti-tuberculosis products and the creation of a specific unit to capture CDMO projects in the initial phase. This plan led to the impairment of certain specific industrial assets that no longer meet the strategic directions taken by the Group. In addition, a social plan based on voluntary departures was announced in January 2022.

Haverhill (United Kingdom)

Operations at the Haverhill site, where the Group employed approximately 255 people as of December 31, 2022, are primarily focused on hyperphosphatemia, spray drying and flow chemistry and on secondary drug packaging activities. The Group operates seven reactors at the site representing a total volume of 22 m3. During the year ended December 31, 2022, a few APIs were manufactured, mainly focused on Sevelamer.

Environmental risks

Finally, due to their age and/or their original location or use, some Group sites or neighboring sites present historical contamination of the soils and/or of underground water (see Section 3.5.2 "Risks related to environmental and safety regulations and environmental liabilities" of the Universal Registration Document). To that end, provisions have been recognized by the Group to cover environmental risks. The amount of provisions for environmental risks at

December 31, 2022 is shown in Note 5.12.1 of the consolidated financial statements in Chapter 4.6. "Consolidated financial statements" of the Universal Registration Document. At December 31, 2022, €45.4 million was provisioned by the Group to address environmental risks, and approximately €29.3 million to address potential restoration costs for leased buildings.

Product quality

The Group considers that quality represents a fundamental pillar of each step in the development and manufacture of its products and services. To achieve this, the Group implements its quality policy throughout the life cycle of the APIs: development, manufacture, distribution and marketing. It ensures the application of quality standards harmonized worldwide in order to comply with regulatory requirements and makes a commitment to provide safe and effective products to its customers.

Quality entity is an independent function. Quality managers are appointed at each site of the Group to deploy, manage and control the implementation of the principles of the company's quality management system in order to ensure the quality of its products and guarantee compliance with the regulations in force.

The quality management system is flexibly designed to include the standards specific to each family of products in the Group's portfolio. In accordance with the principles of risk management and ongoing improvement, this quality management system is constantly adapted in order to anticipate regulatory changes and best meet the company's strategic goals for innovation, simplification and refocusing.

The quality management system is totally aligned with the requirements described in the ICH Q10 Pharmaceutical Quality System guide published by the International Council on Harmonization (ICH). It integrates all the rules of good practices (GMP & GDP) and other regulatory requirements for human and animal health.

The quality policy is the cornerstone of the Group's commitment to regulatory compliance and its customers. With the company, they are the vectors to guarantee full deployment of the Group's quality management principles and forms an important part of the vision of its quality culture.

Marketing

In its API Solutions business, sales coverage of the Group's customers on all continents is based on an organization established in five regions: (i) Northern Europe, (ii) Southern and Eastern Europe, (iii) Japan, (iv) North America and (v) an intercontinental region (ITC) consisting of Latin America, China, Russia, India and the Pacific region. The Group's sales teams have 40 employees who cover the zones and/or countries (placed under the management of the five regions) in which the Group has significant interactions with its customers: Europe, North America, Japan, China, India, Asia-Pacific, Latin America, Russia, Africa and the Middle East.

The Group's sales teams also include key account managers in order to maximize the Group's key partnerships and ensure lasting relationships with its principal customers. The Sanofi account is therefore monitored within the sales department responsible for the API Solutions business by a key account manager and a dedicated team.

In the United States, Japan and China, the Group relies on a local subsidiary in order to market, distribute and sell its products and services in these countries. The North America region is managed by the Group's subsidiary located in the United States, while the subsidiary in China reports to the ITC region.

The Group has also established a branch in Slovakia and a sales office in Russia to market the products of its API Solutions business in Central Europe and Russia.

Within the CDMO activities, the Group's sales organization is established in three regions known as "regulated zones" where the CDMO activity offering is promoted: (i) Europe and the United Kingdom, (ii) North America (United States and Canada) and (iii) Japan and Asia-Pacific. The Group's sales team that cover these three regions have 15 employees; they are composed of business getters who watch the market and competitors and prospect the companies in which an interest in the Group's CDMO activities has been detected. The business is then monitored by business developers who also ensure sales follow-up for the customer throughout the collaboration. Special sales tracking is set up for large-scale, significant collaborations with a customer of the Group through a member of the sales team dedicated to this customer.

Euroapi - Brindisi (Italy)

2

CORPORATE GOVERNANCE

2.1 ADMINISTRATIVE, MANAGEMENT, SUPERVISORY AND EXECUTIVE MANAGEMENT BODIES

The Company was established as a French simplified joint-stock company (*société par actions simplifiée*).

On March 30, 2022, the sole shareholder of the Company decided to transform the Company into a French public limited company (*société anonyme*) with a Board of Directors, subject to the approval by Sanofi's combined annual shareholders' meeting held on May 3, 2022, of the distribution of approximately 58% of the outstanding shares of the Company by Sanofi to its shareholders (the "Distribution in Kind").

On May 3, 2022, the Distribution in Kind was approved by Sanofi's combined annual shareholders' meeting.

On May 4, 2022, the Board of Directors approved the transformation of the Company into a French public limited company (*société anonyme*).

This chapter includes a portion of the report of the Board of Directors on the corporate governance provided for in Article L. 225-37 of the French Commercial Code (the "Corporate Governance Report").

The other portion of the Corporate Governance Report is in Section 6 "Share capital and shareholding structure of the Company".

A description of the principal provisions of the Articles of Association governing the Board of Director (the "Board Charter") , as well as a summary description of the principal provisions of the Board Charter and the committees of the Board are provided in Chapter 7.4 "*Memorandum and Articles of Association*" of the Universal Registration Document.

This report was approved by the Board of Directors on March 7th, 2023 following the examination by the relevant Board's committees and was shared with the Statutory Auditors.

2.1.1 Information about the Board of Directors and the Executive Management

(a) Composition of the Board of Directors

As at the filing date of the Universal Registration Document, the Board of Directors comprised 13 members, including two employee representatives, as described below:

	Personal information				Expe-rience		Position on the Board			Board committees [7]		
	Age	Gender	Nationality	Number of shares	Number of offices in listed companies	Independence (within the meaning of the AFEP-MEDEF Code)	First appointment	Terms expires	Years of service on the Board (in months)	Audit committee	Nomination and remuneration committee	ESG committee
Viviane Monges, Chair of the Board of Directors	59	F	French	22,250.00	3	✓	May 4, 2022	2026 AGM	11			■
Karl Rotthier, CEO	56	M	Belgian	26,775.00	0	✖	May 4, 2022	2026 AGM	11	-	-	-
Elizabeth Bastoni	57	F	American	N/A	4	✓	May 6, 2022	2026 AGM	11	■	■	
Emmanuel Blin	53	M	French	500.0	0	✓	May 6, 2022	2026 AGM	11		■	■
Jean-Christophe Dantonel	51	M	French	N/A	0	✖	May 6, 2022	2026 AGM	11			
Cécile Dussart	58	F	French	N/A	0	✓	May 6, 2022	2026 AGM	11			■
Claire Giraut	66	F	French	N/A	0	✓	May 6, 2022	2026 AGM	11	■		
Adeline Le Franc[1]	50	F	French	28,298,074.00	0	✖	May 4, 2022	2026 AGM	11	■		
Rodolfo J Savitzky	60	M	Swiss Mexican	N/A	0	✓	September 1, 2022	2026 AGM	8	■		
Guillaume Mortelier[2]	45	M	French	11,283,226.00	0	✖	February 22, 2023	2026 AGM	1		■	
Marie-Isabelle Penet [3]	55	F	French	N/A	0	✖	July 4, 2022	2023 AGM[5]	8	-	-	-
Kevin Rodier[4]	38	M	French	N/A	0	✖	July 7, 2022	2024 AGM	8	-	-	-
Mattias Perjos [5]	50	M	Swedish	1500.0	1	✓	January 11, 2023	2026 AGM	3			

(1) Member representing Sanofi Aventis Participations.
(2) Member representing Bpifrance Investissement, appointed as of February 22, 2023, to replace Benajmin Paternot, member representing Bpifrance Investissement, who resigned as of February 22, 2023.
(3) Member representing employees. Marie-Isabelle Penet was appointed for a renewable term of one year, which will expire when a European Social and Economic Committee is set up.
(4) Member representing the employees.
(5) Mattias Perjos was coopted as of January 11, 2023, to replace Corinne Le Goff who resigned from her directorship as of January 11, 2023.

Legend: ■ for member or ■ for chair.

Changes in the composition of the Board of Directors

The table below presents the changes in the composition of the Board of Directors and its committees from the date of the admission to trading of the Company's shares on the regulated market of Euronext Paris to the date of this Universal Registration Document.

In 2022:

	Departure	Arrival	Renewal
Board of Directors		Rodolfo J. Savitzky (September 1, 2022) Marie -Isabelle Penet (July 4, 2022) Kevin Rodier (July 7, 2022)	
Audit committee			
Nomination and remuneration committee			

In 2023:

	Departure	Arrival	Renewal
Board of Directors	Corinne le Goff (January 11, 2023) Benjamin Paternot, representative of Bpifrance Investissement (February 22, 2023) Jeaan-Christophe Dantonel (April 30, 2023)	Mattias Perjos (January 11, 2023) Guillaume Mortelier, representative of Bpifrance Investissement (February 22, 2023)	
Audit committee		Rodolfo Savitzky (January 11, 2023)	
Nomination and remuneration committee	Benjamin Paternot, representative of Bpifrance Investissement (February 22, 2023)	Guillaume Mortelier, representative of Bpifrance Investissement (February 22, 2023)	

(b) Profile, experience and expertise of members of the Board of Directors

The profiles, experience and expertise of each of the directors are set out below, as well as the offices held by the members of the Company's Board of Directors over the past five years:

Name: Viviane Monges

Age and nationality:
59, French

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
22,250

Membership on Board committees:
ESG committee (Member)

Summary of the main areas of expertise and experience:
Viviane Monges has more than 30 years of experience as a Finance Executive in the Pharmaceutical industry. She has held several regional and Global CFO positions for Wyeth/Pfizer , Novartis OTC and Galderma, in Europe and in the US.
Throughout her carrier she has focused on Business growth, Operational efficiency, External acquisitions and licensing. Since 2017 she is now dedicating herself to board assignments and serves on the Board of Novo Holdings, UCB, ADC Therapeutics, Pharvaris.
In 2021 she took charge of building the board of EUROAPI, spin off company of Sanofi, dedicated to API manufacturing and CDMO services. She is Chair of the Board since the listing on EURONEXT in May 2022.

Main activities outside the Company:
N/A

Current offices:

– *Offices and positions in Group companies*
N/A

– *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*

UCB(i), member of the Board of Directors and audit committee
Novo Holdings, Member of the Board of Directors
ADC Therapeutics(i), member of the Board of Directors and chair of the audit committee
Pharvaris(i), member of the Board of Directors and Chair of the audit committee

Offices that have expired in the past five years:
Voluntis[(1)], member of the Board of Directors and Chair of the audit committee
Idorsia Pharmaceutical[(1)], member of the Board of Directors, and the audit and compensation committees
DBV Technologies[(1)], member of the Board of Directors and Chair of the audit committee

(1) Listed company.

Name: Karl Rotthier

Age and nationality:
56, Belgian

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
26,775

Membership on Board committees:
N/A

Summary of the main areas of expertise and experience:
Karl Rotthier brings solid experience in the API and CDMO sectors. During his 29-year international career, particularly in the Netherlands, Germany, Austria, Belgium and Singapore, he successfully led several operational carve-outs and spin-offs. He served nine years at Centrient Pharmaceuticals (formerly DSM Anti-Infectives, also named DSM Sinochem Pharmaceuticals as of 2012), first as Chief Operating Officer for two years, then as Chief Executive Officer for six years. Prior to that, he was with DSM Pharmaceutical Products for six years, first as Director Business Projects – Excellerate Program, Business Unit Director Exclusive Synthesis, which was the CDMO unit of DSM, and then as Business Unit Director Europe (Americas, DSM Anti-Infectives).

Main activities outside the Company:
N/A

Current offices:

— *Offices and positions in Group companies*
N/A

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*
N/A

Offices that have expired in the past five years:
Centrient Pharmaceuticals, Chief Executive Officer from 2014 to 2020

Name: Sanofi Aventis Participations, represented by Adeline Le Franc

Age and nationality:
50, French

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
28,298,074

Membership on Board committees:
Audit committee (Member)

Summary of the main areas of expertise and experience:
Before becoming Chief Financial Officer of the Consumer Health Business (CHC) within the Sanofi group, Adeline Le Franc held various positions within Sanofi in areas such as market studies, international pricing, R&D control, commercial control, strategic planning and financial management of industrial business. Through these experiences, Adeline Le Franc acquired in-depth expertise in the pharmaceutical industry: an understanding of the production chain and the regulatory context, knowledge of the market and the global competitive environment, strategic approaches and project management.

Main activities outside the Company:
Sanofi CHC CFO

Current offices:

— *Offices and positions in Group companies*
N/A

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*
N/A

Offices that have expired in the past five years:
N/A

Name: Elizabeth Bastoni

Age and nationality:
57, American

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
N/A

Membership on Board committees:
Nominations and compensation committee (Chair)
Audit committee (Member)

Summary of the main areas of expertise and experience:
Elizabeth Bastoni began her career in international taxation at KPMG in Europe. She then held executive positions with international groups such as The Coca-Cola Company, Carlson and Thales. Due to her work in the consumer, hotel and technology sectors, Elizabeth Bastoni has expertise in governance and management and assists boards of directors and executives in establishing their business and social strategies.

Main activities outside the Company:
N/A

Current offices:

— *Offices and positions in Group companies*
N/A

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*
Limeade, Inc[1] Chairman of the Board of Directors and Chair of the nominations and compensation committee
CNH Industrial[1] independent director, Chair of the Human Capital Committee, and member of the ESG Committee
BIC SA[1], independent member of the Board of Directors and Chair of the compensation committee and the nominations, governance and ESG committee
Jerónimo Martins[1], independent member of the Board of Directors and member of the audit committee

Offices that have expired in the past five years:
N/A

(1) Listed company.

Name: Claire Giraut

Age and nationality:
66, French

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
N/A

Membership on Board committees:
Audit committee (Chair)

Summary of the main areas of expertise and experience:
Claire Giraut is an agronomy engineer and is a graduate of the Institut National Agronomique in Paris. She began her career by holding various positions, mostly in finance, within the Sanders group and then the Serete group. She then served as Chief Financial and Communication Officer of Coflexip Stena Offshore (listed company), then with the offshore branch of Technip after the acquisition of Coflexip. She then served as Executive Vice President and Chief Financial Officer at Ipsen, where she led the IPO, then served as Chief Financial Officer at Europcar. In her latest executive position, she was Chief Financial, Purchasing and IS Officer at BioMérieux (listed company). Claire Giraut has expertise in financial and accounting matters.

Main activities outside the Company:
Claire Giraut is Chair of the Finance Commission of Institut Curie.

Current offices:

— *Offices and positions in Group companies*
N/A

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*

N/A

Offices that have expired in the past five years:
Member of the Board of Directors and Chair of the Audit committee of DBV Technologies(1)
Julius Baer Group Ltd, member of the Board of Directors and of the Audit Committee, Chair of the Innovation and Development committee.
Bank Julius Baer & Co, member of the Board of Directors

(1) Listed company.

Name: Cécile Dussart

Age and nationality:
58, French

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
N/A

Membership on Board committees:
ESG committee (Chair)

Summary of the main areas of expertise and experience:
Ms. Cécile Dussart has been Vice President and Global Operations Director of Galderma from 2013 to 2022. She develops and deploys the strategic roadmap for operations, focused on Galderma's transformation program, including maintaining the quality and safety culture. She joined Galderma in 2005 as Human Resources Director of the Operations Division, before taking over the management of the Alby-sur-Chéran plant in France in 2008. Prior to joining Galderma, Ms. Dussart worked at Roche for more than eight years, where she held the positions of Global Brand Manager and Human Resources Manager. She started her career as a Brand Manager at Sanofi in 1990. She studied pharmacy at the University of Paris XI and holds a Master in Pharmaceutical Marketing from ESCP Europe. She also studied at IMD Business School in Switzerland and at INSEAD in France.

Main activities outside the Company:
N/A

Current offices:

— *Offices and positions in Group companies*
N/A

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*
N/A

Offices that have expired in the past five years:
N/A

Name: Emmanuel Blin

Age and nationality:
53, French

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
500

Membership on Board committees:
Nominations and compensation committee (Member)
ESG committee (Member)

Summary of the main areas of expertise and experience:
Emmanuel Blin is the founder and Chairman-Chief Executive Officer of Tech Care for All (TC4A), a social impact company with the goal of accelerating digital health in Africa and Asia as a key factor in improving health results in underserved communities. His vision is to establish a link between innovation in digital health in the United States, Asia, Europe and Africa and the many health needs that are not met in Africa and Asia. His current commitment to world health makes him particularly sensitive to ESG imperatives.
Mr. Blin formed Tech Care for All (TC4A) in 2017 after 20 years spent in the pharmaceutical industry. He is a former member of the executive committee of Bristol-Myers Squibb, where he was director of strategy and co-director of marketing, after conducting a series of missions at the head of national and regional operations in Europe, Asia and on the American continent. He brings extensive experience in the pharmaceutical industry, in sales, public affairs and strategy.
Mr. Blin is president of Aignostics, a Berlin company specializing in artificial intelligence in oncology, where he has discovered new frontiers in pharmaceutical R&D.
He is a graduate of ESSEC in Paris and completed the general management program at INSEAD-CEDEP. He lives in Brussels, Belgium with his wife and four children.

Main activities outside the Company:
Founder and Chairman-Chief Executive Officer of Tech Care for All (TC4A)

Current offices:

— *Offices and positions in Group companies*
N/A

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*
UBEES Inc., member of the Board of Directors
Aignostics GmbH, Chair and member of the Board of Directors

Offices that have expired in the past five years:
Noona Healthcare, Chair and member of the Board of Directors

Name: Bpifrance Investissement, represented by Guillaume Mortelier

Age and nationality:
45, French

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
11,283,226

Membership on Board committees:
Nominations and compensation committee (Member)

Summary of the main areas of expertise and experience:
Guillaume Mortelier is a graduate of the Ecole Polytechnique and the Ecole Nationale des Ponts et Chaussées.

Guillaume Mortelier began his career in 2003 at Bain & Company in Paris and San Francisco where he led business development missions in Europe and North America. Between 2007 and 2012, he made equity investments in French SMEs within the Astorg Partners fund and then in companies abroad (mainly in the Mediterranean and China) within Proparco.
In September 2012, Guillaume Mortelier joined CDC Entreprises, a constituent entity of Bpifrance, where he was appointed Director of Development and then Director of Strategy and Development in 2014. In December 2017, he became a member of the Mid & Large Cap Management Committee, in charge of creating and managing the International Build-up Fund.
Guillaume Mortelier was appointed Executive Director in charge of Support on August 1, 2018.

Main activities outside the Company:
Executive Director of Bpifrance in charge of advisory services

Current offices:

— *Offices and positions in Group companies*
N/A

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*

N/A

Offices that have expired in the past five years:
N/A

Name: Jean-Christophe Dantonel

Age and nationality:
51, French

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
N/A

Membership on Board committees:
N/A

Summary of the main areas of expertise and experience:
Jean-Christophe Dantonel is Director of the Health and Biotechnology program at the General Secretariat for Investment.
Trained at the Ecole Normale Supérieure de Lyon, Jean-Christophe Dantonel obtained his doctorate summa cum laude at the University of Strasbourg in 1999. He joined the Institut National de la Santé et de la Recherche Médicale (Inserm) in 2001, to pursue a scientific career devoted to cancer proliferation. His work has been published in several prestigious scientific journals such as Nature or Molecular Cell.
After a Master of Business Administration at the Institut d'études politiques de Paris, he joined, in 2007, the cabinet of the Minister in charge of Higher Education and Research as Advisor for life sciences and biotechnologies.
In 2010, he joined the founding team of the General Secretariat for Investment to implement the Health axis of the Future Investment Program. In 12 years, more than 400 projects in the health and biology sector have been selected and funded for more than €4 billion. During the Covid crisis, he was assigned by the Prime Minister to lead the negotiations for pre-orders of Covid vaccines.

Main activities outside the Company:
Director of the Health and Biotechnology program at the General Secretariat for Investment.

Current offices:

— *Offices and positions in Group companies*
N/A

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*
N/A

Offices that have expired in the past five years:
N/A

Name: Rodolfo J Savitzky

Age and nationality:
60, Swiss, Mexican

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
N/A

Membership on Board committees:
Audit Committee (Member)

Summary of the main areas of expertise and experience:
Rodolfo Savitzky holds a Bachelor's degree in Industrial and Systems Engineering from the Monterrey Institute of Technology (ITESM) in Mexico, as well as advanced degrees in Economics and Finance from the Autonomous Institute of Technology of Mexico (ITAM), complemented by an MBA from the University of Chicago (Booth School of Business) in the United States. With P&G, he worked in Mexico and then was transferred to Switzerland. He later took on regional functions (Finance Director for the Beverage Division in Europe, then for the Beauty Care Division in Latin America). In 2002, he joined the Pharmaceutical Division of Novartis, first as Head of Finance for the Ophthalmic Division, then as Head of the Strategic Planning and Analysis Group. He was subsequently appointed CFO of the Animal Health Division. In 2015, Rodolfo left Novartis and joined Lonza, where he became CFO and member of the Executive Board in 2016. At the end of 2021, he left Lonza and joined SoftwareONE as CFO and member of the Executive Board.

Main activities outside the Company:
Member of the Unilabs Board of Directors from June 2021 to March 2022, following the closing of the sale of Unilabs to A.P. Moeller.

Current offices:

— *Offices and positions in Group companies*
N/A

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*
N/A

Offices that have expired in the past five years:
Unilabs, Member of the Board of Directors and Chairman of the Audit Committee

Name: Mattias Perjos[(1)]

Age and nationality:
50, Swedish

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025

Shares held:
1500

Membership on Board committees:
N/A

Summary of the main areas of expertise and experience:
Mattias Perjos is currently President and Chief Executive Officer of Getinge, a listed company on the Stockholm Stock Exchange, which he joined in 2017. He previously held the CEO position at Coesia IPS Division and Coesia International (2012-2017). Prior to that, Mattias Perjos was CEO of Flexlink (2006-2016) and held other leading roles within the group which he joined in 1998. A Swedish citizen, Mattias Perjos holds a Master of Science in Industrial Engineering and Management.

Main activities outside the Company:
President and Chief Executive Officer of Getinge*

Current offices:

— *Offices and positions in Group companies*
N/A

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*
President and Chief Executive Officer of Getinge

Offices that have expired in the past five years:
N/A

(1) Appointed by cooptation, subject to the ratification by the Annual General Meeting on May 11, 2023.

Name: Marie-Isabelle Penet

Age and nationality:
55, French

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2023

Shares held:
N/A

Membership on Board committees:
N/A

Summary of the main areas of expertise and experience:
Marie-Isabelle Penet is currently Global Senior Process Manager at EUROAPI and has a deep knowledge of process engineering. She began her career at the Centre National de la Recherche Scientifique (CNRS-French National Centre for Scientific Research) before moving to Altran as an engineer. She then became laboratory head at Rhône-Poulenc before taking roles of increasing responsibilities at Sanofi. Marie-Isabelle Penet is an engineer in Chemical Engineering by training (ENSIC school) and holds a PhD in Fluid Mechanic. She is also certified in project economic assessment and as such a member of the Société Française pour l'avancement du Management de Projet (French Society for the Advancement of Project Management). She is a member of the board of the Advanced Process Engineering commission of the Société Française de Génie des Procédés (SFGP-French Society of Process Engineering).

Main activities outside the Company:
N/A

Current offices:

— *Offices and positions in Group companies*

Global senior process manager

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*
N/A

Offices that have expired in the past five years:
N/A

Name: Kevin Rodier

Age and nationality:
38, French

Term of office:
Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2023

Shares held:
N/A

Membership on Board committees:
N/A

Summary of the main areas of expertise and experience:
Kevin Rodier is currently the HSE QT correspondent at the “120” workshop in EUROAPI Vertolaye (Puy-de-Dôme), a site where he has 16 years' seniority. After a year spent in the "Operational Excellence" department, he returned to the "Production" department. Kevin Rodier began his career as a production technician before becoming a supervisor in various workshops. He holds a Brevet de Technicien Supérieur (BTS) in chemistry.

Main activities outside the Company:
N/A

Current offices:

— *Offices and positions in Group companies*

HSEQT in production

— *Offices and positions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, foreign unlisted companies)*
N/A

Offices that have expired in the past five years:
N/A

(c) Governance structure/ Executive management/Chair of the Board and Chief Executive Officer

In accordance with the terms of Article 16 of the Company's Articles of Association, the Board of Directors has the option to separate the offices of Chair of the Board of Directors and Chief Executive Officer of the Company.

On May 4, 2022, the Board of Directors decided to separate the offices of Chair of the Board of Directors and Chief Executive Officer. Viviane Monges is Chair of the Board of Directors, and Karl Rotthier is Chief Executive Officer of the Company.

(d) Powers of the Chair and the Chief Executive Officer

The Chair organizes and directs the work of the Board of Directors, and is accountable for this to the shareholders' meeting. The Chair ensures that the Company's management bodies operate properly and in particular that the directors are capable of fulfilling their duties.

The Chair shall not be over the age of 70.

The Chief Executive Officer shall have the broadest powers to act in all circumstances on behalf of the Company, subject to powers expressly granted by law to the Board of Directors and shareholders' meetings, and to the limitations below.

Prior approval from the Board of Directors acting by a simple majority of its members present or represented (the amounts mentioned below are amounts exclusive of tax) shall be required for the following:

- the approval or modification of the Group's strategic model;
- the approval or modification of the orientation of the Company and the companies it controls (annual budget and medium-term business plan of the Group);
- any acquisition, joint venture or other long-term partnership/collaboration (excluding agreements concluded with customers or suppliers in the normal course of business) or any material change in the shareholding of another company:
  i. other than those with a value of less than €10 million for transactions relating to a previously authorized strategy;
  ii. other than those with a value of less than €2 million for transactions not related to a previously authorized strategy;
- any divestment or sale (including sale of a business or transfer of key assets), termination of joint ventures or other long-term partnerships (excluding agreements entered into with customers or suppliers in the normal course of business) representing net revenue or net carrying amount greater than 10 million euros;
- any merger, spin-off or partial contribution of assets relating to the Company or any significant subsidiary, in each case for a unit value greater than €10 million;
- any capital expenditure commitment or other liability (actual or contingent) greater than €10 million if it relates to a previously authorized strategy;
- any capital expenditure commitment or other liability (actual or contingent) greater than €2 million if it does not relate to a previously authorized strategy;
- any divestment or sales of assets with a net carrying amount of more than €1 million;
- the conclusion, modification or termination of any commercial contract with an annual or cumulative value of more than €50 million or with a term of more than five (5) years;
- the introduction or modification of any retirement plan or any reorganization of the workforce entailing a total cost to the Group of more than €25 million;
- the adoption or modification of any bonus, profit-sharing or other equivalent arrangement for any member of the Executive Committee;
- the introduction or modification of stock option plans or free share plans of the Company or any Group company (or any other similar instrument) for the benefit of the Group's executive officers and/or employees or certain categories of them;
- the delisting of the Company;
- any decision to initiate, or to settle, as plaintiff or defendant, litigation, arbitration or other legal proceedings with a value of €25 million or more per proceeding or which may have a significant impact on the Group's reputation;
- the implementation of any insolvency, dissolution or liquidation proceedings (or any similar proceedings in each applicable jurisdiction), in respect of the Company or its significant subsidiaries;
- the application for listing or delisting of debt securities with a value of more than €100 million;
- any significant decision or modification relating to the Company's existing significant financing documentation, including taking any action or refraining from taking any action that would result, or could reasonably be expected to result, in a breach of the existing significant financing documentation;

- entering into or amending any borrowing or debt transaction in any form (including factoring and leasing) greater than €25 million, except for: (i) intra-group borrowings; or (ii) drawings under any existing group revolving credit facility for working capital purposes;
- the creation or modification of any encumbrance, assignment, lease, rental or granting of any security interest by way of guarantee or otherwise in all or part of the group's assets, including real estate or intellectual property rights, except those: i) related to the provision of goods and services in the ordinary course of business, including supplier factoring and supply chain financing; or ii) with a value of less than € 50 million; and
- any issuance of financial guarantees or parent company guarantees in excess of an aggregate amount of €25 million.

(e) Role and duties of the Board of Directors

The Board has the roles and powers conferred upon it by law, the Company's Articles of Association, and the Board Charter. The Board of Directors is the governing body of EUROAPI.

The Board, in particular:

- determines the orientations of the Company's business and in particular its strategy and ensures their implementation, including with regard to the CSR objectives set by the Company;
- subject to the powers expressly attributed to the shareholders' meetings and within the limits of the corporate purpose, deals with any issue concerning the proper operation of the Company, settles matters concerning it and carries out any controls and verifications it deems appropriate;
- appoints the Chair of the Board, the Chief Executive Officer and the Deputy Chief Executive Officers and sets their compensation, if any;
- authorizes the agreements and commitments referred to in Articles L. 225-38 and L. 225-42-1 of the French Commercial Code;
- periodically reviews the succession plan for the Company's executive officers drawn up by the nominations and compensation committee;
- proposes the appointment of the statutory auditors to the shareholders' meeting;
- prepares the Board's report on corporate governance and internal control; and
- prepares the draft resolutions referred to in Article L. 225-37-2 of the French Commercial Code and the related report.

The Board ensures the quality of the information provided to shareholders and markets.

(f) Term of office of members of the administrative, management or supervisory bodies

The term of office of directors is four (4) years. The term of office of a director expires at the end of the ordinary shareholders' meeting called to approve the financial statements for the previous financial year and held in the year in which the term of office of the director expires.

As an exception, the term of office of certain directors may be shorter under the following conditions:

- for the sole purpose of implementing or maintaining the rotation of the terms of directors, if possible, by thirds every year, the ordinary shareholders' meeting may elect one or more directors to a term of one (1) year, two (2) years or three (3) years;
- in order to be able to take into account the elections of the employee scope which will take place at the end of 2023, the first term of office of the first director representing the employees will be for two (2) years;
- the second director representing the employees as designated in article 12.3 of the Board Charter is appointed for a period of one (1) year, renewable, as long as a European Social and Economic Committee (*Comité Social et Economique* – CSE) has not been set up.

The number of directors who are over 70 years of age may not exceed one third of the directors in office. If this limit is exceeded during the term of office, the oldest director is automatically deemed to have resigned at the end of the next shareholders' meeting.

With respect to the current term of office of the directors which is four years for each director (except for directors representing the employees), please refer to Section 2.1.3. "Declaration of compliance with the corporate governance system in force".

(g) Diversity policy applied to the Board of Directors and management bodies

Criteria	Policy and targets	Implementation and results achieved
Age of Directors	◦ Staggered terms ◦ No more than one-third of Directors over the age of 70	◦ Staggered terms to be implemented at the next renewal of the Board of Directors, at 2026 shareholders' meeting ◦ Targets achieved, given that no Board members are over 70 years old and the average age on the Board at 31 December 2022 was 53 years old
Balanced representation of women and men	◦ Compliance with provisions of Articles L. 225-18-1 and L. 22-10-3 of the French Commercial Code providing for a balanced representation of women and men on the Board of Directors of companies whose shares are admitted to trading on a regulated market. ◦ In addition, under Board Charter, Board committees are also subject to gender balance representation of women and men. ◦ Improving gender balance at the level of executive management positions.	45% as of the date of the URD of Directors were women. All committees are chaired by women (audit committee, nomination and remuneration committee and ESG committee). 21% of executive management are women.
Nationalities - International profiles	The Board ensures that its composition and that of its committees are balanced, by taking steps to ensure that its missions and those of its Committees are carried out with the necessary independence, competence and objectivity.	The Board has five different nationalities (French, American, Swiss, Belgian and Swedish). Four members of the Board of Directors are foreign nationals. The majority of Directors have international careers and responsibilities.
Independence of Directors	The Board ensures that the proportion of independent members is at least half on the Board, at least two-thirds on the Audit Committee and more than half on the nomination and remuneration committee.	As at the date of the Universal Registration Document: ◦ 63% of Directors are considered as independent at the Board of Directors ◦ 75% of Directors are considered as independent at the Audit committee ◦ 66% of Directors are considered as independent at the Nomination and remuneration committee ◦ 100% of Directors are considered as independent in the ESG committee
Qualifications and professional experience	Search for complementarity in the expertise and experiences of Directors related to EUROAPI's strategy and development.	The Board of Directors, alongside the nominations and remuneration committee, believes that the expertise of the Directors fulfills EUROAPI's challenges.

(h) Independent directors of the Board of Directors

The Company applies criteria of independence as expressed in the AFEP-MEDEF Code (see table hereunder). A member of the Board of Directors is considered "independent" when she/he has no relationships of any kind with the Company, its Group or its Management, which could impair the free exercise of her/his judgement.

Therefore, the Board of Directors and the nomination and remuneration committee use the following criteria to assess the independence of Directors in their annual review as well as in the event of a cooptation, an appointment or a renewal.

The Board of Directors, during its meeting of March 7, 2023, reviewed the analysis of the nominations and compensation committee regarding the independence of directors, according to the criteria of the AFEP-MEDEF Code.

After having debated it, the Board of Directors confirmed the independent capacity of the following seven members out of the eleven that composed the Board of Directors (it being specified that directors representing employees are not taken into account), i.e., Viviane Monges (Chair of the Board), Elizabeth Bastoni, Claire Giraut, Cécile Dussart, Emmanuel Blin, Mattias Perjos and Rodolfo Savitzky are independent members on the Board of Directors.

- Criterion 1: Not be and not have been within the previous five years:
  - an employee or executive officer of the Company;
  - an employee, executive officer or Director of an entity consolidated within the Group;
  - an employee, executive officer or Director of the Company's parent company or a company consolidated within this parent company.

- Criterion 2: Not be an executive officer of a company in which the Company (currently or within the last five years) holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the Company holds a directorship.
- Criterion 3 : Not be a customer, supplier, commercial banker, investment banker or consultant:
  - that is significant to the Company or its Group;
  - or which the Company or its Group represents a significant portion of its activity.
- Criterion 4: Not have close family ties with a company officer.
- Criterion 5: Not have been a company Auditor within the previous five years.
- Criterion 6: Not have been a company Director for over 12 years. Independent Director status is lost on the date of the 12th anniversary.
- Criterion 7: A non-executive officer cannot be considered independent if he or she receives variable compensation in cash or securities or any compensation linked to the performance of the Company or Group.
- Criterion 8: Directors representing major shareholders in the Company or its parent company may be considered independent, provided these shareholders do not have control over the Company. Nevertheless, in excess of 10% of the share capital or voting rights, the Board, upon a report from the nomination and remuneration committee, should systematically review independence in the light of the shareholding structure and the existence of a potential conflict of interest.

Criteria [1]	Viviane Monges	Karl Rotthier	Elizabeth Batsoni	Emmanuel Blin	Jean-Christophe Dantonel	Cécile Dussart	Claire Giraut	Adeline Le Franc (Sanofi Aventis Participations)	Guillaume Mortelier (Bpifrance Investissement)	Mattias Perjos	Rodolfo Savitzky
Criterion 1: Corporate officer during the previous five years	✓	✖	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 2: Cross directorships	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 3: Significant business relations	✓	✓	✓	✓	✓	✓	✓	✖	✓	✓	✓
Criterion 4: Family ties	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 5: Statutory auditor	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 6: Term of office greater than 12 years	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 7: Status of non-executive corporate officer	✓	✖	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 8: Major shareholder status	✓	✓	✓	✓	✖	✓	✓	✖	✖	✓	✓
	Independent		Independent	Independent		Independent	Independent			Independent	Independent

(1) In this table, ✓ indicates that an independence criterion is met and ✖ indicates that an independence criterion has not been met.

(i) Selection process for candidates as Directors

The nomination and remuneration committee has a remit to implement a selection process for future Board members.

The committee, in close collaboration with the Board of Directors' Chair, prepares the list of recommendations to the Board, taking into account the following criteria: (i) balance of the composition of the Board of Directors regarding the composition and the evolution of the shareholding of the Company, (ii) number of independent Directors targeted, (iii) gender balance between women and men requested by law, (iv) the opportunity to renew terms of office and (v) integrity, competencies, experience and independence of each candidate.

(j) Employee representatives

Pursuant to the provisions of Article L. 225-27-1 and Article L. 22-10-7 of the French Commercial Code, the Articles of Association of the Company provide for the appointment of two directors representing employees on the Board of Directors (see Section 7.4 "Memorandum and Articles of Association" of the Universal Registration Document). The second director representing employees was appointed by the European ESC, in accordance with Article L. 225-27-1, III, 4° of the French Commercial Code (*Code de commerce*). In the absence of an European ESC, the second director representing employees as designated in Article 12.3 of the Articles of Association was appointed for a renewable period of one year, which will expire when a European ESC has been set up.

The Board of Directors' meeting held on August 29, 2022 acknowledged the appointment of the two directors representing the employees, Marie-Isabelle Penet for a period of one year, renewable, as long as a European Social and Economic Committee (*Comité Social et Economique* – CSE) has not been set up, and Kevin Rodier for a period of two years. The CSE is expected to be set up at the end of 2023.

(k) Succession plan

The nomination and remuneration committee has the remit to put in place a succession plan for corporate officers. This includes:

- short term: unexpected succession (resignation, incapacity, death);
- medium term: accelerated succession (poor performance, lack of management); and
- long term: planned succession (retirement, end of the term of office).

The nominations and remuneration committee provides the Board with progress reports, in particular at executive sessions, and works closely with the Chair and the Chief Executive Officer to ensure overall consistency of the succession plan and to ensure a continuity in the key positions

2.1.2 Declaration of Directors

(a) Statements concerning the members of the Board of Directors and the executive corporate officers

To the best of the Company's knowledge, over the past five years: (i) no director or executive corporate officer of the Company has been convicted of fraud; (ii) no director or executive corporate officer has been associated with a bankruptcy, protection, liquidation or receivership; (iii) no charge and/or official public sanction has been brought against a director or executive corporate officer of the Company by a court or regulatory authority (including recognized professional bodies); and (iv) no director or executive corporate officer of the Company has been stripped by a court of the right to serve as a member of an administrative, management or supervisory body of an issuer or to manage or conduct business for an issuer of securities.

(b) Conflicts of interest at the level of the administrative, management and executive management bodies

To the best of the Company's knowledge, there are no potential conflicts of interest between the duties of the members of the Board of Directors or executive corporate officers of the Company and their private interests as of the date of the Universal Registration Document.

As of the date of the Universal Registration Document and to the Company's knowledge, there are no restrictions accepted by the members of the Board of Directors concerning the sale of their equity interest in the Company's share capital, with the exception of the rules relating to the prevention of insider trading and the recommendations of the AFEP-MEDEF Code that impose an obligation to retain shares. As an exception, the Chief Executive Officer purchased from Sanofi a number of shares of the Company for an amount of €360,000 (see Section 2.3.4 "Compensation payable for 2022 to Karl Rotthier Chief Executive Officer" below).

The Company and its subsidiaries have executed with Sanofi and its subsidiaries certain agreements related to the manufacture, supply, distribution and development of certain APIs, intermediates and other substances, the provision of services, as well as licensing agreements (see Section 3.1.1 "Description of the Prior Reorganization Transactions" of the Universal Registration Document).

It should be noted that Sanofi, through its subsidiary Sanofi Aventis Participations, has only one representative out of a total of thirteen members of the Board of Directors of the Company, and that the two companies (Sanofi and EUROAPI) do not share any corporate officers (Chief Executive Officer and/or Deputy Chief Executive Officer).

2.1.3 Declaration of compliance with the corporate governance system in force

The Company refers to the recommendations of the corporate governance code for listed companies of the A*ssociation Française des Entreprises Privées* (AFEP) and the *Mouvement des Entreprises de France* (MEDEF) (the "AFEP-MEDEF Code"), which can be consulted on the Internet at the following address: http://www.medef.com.

The Company complies with this AFEP-MEDEF Code, with the exception of the following points:

- the nomination and remuneration committee and the Board have not carried out an annual assessment of the operations of the Board of Directors and its committees. The evaluation of the Board of Directors will therefore not comply with recommendation 11 of the AFEP-MEDEF Code. The Company was transformed into a French limited company (*société anonyme*) on May 4, 2022. Thus, the Board of Directors considers that it needs a full year to be able to assess the operations of the Board and its Committees. An assessment will be done and reported on the 2023 Corporate Governance Report;
- the terms of office of the members of the Board of Directors will all expire at the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2025 (except the directors representing the employees). The staggering of terms of office will therefore not comply with recommendation 15.2 of the AFEP-MEDEF Code, which recommends avoiding a block renewal of the members of the Board of Directors, all of the members of the Board of Directors being appointed simultaneously, on the occasion of the Company's initial listing which will occur once. On the other hand, the Articles of Association provide that by exception and in order to exclusively allow the implementation or continuation of the staggering of the terms of office of the directors, the ordinary shareholders' meeting may appoint one or more directors for a period of one year, two years or three years; and
- the directors representing the employees, whose appointment took place on 4 July 2022 and 7 July 2022, are not members of the nominations and compensation committee. The composition of the nominations and remuneration committee shall therefore not comply with recommendation 19.1 of the AFEP-MEDEF Code. A director representing the employees is expected to join the nominations and compensation committee after an integration and training period to enable him or her to adapt to the functioning of the Company, understand its specific features and grasp the challenges and broad outlines of the mission of the Board of Directors.

2.2 BOARD OF DIRECTORS ACTIVITIES

2.2.1 Activities of the Board of Directors

(a) Attendance

In 2022, the Board of Directors met four times, including four executive sessions with an attendance rate of 98%.

	Board of Directors	Audit Committee	Remuneration & Nomination Committee	ESG Committee
Viviane Monges, Chair of the Board of Directors	100%			100%
Karl Rotthier, CEO	100%			
Elizabeth Bastoni	100%	100%	100%	
Emmanuel Blin	100%		100%	100%
Jean-Christophe Dantonel	100%			
Cécile Dussart	100%			100%
Claire Giraut	100%	100%		
Adeline Le Franc	100%	100%		
Corinne Le Goff	100%	100%		
Benjamin Paternot	75%		100%	
Rodolfo J Savitzky(1)	100%			
Marie-Isabelle Penet(2)	100%			
Kevin Rodier(3)	100%			

(1) Rodolfo Savitzky was appointed as of September 1, 2022
(2) Marie-Isabelle Penet was appointed as of July 4, 2022
(3) Kevin Rodier was appointed as of July 7, 2022

(b) Evaluation of the Board of Directors

The Board of Directors will carry out an annual assessment of the 2023 operations of the Board and its Committees. An assessment will be done and reported on the 2023 Universal Registration Document. Please see Section 2.1.3. “Declaration of compliance with the corporate governance system in force” above.

(c) Executive sessions

The Directors hold a session at least once a year without the Executive Management (Executive Sessions). The purpose of these Executive Sessions is to assess the operation of the Board of Directors, the performance of the Chief Executive Officer, and to review his succession plan.

Four executive sessions were held in 2022.

(d) Activities of the Board of Directors

In 2022, the main activities of the Board of Directors were the following:

- strategy and growth;
- financial Statements and Results:
  - review of the company and consolidated financial statements for the first half of 2022, review of the related draft press releases;
  - presentation of the 2023 budget;
- budget and Group risks;
- Corporate governance:
  - review of the composition of the Board of Directors and its committees, proposed ratification of the cooptation of a new director at the 2023 Annual General Meeting, and director independence;
  - examination of the independence of each of the Directors in light of the criteria set out in the AFEP-MEDEF Code;
  - review of the Board of Directors’ Management Report, the Corporate Governance Report, the report on governance and ESG matters and the reports of the statutory auditors;
  - the notice of meeting for the Annual General Meeting of Shareholders; (i) the draft resolutions and (ii) the report of the Board of Directors on the resolutions;
  - emergency succession plans for Chair, CEO and Committee Chairs;
- remuneration policy:
  - Executive session: determination of the 2022 variable remuneration of the Chief Executive Officer, the 2023 fixed and variable compensation of the Chief Executive Officer and the 2023 fixed compensation of the Chair of the Board, plus an update on fixed and variable compensation of some members of the Executive Committee ;

- say on pay: preparation of the draft resolutions proposed to the Annual General Meeting (ex-ante vote on the remuneration policy for 2023 for the Chair and the CEO and ex-post vote on the components of remuneration paid to the Chair for 2020);
- external benchmark review, CEO performance;
- review of the proposed resolutions for the 2022 Annual General Meeting;
- allocation of the sum allocated to directors for 2022, principles of allocation for 2023 ;
- ESG.

2.2.2 Committees of the Board of Directors

Audit committee

Composition

In 2022, the audit committee was composed of Claire Giraut (Chair - independent member), Adeline Le Franc (representative of Sanofi Aventis Participations), Elizabeth Bastoni (independent member) and Corinne Le Goff (independent member).

The members of the audit committee have the necessary financial and accounting skills due to their professional experience and their good knowledge of the Group's accounting and financial procedures.

Assignments

The duty of the audit committee is to monitor issues relating to the preparation and control of accounting and financial information and to ensure the effectiveness of the risk monitoring and operational internal control system and, if applicable, to make recommendations to ensure its integrity, in order to help the Board of Directors exercise its control and verification duties in this area.

In this context, the audit committee has the following principal tasks:

- monitoring the financial reporting process;
- monitoring effectiveness of the internal control, internal audit and risk management systems that could materially affect the Company's financial statements;
- monitoring the statutory audit of the financial statements and, where applicable, the consolidated financial statements by the Company's statutory auditors;
- recommendation on the statutory auditors proposed for appointment or renewal by the shareholders' meeting;
- monitoring the independence of the statutory auditors;
- periodic monitoring of the status of major disputes;
- taking note of regulated agreements; and
- reviewing and monitoring the systems and procedures in place to ensure the dissemination and application of policies and rules of good practice in matters of ethics, competition, fraud and corruption and more generally compliance with the regulations in force.

The audit committee shall report regularly to the Board of Directors on the performance of its duties and shall inform the Board of Directors without delay of any difficulties encountered.

The audit committee meets as often as the interests of the Company so require and at least four times a year to review the annual, interim and, where applicable, quarterly financial statements (in each case consolidated where applicable).

Main Activities

The Audit Committee met four times with an attendance rate of 100%.

In 2022, the main activities of the Audit Committee were the following:

- review of the company and consolidated financial statements for the first half of 2022 and the related press release;
- review of the finance organization;
- review of the finance control and closing procedures;
- review of the risk management and the risk mapping;
- review of the internal control and process;
- review of the Board of Directors' Management Report, and the description of risk factors contained in the Universal Registration Document;
- review of the updated 2022 guidance following the temporary and proactive suspension of prostaglandin production activities at the Budapest site following a routine internal assessment;
- presentation of the 2023 budget;
- review of the Statutory Auditors' 2022 audit plan; and
- statutory audit engagement and audit fees, budget for services other than statutory audit (audit-related services, tax, and other services).

Nominations and compensation committee

Composition

In 2022, the nominations and remuneration committee was composed of Elizabeth Bastoni (Chair - independent member), Emmanuel Blin (independent member) and Benjamin Paternot (representative of Bpifrance Investissement).

Assignments

The nominations and remuneration committee is a specialized committee of the Board of Directors whose main tasks are to assist the Board in (i) the composition of the executive bodies of the Company and its Group and (ii) the determination and regular assessment of all remuneration and benefits of the Company's executive corporate officers, including all deferred benefits and/or voluntary or forced departure severance pay.

In this context, the nominations and compensation committee has the following main tasks:

- regular review of the composition of the Board of Directors and proposals for the appointment of members of the Board of Directors, executive corporate officers and the Board committees; and
- annual assessment of the independence of the members of the Board of Directors.

As part of its remuneration duties, it has the following main tasks:

- review and proposal to the Board of Directors concerning all elements and conditions of the remuneration of the Group's senior executives;
- recommendation and proposal to the Board of Directors concerning all elements and conditions of the remuneration of the Group's executive corporate officers; and
- review and proposal to the Board of Directors concerning the method for allocating remuneration for the activities of the Board of Directors.

The nominations and remuneration committee meets whenever it deems necessary and, in any event, at least two times a year.

Main Activities

The nomination and remuneration committee met three times with an attendance rate of 100%.

In 2022, the main activities of the nomination and remuneration committee were the following:

- fixed and variable compensation of executive officers (Chief Executive Officer and Chairwoman of the Board);
- review of the performance criteria applicable to annual variable compensation;
- review of the fixed and variable compensation of some members of the executive committee;
- setting the amount of compensation allocated to directors for 2022 and principles for allocating directors' compensation between Board members for 2023;
- review of the Board of Directors' management report, and the report of the Board of Directors on the corporate governance provided for in Article L.225-37 of the French Commercial Code contained in the chapter 2 of the Universal Registration Document;
- emergency succession plans for Chair, Chief Executive Officer and committee chairs;
- the notice of meeting for the Annual General Meeting of Shareholders: (i) the draft resolutions and (ii) the report of the Board of Directors on the resolutions;
- review of draft resolutions on compensation to be submitted to the shareholders in 2023; and
- changes in the composition of the Board and its Committees, director independence, proposed reappointments of directors, and recruitment of a new director.

ESG committee

Composition

In 2022, the ESG committee was composed of Cécile Dussart (Chair - independent member), Viviane Monges (Chair of the Board of Directors - independent member) and Emmanuel Blin (independent member).

Assignments

As part of its assignments, the ESG committee carries out the following duties in particular:

- review of the guidelines, objectives and issues related to the Company's ESG policy;
- ensuring the consideration of issues falling within the scope of ESG in the Group's strategy and in its implementation;
- monitoring and control of the main environmental, social and societal risks of the Group;
- review of the reports drafted pursuant to legal and regulatory obligations in the area of ESG; and
- review of the Group's commitments to sustainable development with regard to the challenges specific to its business activity and its objectives.

The ESG committee shall report regularly to the Board of Directors on the performance of its duties and shall inform it without delay of any difficulties encountered.

The ESG committee meets as often as necessary and, in any event, at least two times a year.

Main Activities

The ESG committee met two times with an attendance rate of 100%.

In 2022, the main activities of the ESG Committee were the following:

- examining EUROAPI's ESG commitments and the extent to which those commitments and objectives meet stakeholders expectations;
- monitoring the rollout of ESG programs and its integration in EUROAPI's strategy; and
- examining draft company reports on governance and ESG matters (all information required by current legislation has been properly prepared).

2.2.3 Services agreements

No member of the Board of Directors or member of the Executive Management has any service agreement with EUROAPI or any of its affiliates.

2.3 REMUNERATION AND BENEFITS

The compensation policy for corporate officers for 2022 was decided by the Board of Directors at its meeting of May 4, 2022 , based on the recommendation of the nomination and remuneration committee. In accordance with Article L.22-10-8 of the French Commercial Code, and the principles defined in the AFEP/MEDEF Corporate Governance Code. The policy presented in this section will be submitted for approval to the 2023 Annual Shareholders' Meeting.

2.3.1 Remuneration policy for Directors and Executive Directors in 2023

Remuneration policy of the members of the Board of Directors

The members of the Board of Directors of the Company as described in Section 2.1 “Administrative, management, supervisory and executive management bodies” of the Universal Registration Document (with the exception of the Chair of the Board of Directors and the Chief Executive Officer of the Company) received no remuneration from the Company during the years ended December 31, 2020 and 2021, given that the Company was formed on November 10, 2020, in the form of a French simplified joint-stock company (*société par actions simplifiée*). On March 30, 2022, the sole shareholder of the Company, which approved the transformation of the Company into a French public limited company (*société anonyme*) with a Board of Directors, has set, with effect as of the admission of the Company’s shares to trading on the regulated market of Euronext Paris (6 May 2022), the total amount of the remuneration allocated to the Board of Directors at €1,100,000 for 2022.

Pursuant to the Board of Directors’ decision on march 7,2023, the total amount of the remuneration allocated to the Board of Directors is reviewed at €1,100,000 for 2023 and subsequent years until a new decision would be taken by the shareholders’ meeting.

Upon recommendation of the nomination and remuneration committee, the Board of Directors freely distributes among its members the compensation allocated to the Board by the Shareholders’ Meeting, mainly taking into account, in accordance with the recommendations of the AFEP-MEDEF Code, the effective participation of directors in Board and committee meetings. The Board of Directors examines whether the level of compensation allocated to directors is appropriate in view of their duties and responsibilities.

The directors (with the exception of Karl Rotthier, the representative of Sanofi Aventis Participations, the representative of Bpifrance Investissement, Jean-Christophe Dantonel, Marie-Isabelle Penet and Kevin Rodier, who will not receive any remuneration) receive a fixed remuneration, the amount of which depend on their actual attendance at Board meetings and the scope of the Board’s work. If one board member has an attendance less than 80% of the meetings calculated in September, the fixed remuneration is reduced accordingly.

The remuneration policy is as follows:

For each director

- A fixed portion of €60,000; and

For directors serving on a Board committee

- Audit committee:
  - For the Chair, an additional fixed amount of €25,000;
  - For the other members, an additional fixed portion of €10,000.
- Nominations and compensation committee:
  - For the Chair, an additional fixed amount of €25,000 .
  - For the other members, an additional fixed portion of €10,000 .
- ESG committee:
  - For the Chair, an additional fixed amount of €15,000
  - For the other members, an additional fixed portion of €10,000.

In addition to the remuneration policy described above, directors traveling from a non-European country to attend meetings of the Board of Directors will receive an additional remuneration of €4,000 per trip.

If the total amount due exceeds the allocation package, then all variable remuneration of the Board of Directors and the committees may be adjusted downward proportionately in order to remain within the package.

This remuneration policy for directors may be revised annually and shall be subject to the approval of the shareholders’ meeting in accordance with the provisions of Article L. 22-10-8 of the French Commercial Code.

The Board of Directors shall also have the option of granting additional remuneration in the event of ad hoc work.

Compensation of the Chair of the Board of Directors

In order to propose the compensation structure for the Chair of the Board of Directors, the Nomination and remuneration Committee relies on studies of external consultants indicating market practices for comparable companies. It also takes into account the specific tasks entrusted to the Chair of the Board as detailed in the Board Charter available on the website euroapi.com

The remuneration policy for the Chair of the Board has a single fixed component without any variable compensation.

The Chair of the Board does not receive compensation as member of the Board of Directors.

Pursuant to the Board of Directors' decision on march 7,2023, the fixed annual compensation of Viviane Monges as Chair of the Board of Directors for 2023 will remain at 300,000 euros, which has been set at as of his appointment as Chair of the Board of Directors on May 4, 2022.

Compensation policy for executive directors

Principles applicable to all executive directors

The Board of Directors follows the general guidelines, drawn up within the framework of the recommendations of the AFEP-MEDEF Code, for the determination, review and implementation of its compensation policy.

It takes constant care to ensure that the various components that make up the compensation of executive directors result in compensation that is competitive, fair, comprehensible, consistent and performance related. The compensation components of executive directors, whether vested or potential, are made public after the decision of the Board of Directors meeting having determined them.

This is reflected in the following manner

- Alignment of the executive director's compensation with the short- and long-term interests of shareholders
- Balance short- and long-term compensation, discouraging short-term risk-taking without compromising long-term results
- Use the support of an independent external consulting firm
- Implement the performance criteria linked to the Group's long-term strategy, taking CSR issues into account
- Ensure that the executive director's compensation is consistent with the compensation policy for the Group's employees, and in particular that of the members of the Executive Committee

Performance conditions prevail in the compensation of the Executive Director;

The work of the nomination and remuneration committee is structured around three to four meetings throughout the year and intermediate preparatory work carried out by the Chair of the committee. The compensation policy for EUROAPI's executive directors for the fiscal 2023 was examined by the nomination and remuneration committee during four meetings held between October 2022 and February 2023, before being proposed to and approved by the Board of Directors.

In accordance with Article L. 22-10-8 III of the French Commercial Code, in exceptional circumstances, the Board of Directors may, on the recommendation of the nomination and remuneration committee, adapt certain provisions of the compensation policy, provided that this exemption is temporary, in accordance with the corporate interest and necessary to guarantee the sustainability or viability of the Company.

Compensation of executive directors

When the nomination and remuneration committee proposes to the Board the compensation of executive directors, it ensures that the rules applied are consistent with the annual appraisal of the individual performance of the Group's executives as well as the Company's performance. It also takes into account all of the Company's strategic, financial and corporate social responsibility objectives, the interests of shareholders and other stakeholders and any changes to the AFEP-MEDEF Code.

To ensure appropriate global benchmarks that match EUROAPI's global business, WTW, a leading global remuneration consultancy, has been engaged to provide peer group surveys in France and in Europe. During 2022, the nomination and remuneration committee worked closely with WTW and the Board of Directors to propose a panel of companies to be used for the peer group surveys. The companies chosen to constitute the peer group have a global scope and transformation challenge that is considered similar to that EUROAPI . They are considered equivalent in term of sales, headcount and market capitalization.

The peer group panels for the Executive Director are as follows:

- French companies: Assystem, Interparfums, Quadient, Manitou BF, Somfy, Vetoquinol, Vilmorin & Cie, Virbac
- European companies : Alk -Abello, Corbion, Dechra Pharma, Evotec, Hexpol AB, Polypetide, Siegfried, Victrex

The panel is reviewed every few years.

The Committee ensures that none of the components of the compensation package is disproportionate and analyzes the compensation package as a whole by taking into account all of its components: fixed compensation, variable compensation, long-term incentive plan, supplementary pension plan and benefits-in-kind. Variable components make up a predominant portion of the compensation paid to executive officers.

Fixed compensation

The fixed compensation package for executive officers is determined by taking into account the level and complexity of their responsibilities, their experience in the position, and market practices for comparable groups and companies. An early review is possible if the scope of responsibilities changes significantly or the comparison of compensation with the benchmark panel reveals a significant gap.

As defined by the Board of Directors (decision dated May 4th, 2022), the annual base salary of Karl Rotthier has been set at 450,000 euros.

Based on the updated panel validated by the nomination and remuneration Committee in February 2023, it appears the fixed compensation of the CEO is below the first quartile of this panel.

And based of the solid performance delivered in the first year as an independent company, the achievement of commercial progress and the very well managed situation in Budapest, at its meeting held on March 7, 2023, the Board of Directors decided that the Chief Executive Officer, Karl Rotthier, would receive fixed annual compensation of €520,000 as of March 1, 2023 (i.e., an increase of 16%).

Annual variable compensation

Executive officers are entitled to annual variable compensation for which the Board of Directors, upon the recommendation of the Compensation Committee, defines each year performance criteria that are diverse, demanding, precise and pre-defined, allowing for a comprehensive performance analysis, aligned with the Company's challenges and strategy and shareholders' interests. The assessment of the performance is based on a balance between predominant collective criteria and individual criteria, both operational and managerial.

The Board of Directors defines the target rate and the maximum rate of annual variable compensation annually as a percentage of the annual fixed compensation. It determines the proportion of collective and individual objectives and the corresponding set of criteria.

Payment of the annual variable compensation due to executive officers is subject to its approval by the Annual Shareholders' Meeting.

At its meeting of March 7, 2023, the Board of Directors set the objectives of Karl Rotthier's variable compensation for 2023. The variable compensation may vary based on the achievement of objectives set by the Board of Directors, from 0% to 150% of his annual fixed compensation. The target rate of annual variable compensation will remain unchanged at 80% of the annual fixed compensation. It will be determined based on the fulfillment of the following objectives:

Criteria	Weighting
Amount of revenue	20%
Core EBITDA margin expresse as a percentage of revenue	30%
Core Free Cash Flow conversion (Core FCF conversion) exoressed as a percentage	20%
Drive growth by supporting key initiative including double digit growth of sales to other clients than Sanofi (API solutions and CDMO)	7.5%
Improve productivity by focusing on operational excellence and accelerating our transformation	7.5%
Ensure key leadership positions are filled with the right talent	7.5%
ESG criteria focus on environment including a decrease of consumption of energy Scope 1&2 versus 2022	7.5%
TOTAL	100%

In the event of a significant change in the Group's reporting structure, the Board may decide to adjust these criteria accordingly.

These objectives were set in line with the Group's strategy and on the basis of the projected budget reviewed by the Board of Directors on March 7th, 2023.

Payment of annual variable compensation will be subject to approval at the 2024 Annual Shareholders' Meeting of the resolution related to the total compensation and benefits-in-kind paid in 2023 or granted to the Chief Executive Officer for 2023 under Article L.225-100 of the French Commercial Code.

Long-term compensation

The Group's long-term compensation policy is part of a global strategy to increase loyalty and align approximately 120 to 150 of the group's executives and high potential employees for the success of its ambitious medium–and long term objectives.. Each long-term incentive plan is subject to prior approval by the Annual Shareholders' Meeting.

Performance shares and stock options are valued in accordance with IFRS and must not represent a percentage that is disproportionate to the overall compensation and shares granted to each executive director.

Executive directors who receive performance shares formally undertake not to use hedging instruments during the vesting period.

Executive directors may not sell their vested shares during certain "blackout" periods, in accordance with the applicable legal and regulatory requirements and the Group's "Insider dealing" procedures.

Executive directors who are dismissed from their position forfeit their right to any shares that have not yet vested on the date of their removal. On retirement, executive officers maintain their rights to performance shares on a *pro rata temporis* basis unless the Board of Directors decides otherwise with good reason. On departure for other reasons, performance share rights are maintained unless the Board of Directors decides otherwise, upon the recommendation of the remuneration and nomination committee.

The value of the shares granted to the Chief Executive Officer should not exceed, on the grant date, a maximum of 130% of his fixed annual compensation.

Shareholding obligation

In accordance with the law and the procedures adopted periodically by the Board of Directors, executive directors must hold a significant and increasing number of shares.

Executive directors are thus required to hold, in registered form and for as long as they remain in office, 25% of the performance shares that they receive at the end of the vesting period. This requirement applies unless the Board of Directors decides otherwise in view of the executive officer's situation and particularly taking into account the objective of holding an increasing number of shares received under such plans.

Exceptional compensation

Highly specific circumstances may warrant the award of exceptional compensation to executive officers (e.g., due to their importance for the Company; the involvement they demand and the difficulties they present). The allocation of exceptional remuneration is non-recurring, justified and disclosed by the Board.

Its payment is subject to approval by the Annual Shareholders' Meeting and the amount is capped at 100% of the beneficiary's fixed compensation.

Benefits for taking up a position

Benefits for taking up a position may only be granted to a new executive officer who has come from a company outside the Group. The payment of this benefit is intended to compensate the executive officer for the loss of the entitlements from which he or she previously benefited before joining the Group.

It is explicitly indicated and the amount is made public at the time it is determined. It cannot be higher than the value of the entitlements lost by the new executive officer upon leaving his or her previous position.

Commitments given to executive officers

All commitments given to executive directors are authorized by the Board of Directors and submitted for approval to the Annual Shareholders' Meeting. Details can be found in section 7.4.5. Shareholders' meeting (Articles 21, 22, 23 and 24 of the article of association) of this document.

Non-compete indemnity

The Chief Executive Officer will be subject to a non-compete undertaking, whose geographic scope is in line with that of the Company's activities, for a period of 12 months in the event of resignation, or six months in the event of dismissal (which may be renewed once), from his effective departure from the Company for any reason. In this respect, the Chief Executive Officer would receive, for the duration of and subject to compliance with the non-compete undertaking, a gross monthly fixed indemnity equal to 75% of his annual fixed remuneration received over the past 12 months preceding the end of his term of office (including the annual target bonus).

In accordance with Article 25.3 of the AFEP-MEDEF Code, non compete undertaking contains a provision allowing the Board of Directors to waive the implementation of the non-compete undertaking upon the departure of the Chief Executive Officer (in which case no non-compete indemnity will be payable).

Moreover, in accordance with Article 25.4 of the AFEP-MEDEF Code, the non-compete indemnity shall not be payable if the Chief Executive Officer exercises his pension rights. In any event, no indemnity shall be paid beyond the age of 65.

Termination indemnity

In addition, the Chief Executive Officer is entitled to an indemnity that would be due in the event of dismissal (except in the event of gross negligence or serious misconduct) by decision of the Board of Directors, the gross amount of which would be equivalent to 12 months' remuneration calculated on the basis of the average of the previous 12 months' remuneration (including the fixed compensation and the actual amount of the last known bonus). In the event of forced departure following a merger or demerger of the company, a change of control, a significant change in the company's strategy or a profound disagreement with the Board of Directors, the Chief Executive Officer's severance payment is subject to performance conditions applicable during the term of office. These performance conditions include the amount of revenue, Core EBITDA margin and Core FCF conversion, which will be subject to six criteria, over a two-year observation period (three criteria per year based on the Group's financial objectives), except for year 2023, which will only take into account the year 2022 for the observation period.

Termination and non-compete indemnities

Pursuant to the recommendations of the AFEP-MEDEF Code, the Board of Directors specifically authorized (i) the conclusion of the above-mentioned non-compete undertaking, including the duration of the non-compete obligation and the amount of the indemnity, taking into account the practical and effective consequences of the non-compete obligation and (ii) the termination indemnity due in case of termination of office or forced departure pursuant to the procedure for regulated agreements governed by the provisions of Article L. 225-38 of the French Commercial Code. The decision of the Board was made public. In any event, the sum of the non-compete and termination indemnities may not exceed 24 months' remuneration (including fixed and annual variable remuneration).

Supplementary pension plan

Executive directors are covered by a supplementary pension plan, called "Article 82 (French General Tax Code) set up by the Group for certain Executive Levels.

Annual contributions to the plan paid by the Company correspond to 15% of the beneficiary's reference remuneration (monthly fixed and variable remuneration), of which half is paid as a gross insurance premium to an insurer and half in the form of a cash indemnity classified as salary.

Welfare plans and unemployment insurance plan

Executive Director benefit from Group pension and welfare plans (medical, disability, invalidity and death) under the same terms and conditions as EUROAPI employees.

Benefits-in-kind

Executive officer benefit from the use of a company car or a car allowance

Other components of compensation

Executive officers do not benefit from multi-annual or deferred variable compensation in cash. The Board of Directors prefers to use a share-based mechanism to strengthen the alignment of the executive officers' interests with those of shareholders. They are also not entitled to any compensation in respect of their term of office as Director.

Discontinuance of the employment contract in case of appointment as a corporate office

When a senior executive of the Group becomes Chief Executive Officer, Deputy Chief Executive Officer or Chairman and CEO of the Company, the employment contract with the Company is terminated either contractually or by resignation, unless the Board of Directors decides otherwise with a motivated decision.

2.3.2 Director's remuneration for 2022

Of the €1,100,000 allocated by the sole shareholder by decision on 30 March 2022, a total of €387,000 in remuneration was paid to directors in 2022. The first Board meeting took place in May 2022. As a reminder, the Chair of the Board of Directors and Chief Executive Officer do not receive any remuneration as directors, and only directors considered as independent are paid as follows:

Table 3 (AMF nomenclature): Table on the remuneration paid to directors and other compensation received by non-executive corporate officers

Directors' remuneration has been validated by the Board of Directors meeting dated March 7th, 2023.

In €	FY 2021		FY 2022	
Non executive corporate officers	**Gross amount due**	**Gross amount paid**	**Gross amount due**	**Gross amount paid**
Elizabeth Bastoni				
Remuneration (including fixed and variable remuneration)	—	—	90,000.00	90,000.00
Other remuneration	—	—	24,000.00	24,000.00
Emmanuel Blin				
Remuneration (including fixed and variable remuneration)	—	—	61,000.00	61,000.00
Other remuneration	—	—	—	—
Cécile Dussart				
Remuneration (including fixed and variable remuneration)	—	—	52,000.00	52,000.00
Other remuneration	—	—	—	—
Claire Giraut				
Remuneration (including fixed and variable remuneration)	—	—	72,000.00	72,000.00
Other remuneration	—	—	—	—
Corinne Le Goff				
Remuneration (including fixed and variable remuneration)	—	—	58,000.00	58,000.00
Other remuneration	—	—	8,000.00	8,000.00
Rodolfo Savitzky(1)				
Remuneration (including fixed and variable remuneration)	—	—	22,000.00	22,000.00
Other remuneration	—	—	—	—

(1) Rodolfo Savitzky was appointed as of September 1, 2022.

2.3.3 Compensation payable for 2022 to Viviane Monges Chair of the Board of Directors

Chair of the Board of Directors

For the year ending December 31, 2022, Mrs Vivian Monges, Chair of the Board of Directors, received a fixed remuneration of €300,000 and a bonus of € 349,000 for the completion of the Company's initial listing, i.e total of €649,000.

Table 1 (AMF nomenclature): Summary table of the remuneration, options and shares granted to each corporate officer

	2021	2022
Remuneration due for the year	200,000	649,000
Value of options granted during the year		
Value of performance shares granted during the year		
Value of special management incentive plan granted during the year		
Value of shares vested during the year	0	
Total	**200,000**	**649,000**

Table 2 (AMF nomenclature): Summary table of the remuneration of each corporate officer

	Amounts due for 2021	Amounts paid in 2021	Amounts due for 2022	Amounts paid in 2022
Fixed remuneration	200,000	200,000	300,000	300,000
Variable remuneration	0	0	0	0
Exceptional remuneration	0	0	349,000	349,000
Benefits in kind	0	0	0	0
Total	**200,000**	**200,000**	**649,000**	**649,000**

Table 11 (AMF nomenclature)

The following table provides details on the terms and conditions of remuneration and other benefits for corporate officers:

	Employment contract		Supplementary pension plan		Payments or benefits due or likely to be due as a result of termination or change of office		Indemnities pursuant to a non-compete clause	
Corporate officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Viviane Monges, Chair of the Supervisory Board		X		X		X		X

2.3.4 Compensation payable for 2022 to Karl Rotthier, Chief Executive Officer

Chief Executive Officer

The remuneration of Karl Rotthier, Chief Executive Officer of the Company is determined under a corporate officer contract signed with the Company and effective as of October 1, 2021.

Pursuant to the provisions of the French Commercial Code, and subject to the admission to trading of the Company's shares on the regulated market of Euronext Paris before December 31,2022, the payment in 2023 of the Chief Executive Officer's variable remuneration for the period running from the admission to trading of the Company's shares on the regulated market of Euronext Paris until December 31,2022 as determined by the Company's Board of Directors in accordance with the principles and criteria described above, shall be submitted to the approval of the annual shareholders' meeting of the Company to be held in 2023.

The following tables detail the remuneration granted to Karl Rotthier by the Company and by any company of the Group and the Sanofi group during the years ended December 31, 2021 and 2022:

Table 1 (AMF nomenclature): Summary table of the remuneration, options and shares granted to each corporate officer

	2021	2022
Remuneration due for the year	674,375	789,241
Value of multi-year variable remuneration granted during the year	360,000(1)	
Value of options granted during the year		241,535
Value of performance shares granted during the year		259,758
Value of special management incentive plan granted during the year		2,052,599
Value of shares vested during the year	0	0
Total	**1,034,375**	**3,343,133**

(1) Phantom Stock Units (PSU) Plan, in the amount of €360,000 granted by Sanofi on April 30, 2021, corresponding to the face value of the PSUs allocated. This amount is converted into a number of units (4,220 units) corresponding to the average Sanofi share price over the 20 trading days preceding the date of grant, i.e., €85.31. This allotment represented, in face value, 80% of Karl Rotthier's fixed remuneration on the date of allotment.

All the PSUs are subject to the same performance conditions as the Sanofi performance share plan authorized by the shareholders' meeting of April 30, 2021 , in its 24th resolution, and awarded on the same date.

These units will be converted into a cash bonus on May 1, 2024, on the basis of a valuation of the units corresponding to the value of the Sanofi shares (average Sanofi share price over the past 20 trading days), except in the event of the admission to trading of the Company's shares on the regulated market of Euronext Paris; in this case, all the units will be immediately vested and converted into cash on the basis of the average opening price of Sanofi shares over the 20 trading days preceding the date of the Company's initial listing.

Table 2 (AMF nomenclature): Summary table of the remuneration of each corporate officer

	Amounts due for 2021	Amounts paid in 2021	Amounts due for 2022	Amounts paid in 2022
Fixed remuneration	112,500	112,500	450,000	450,000
Variable remuneration	500,000 (1)		190,800	500,000
Exceptional remuneration	0	0		
Defined contribution plan (pension) (2)	16,875	16,875	142,500	142,500
Benefits in kind (3)	**45,000**	**45,000**	**5,941**	**5,941**
Total	**674,375**	**174,375**	**789,241**	**1,098,441**

(1) The annual variable remuneration was subject to performance conditions achieved at 122% on the basis of a €360,000 budget with a 1.14 coefficient based on the results of the Sanofi group.

(2) Karl Rotthier is eligible for an "Article 82" (French General Tax Code) supplemental pension plan. Under this plan, he benefited for financial year 2022 from a contribution corresponding to 15% of the reference remuneration (monthly fixed and variable remuneration), of which 50% was paid as a gross insurance premium to an "Article 82" life insurance account and 50% in the form of a cash indemnity classified as salary.

(3) Benefits in kind correspond to a Company's car .

Table 11 (AMF nomenclature)

The following table provides details on the terms and conditions of remuneration and other benefits for corporate officers:

	Employment contract		Supplementary pension plan		Payments or benefits due or likely to be due as a result of termination or change of office		Indemnities pursuant to a non-compete clause	
Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Karl Rotthier, Chairman		X	X Article 82 (French General Tax Code)		X		X	

The Board of Directors on May4, 2022 decided to set the remuneration of Mr. Karl Rotthier for his duties as the Company's Chief Executive Officer as follows:

- An annual fixed remuneration in the gross amount of €450,000.
- An annual variable remuneration in a gross amount equal to 80% of the fixed remuneration if the target objectives are achieved.

The following performance criteria were planned for financial year 2022, with the weightings indicated below:

- Amount of revenue (20%).
- Core EBITDA margin (30%) expressed as a percentage of revenue.
- Core Free Cash Flow conversion (Core FCF Conversion) (20%) expressed as a percentage.
- Accomplishment of the strategic roadmap, which may include qualitative and precisely measurable criteria (20%); and
- ESG criteria, including the ESG roadmap to be approved and a diversity criterion for the Group's extended management team comprising the Executive Committee and key executives in key positions of the Company, for the year 2022 (10%).

On March 7, 2023, the Board of Directors voted on the determination of the amount of Karl Rotthier's variable compensation for 2022 and decided:

- For the Financial objectives, the Board based its calculation on a strict application of the achievement levels for the objectives set for 2022 (Net sales 20%, Core EBITDA 30% and FCF conversion 20%).
  - The achievement rate for the Net sales objective was 53% of the target,
  - The achievement rate for the Core EBITDA margin objective was 0% of the target,
  - The achievement rate for the FCF Conversion objective was 0% of the target

The total payout for the financial criteria is equal to 11% of the target amount, or €39 600.

- For 2022, the individual objectives represent 30% of the target variable remuneration. As disclosed previously, the individual objectives for the Chief Executive Officer were set around several qualitative objectives. These objectives focused on, but were not limited to, the implementation of the strategic roadmap, the spin-off from Sanofi, and ESG Criteria.
- Strategic Roadmap : 2022 was the first year as an independent company following the Spin Off in early May 2022. While the financial results are not fully in line with the initial budget, the results show clear progress of the strategy.
  - Net sales above market growth,
  - CDMO sales up 18.5% and a very high number of RFPs,
  - the share of Sanofi going down, sales growth being driven by cross selling,
  - price enhancements,
  - new customers and success of large molecules.

The Spin Off itself was a great success in a difficult environment, with a well-executed process, carve out of operations done on time, and strong investor appetite. Many projects have been initiated to enhance competitiveness and drive culture change in line with our strategic targets:

a. Company transformation and efficiencies,
b. launch of an operational efficiency plan
c. R&D reorganization,
d. S&OP process revamp,
e. industrial investments,
f. IPCEI grants dossiers.
g. Finally, the management of the issue in Ujpest has shown a great sense of integrity, urgency and resilience.

Based on these elements, the Board of Directors considered that the execution of the strategic plan had been successfully completed despite an environment that was significantly more complex than initially expected (very sharp increase in raw material and energy prices and disruption of supply chains). In addition, the Board of Directors wished to recognize the relevance of the decisions taken following the incident at Ujpest. The Board of Directors therefore decided to recognize the 140% achievement of this objective.

- ESG roadmap:

The ESG roadmap with detailed action plans and owners was defined during the year, in particular those related to energy, water consumption, waste, and scopes 1 and 2. A dedicated team has been put in place. Gender diversity has been improved (women represent 28.21% of the company's salaried workforce compared to 27,05% in 2021 and 30% of the Extended Leadership team). Partnerships have been identified to establish a rating strategy and the NFPD for 2023. The Elbeuf biomass boiler project was approved by the BOD and launched. A strong governance model, based on transparency, has been established.

The Board of Directors considered that, beyond the execution of the roadmap, the choices made this year in terms of ESG investments, in particular the Saint Aubin biomass heating plant, will make it possible to support the Group's growth in the medium term while accelerating the roadmap of greenhouse gas reduction objectives. The Board of Directors has therefore decided to recognize the achievement of 140% of this objective.

After deliberation, and based on the recommendation of the committee, the board determined that the individual performance factor awarded should be 140% of the target, yielding a payout percentage of 42%, or EUR 151,200.

The total short-term incentive payout, therefore, for 2022 is EUR 190,800.

Criteria	Weight	2022 target	2022 achievement	Achievement level	Payout level	Actual to be paid
Net Sales	20%	€1,009M	€977M	53%	11%	
Core EBITDA as % of Net Sales	30%	14%	12.3%	0%	0%	39,600
Free Cash-flow Conversion	20%	10%	-44%	0%	0%	
Implementation of the strategic roadmap and spin-off from Sanofi	20%			140%	28%	151,200
ESG Roadmap	10%			140%	14%	

- A long-term incentive plan (aligned with the one that will be set up for the Company's principal executives), the estimated value of which was capped at 130% of the fixed remuneration of the Chief Executive Officer. This incentive was composed of both stock options and performance shares. The stock options and the performance shares granted under these plans was granted (i) subject to the condition of meeting performance criteria over a period of three consecutive years and (ii) subject to a continuous employment condition also over a period of three consecutive years. Thus, the stock options and the performance shares will be vested in the Chief Executive Officer, provided that his term of office is still in effect on the vesting date;
- benefits in kind consisting of the use of a Company car or a car allowance;
- eligibility for an "Article 82" (French General Tax Code) supplemental collective pension plan, which also benefits the other executives whose positions are classified as "Executive Level 1 or 2" in the grid in force within the Group. Under this plan, the Chief Executive Officer benefits from a contribution which corresponds to 15% of the reference remuneration (monthly fixed and variable remuneration), of which half is paid as a gross insurance premium to an insurer and half in the form of a cash indemnity classified as salary;
- the benefit of the accident and health insurance system as the Group's employees in France, plans to which he is subject and to which he contributes;

- a “co-investment” plan: the Chief Executive Officer purchased a number of shares of the Company for an amount of €360,000 at a share price equal to the average of the daily volume-weighted average prices of the Company’s shares over a period of 20 days from the time of the admission to trading of the Company’s shares on the regulated market of Euronext Paris, i.e., May 6, 2022. A grant of performance shares of the Company for a face value of up to seven times the amount invested is being considered. The performance shares will be fully vested only at the end of a three-year period, and will be subject to performance conditions in line with the objectives indicated by the Company in the Universal Registration Document . They will be transferable only at the end of a one-year lock-up period following vesting. The allocation and conditions of these performance shares shall be decided at a later date (see below).

The performance conditions for the performance shares and stock options comprising the long-term incentive plan have been determined precisely by the Board of Directors in May 6,2022, with the following :

Performance shares : , revenue growth, Core EBITDA margin and inventory coverage, each counting for one third. The revenue growth criterion will be measured by reference to the Group’s target for the 2021-2024 period; the Core EBITDA margin will have to reach the average of the three Core EBITDA margins for the 2022-2024 period and reach the Core EBITDA margin for the financial year 2024; and the inventory coverage criterion will have to reach the Group’s target at the end of the last year of the 2022-2024 period. Performance shares will vest according to the rate of achievement of the criteria, at 35% if two of the three criteria are met at the target level; 70% if all three criteria are met at the target level; and 100% if two criteria are met at 110% of the Group’s targets and the third criterion is met at the target level.

Stock options granted to the Chief Executive Officer include a performance condition linked to revenue growth, measured against the Group’s target for the 2021-2024 period.

The stock options will vest according to the rate of achievement of the criterion, at 33% if the criterion is achieved at the target level over the period; 66% if the criterion is achieved at 110% over the period; and 100% if the internal revenue growth budget is achieved over the period.

The performance conditions of the performance shares granted under the “co-investment” plan have been determined precisely by the Board of Directors, with the following :

- Internal performance conditions for 75%
  - 25% growth in revenue - will be measured against the Group’s target for the 2021-2024 period,
  - 25% Core EBITDA margin - will have to reach the average of the three Core EBITDA margins for the 2022-2024 period and reach the Core EBITDA margin for financial year 2024
  - 25% inventory coverage will have to reach the Group’s target at the end of the last year of the 2022-2024 period.
  - Performance shares will vest according to the rate of achievement of the criteria, at 35% if two of the three criteria are met at target level; 70% if all three criteria are met at target level; and 100% if all three criteria are met at the internal budget level.
- Total Shareholder Return (TSR) condition for 25% based on two indicators :
  - 50% with a selected peer group of competitors : BACHEM; CATALENT, EVONIK, EVOTEC, JOHNSON MATTEY, LONZA, POLYPEPTIDE, SIEGRFRIED and THERMO FISHER,
  - 50% with and Index of French listed companies (CAC Mid 60)
  - The performance shares will vest according to the rate of achievement of the criteria, at 50% in case of achievement of the French index at 110% and if EUROAPI is ranked behind the median of the panel of selected companies; and 100% in case of achievement of the index at 110% and if EUROAPI is at the median of the panel of selected companies, subject to certain adjustments in the event of a change of control of the Company.

The right to the performance shares and stock options will be lost if the Chief Executive Officer is dismissed for serious misconduct or gross negligence, or for reasons attributable to performance before the expiration of the vesting period set at three consecutive years.

2.3.5 Pay ratios

This information is provided in accordance with the provisions of the Pacte Act of May 22, 2019 and the recommendations of the AFEP-MEDEF Code in its January 2020 version.

Pay ratios between the level of compensation of executive directors and the average and median compensation of employees from EUROAPI France, representing 98% of the population present in France. It should be noted that there are no employees in the listed company as of December 31, 2022.

The ratios below have been calculated on the basis of fixed and variable compensation paid during the financial years mentioned, as well as bonus and performance shares acquired during the same periods and valued at their fair value. The total remuneration taken into account for the Chair and the Chief Executive Officer is disclosed in table 2 in section 2.3.3 and 2.3.4 - Amount paid in 2022). The scope of this information includes the employees of EUROAPI France.

The choice of this scope was made in order to have intelligible ratios and to exclude the problems of exchange rates, inflation and salary regimes (different legal constraints) of the various countries in which EUROAPI has employees. In addition, in order to maintain a constant scope, employees with employment contracts other than permanent or fixed-term contracts are excluded from this population.

Ratios		2022	2021
CEO	Average	21	N/A
	Median	29	N/A
	2022 Compensation (table 2 - Section 2.3.4)	1,098,441	
Board Chair	Average	12	N/A
	Median	17	N/A
	2022 Compensation (table 2 - Section 2.3.3)	649,000	
Employees	Average compensation	53,549	N/A
	Median compensation	37,316	N/A

Variation in %	2021 - 2022	2021
Turnover	+8.5%	N/A
Core Ebitda	+8.5%	N/A

2.3.6 Stock options and Performance shares

Allotment of stock options

Allotment of stock options

Table 4 (AMF nomenclature): Stock options granted during financial year 2022 to each corporate officer by the Company or by any Group company

Name of the corporate officer	Number and date of the plan	Type of options (purchase or subscription)	Valuation of the options according to the method used for the consolidated financial statements	Number of options allotted during the financial year	Exercise price	Exercise period
Viviane Monges, Chair	N/A	N/A	N/A	N/A	N/A	N/A
Karl Rotthier, CEO	March 6, 2022	Subscription	241,535	64,238	13.91	06/03/2022 to 06/03/2031

Date of shareholders' meeting	30 mars 2022
Date of the Board of Directors meeting	March 6, 2022
Total number of shares that may be subscribed or purchased, including the number that may subscribed or purchased by:	327 082
Karl Rotthier, CEO	64 238
Starting date for exercise of options	June 3, 2026
Expiration date	June 3, 2031
Subscription or purchase price	13,91 €
Exercise procedures (if the plan includes several tranches)	N/A
Number of shares subscribed	
Cumulative number of canceled or lapsed stock options	20 947
Stock options remaining at year-end	306 135

Table 5 (AMF nomenclature): Stock options exercised during financial year 2022 by each corporate officer

Name of the corporate officer	Number and date of the plan	Number of options exercised during the financial year	Exercise price
Viviane Monges, Chair	N/A	N/A	N/A
Karl Rotthier, CEO	N/A	N/A	N/A

Table 8 (AMF nomenclature): Historical information about stock option grants

Information concerning stock options				
Date of shareholders' meeting	Plan no1	Plan no2	Plan no3	Etc.
Date of the Board of Directors meeting	None			
Total number of shares that may be subscribed or purchased, including the number that may subscribed or purchased by:				
Viviane Monges, Chair				
Karl Rotthier, CEO				
Starting date for exercise of options				
Expiration date				
Subscription or purchase price				
Exercise procedures (if the plan includes several tranches)				
Number of shares subscribed				
Cumulative number of canceled or lapsed stock options				
Stock options remaining at year-end				

Table 9 (AMF nomenclature): Stock options granted to the top ten employees excluding corporate officers and options exercised by said employees:

	Total options granted/shares subscribed or purchased	**Weighted average price**	**Plan 1**	**Plan 2**
Options granted during the financial year by the Company and any company included in the option allocation plan to the ten employees of the Company or of any company included within this scope receiving the largest number of options (overall figure)	134,665	3.8		
Options on the Company and the aforementioned companies that were exercised during the financial year by the ten employees of the Company or of those companies whose number of options thus purchased or subscribed is the highest figure	N/A	N/A		

Free share plan

Table 6 (AMF nomenclature): Free shares granted to each corporate officer

Free shares allotted by the shareholders' meeting in financial year 2022 to each corporate officer by the Company and by any company of the group (listed by name)	**Number and date of the plan**	**Type of shares granted in financial year 2022**	**Valuation of the shares using the method used for the consolidated financial statements**	**Vesting date**	**Availability date**	**Performance conditions**
Viviane Monges, Chair			None			
Karl Rotthier, CEO	June 3, 2022	Free Shares	6,271	06/03/2023	06/03/2023	N/A
Karl Rotthier, CEO	June 3, 2022	Performance Shares	259,758	06/03/2025	06/03/2025	Yes
Karl Rotthier, CEO	June 3, 2022	Performance Shares	2,052,599	06/03/2025	06/03/2025	Yes

Date of shareholders' meeting	March 30, 2022	March 30, 2022	March 30, 2022
	June 3, 2022	June 3, 2022	June 3, 2022
Total number of free shares awarded, including the number allotted to:	1,007,514	216,318	181,165
Viviane Monges, Chair	None	None	None
Karl Rotthier, CEO	446.00	20,074.00	181,165.00
Vesting date	06/03/2025	06/03/2025	06/03/2025
End date of lock-up period	06/03/2025	06/03/2025	06/03/2025
Number of shares subscribed			
Cumulative number of canceled or lapsed shares	54,635	6,546	0
Free shares awarded and remaining at year end	952,879	209,772	181,165

Table 7 (AMF nomenclature): Free shares granted that became available for each corporate officer

Free shares granted that became available for each corporate officer	Number and date of the plan	Number of shares that became available in financial year 2022	Vesting conditions
Viviane Monges, Chair		None	
Karl Rotthier, CEO		None	

Table 10 (AMF nomenclature): Historical information about free share plans

Information on free shares awarded	
Date of shareholders' meeting	
Total number of free shares awarded, including the number allotted to:	
Viviane Monges, Chair	
Karl Rotthier, CEO	
Vesting date	None
End date of lock-up period	
Number of shares subscribed	
Cumulative number of canceled or lapsed shares	
Free shares awarded and remaining at year end	

History of performance shares granted by Sanofi

Date of shareholders' meeting	04/30/2019	04/30/2020	04/30/2021
Date of the Board of Directors meeting	04/30/2019	04/28/2020	04/30/2021
Number of EUROAPI beneficiaries(1)	74,0	86,0	97,0
Total number of Sanofi shares granted to EUROAPI beneficiaries	28 399	26 894	32 896
Vesting date for Sanofi shares	05/02/2022	05/02/2023	05/01/2024
End date of lock-up period	05/02/2022	05/02/2023	05/01/2024
Number of fully vested Sanofi shares awarded at 12/31/2022	28 273	18 714	11 921
Cumulative number of Sanofi shares canceled or lapsed at 12/31/2022	126,0	8 180,0	20 975,0
Sanofi shares granted and remaining at 12/31/2022	28 273	18 714	11 921

(1) The EUROAPI beneficiaries correspond to employees who are not corporate officers of the Group and who were previously attached to the Sanofi group.

Recurring annual long-term incentive plan

After the admission of the Company's shares to trading on the regulated market of Euronext Paris, the Company's Board of Directors was asked to implement a long-term incentive plan for the principal executives and key managers of the Group. The goal

of this policy is to increase loyalty and mobilize approximately 120 to 150 of the Group's executives and high-potential employees for the success of its ambitious medium- and long-term objectives.

On March 30, 2022, the sole shareholder of the Company, which approved the transformation of the Company into a French public limited company (société anonyme) with a Board of Directors, subject to the approval of the Distribution in Kind by Sanofi's combined annual shareholders' meeting, which was held on May 3, 2022, decided, with effect as of the admission of the Company's shares to trading on the regulated market of Euronext Paris, to reserve an amount of (i) 3% of the share capital for a period of 26 months for free share allocation plans, for which the maximum share attributable to corporate officers may not exceed 0.4% of the capital, (ii) 2% of the capital, for a period of 26 months, for the stock options reserved for Group employees and corporate officers, the maximum share of which attributable to corporate officers may not exceed 50% of all options granted by the Board of Directors pursuant to said authorization.

The financial delegations approved by the sole shareholder of the Company on March 30, 2022, with effect as of the admission to trading of the Company's shares on the regulated market of Euronext Paris, are set out in Section 20.1.1 "Subscribed and authorized but unissued share capital" of the Universal Registration Document.

For the members of the expanded executive team (around 40 people) including the executive committee, this long-term incentive plan is composed of both stock options (50% of the valued amount) and performance shares (50% of the valued amount). For other beneficiaries, the plan consists only of performance shares.

The exercise period for the stock options will be nine years from the date they are granted. It will be possible to exercise the options only if the beneficiary is still an officer or employee of the Group on the exercise date. No later than on the day of the Company's transformation into a French public limited company (*société anonyme*) with a Board of Directors, the Board of Directors of the Company was asked to determine precisely the performance conditions of the stock options granted in connection with these plans. It was intended that they include a criterion related to revenue growth, which is measured by reference to the Group's target for the 2021-2024 period. The stock options will vest according to the rate of achievement of the criterion, at 33% if the criterion is achieved at the level of the objective over the period; 66% if the criterion is achieved at 110% over the period; and 100% if the internal revenue growth budget is achieved over the period.

The award of performance shares is not only intended to incentivize the beneficiaries to consider their actions with a long-term perspective, but also to develop employee loyalty and encourage an alignment of the employee's interests with those of the shareholders.

Under these plans, the performance shares will be vested (i) subject to the condition that the beneficiary meets performance criteria over a period of three consecutive years, and (ii) provided that the beneficiary remains within the Group over a period of three consecutive years. Nevertheless, exceptions to the presence requirement may be provided in the terms of the plans that will be adopted by the Board of Directors deciding on their allocation. It is planned that these criteria will include pertinent and stringent operational and financial performance criteria designed to reflect the main challenges of the strategy expected by the Company's shareholders, measured over three consecutive years (growth in revenue, Core EBITDA margin and inventory coverage (as defined above), each counting for one third). The revenue growth criterion will be measured by reference to the Group's target for the 2021-2024 period; the Core EBITDA margin will have to reach the average of the three Core EBITDA margins for the 2022-2024 period and reach the Core EBITDA margin for financial year 2024; and the inventory coverage criterion will have to reach the Group's target by the end of the last year of the 2022-2024 period. Performance shares will vest according to the rate of achievement of the criteria, at 35% if two of the three criteria are met at the target level; 70% if all three criteria are met at the target level; and 100% if two criteria are met at 110% of the Group's targets and the third criterion is met at the target level.

Exceptional allocation of free shares to certain executives in connection with the listing

In addition, the Company planned to grant, on the occasion of the admission of its shares to trading on the regulated market of Euronext Paris, in the form of an exceptional allocation, free shares to 17 of its main executives, representing up to nine months of base salary, for a total amount of approximately €1.6 million as of the date of the Universal Registration Document (excluding salary increases). The Chief Executive Officer was not included in this plan. These shares are subject to a two-year vesting period following their allocation.

2.4 RELATED-PARTY TRANSACTIONS

Please refer to Section 3.7 “Statutory auditors’ report on related- party agreements”.

Euroapi - St-Aubin-les-Elbeuf (France)

3

ORGANIZATION AND RISK MANAGEMENT

3.1 ORGANIZATIONAL STRUCTURE

3.1.1 Description of the Prior Reorganization Transactions

In connection with the admission to trading of the Company's shares on the regulated market of Euronext Paris, a portion of the activities of development, manufacture, marketing, distribution and sales of active pharmaceutical ingredients (APIs) and intermediates of the Sanofi group was carved-out from the rest of its business activities in order to consolidate these transferred activities within EUROAPI and/or its subsidiaries (the "Transferred Activity"). All of these reorganization transactions were completed between March 2021 and January 2022 (the "Prior Reorganization Transactions").

The Prior Reorganization Transactions were conducted in ten countries: France, Hungary, Germany, Italy, United Kingdom, Slovakia, Russia, United States, Japan and China. They are detailed below and were primarily completed through various securities and/or assets transactions in accordance with the following principles:

- The companies of the Sanofi group that operated both activities within the scope of EUROAPI and activities that do not fall within this scope were split.
  - In France, Hungary, Germany and Italy, the assets and liabilities related to the Transferred Activity were transferred to a local, dedicated subsidiary, newly formed by the Sanofi group;
  - In the United States, Japan and China, the assets and liabilities related to the Transferred Activity were transferred to a dedicated, local subsidiary newly formed by EUROAPI;
  - In Slovakia and Russia, the assets and liabilities related to the Transferred Activity were transferred, respectively, to a branch office and a representative office attached to EUROAPI France (a company sold by Sanofi Chimie to the Company in the Prior Reorganization Transactions in France).
- After completion of these transactions to carve-out the Transferred Activity, the Sanofi group sold to the Company all the shares of the newly formed local subsidiaries held by Sanofi entities.
- In the United Kingdom, the local subsidiary of the Sanofi group, whose activities fell primarily within the scope of the Group's activities, was renamed and then sold to the Company.
- In France, "Francopia", the local subsidiary of the Sanofi group, whose activities fell exclusively within the scope of the Group's business activity, was sold to the Company.

All securities sales of local subsidiaries of the Sanofi group to the Company in the context of the Prior Reorganization Transactions were executed on the basis of the value used for the carve-out transactions executed within the Sanofi group. The acquisition price for the Company to acquire the securities of the local subsidiaries in question was financed by the capital increase described in Section 6.4. "Stock market history" of the Universal Registration Document. EUROAPI therefore controls all the Transferred Activity.

Prior to Sanofi's combined annual shareholders' meeting, held on May 3, 2022, which approved the Distribution in Kind, shares of the Company corresponding to approximately 70% of the Company's share capital that was distributed to Sanofi's shareholders (other than Sanofi itself and holders of shares issued upon the exercise of Sanofi stock options since January 1, 2022) in connection with the Distribution in Kind and the Investment (see Section 6.1 "Items that may have an impact in the event of a public offer" of the Universal Registration Document), were purchased by Sanofi from Sanofi Aventis Participations.

Prior Reorganization Transactions implemented in France, Hungary, Germany, Italy, the United States, Japan, China, Slovakia and Russia

In France, Hungary, Germany, Italy, the United states, Japan, China, Slovakia and Russia, the portion of the Transferred Activity had been operated by a non-dedicated local subsidiary of the Sanofi group (or, in the case of (i) the United States, two non-dedicated local subsidiaries, and (ii) France, two subsidiaries, one that was dedicated and the other non-dedicated). The Prior Reorganization Transactions consisted primarily of transferring all the assets and liabilities related to the Transferred Activity to local subsidiaries of Sanofi or the Company (with the exception of Francopia). These transfers of assets and liabilities took the form of splits, sales of businesses (or the local equivalent) and/or sales of isolated assets and liabilities, depending on the jurisdiction in question. With a few exceptions, such as in Germany (see "Agreements signed by the Sanofi group and third parties for the execution of the Prior Reorganization Transactions" hereafter), these transfers covered all the liabilities attached to the Transferred Activity, including environmental liabilities prior to the date of the transfers. In France, Hungary, Germany and Italy, all the shares and voting rights of the local subsidiaries were then sold by the relevant entity of the Sanofi group to the Company.

In France, the Prior Reorganization Transactions consisted of selling all shares of Francopia to the Company. Prior to this sale, Sanofi Chimie transferred certain assets to Francopia, including the residual customer base and certain isolated assets related to the transferred APIs (including the intellectual property rights, the Drug Master Files and others) and the CEP (certificates of suitability to the European Pharmacopeia, as well as the inventories of raw materials used in the manufacture of said APIs), giving Francopia all the assets and liabilities attached to the activity for alkaloids.

At the same time as the transfers of assets and liabilities and the sales of securities described above, certain isolated assets and liabilities falling within the Transferred Activity, such as intellectual property rights (primarily trademarks and patents), inventories or contracts, were sold separately, such that, they are wholly owned, directly or indirectly, by the Company.

Prior Reorganization Transactions implemented in the United Kingdom

Before the Prior Reorganization Transactions, the Transferred Activity was operated in the United Kingdom by Genzyme Limited, a local subsidiary of the Sanofi group.

The Prior Reorganization Transactions implemented in the United Kingdom consisted of renaming this subsidiary "EUROAPI UK Limited", then selling all the shares of this entity to the Company. Prior to this sale, EUROAPI UK Limited acquired a patent and expertise in the manufacture of the API Sevelamer from a company of the Sanofi group. A contract signed with a customer of the Sanofi group was also transferred by Genzyme Corporation to EUROAPI UK Limited. The few assets (essentially inventories) held by this subsidiary and which were not dedicated to the Transferred Activity were sold to other entities of the Sanofi group. As a result of the completion of the Prior Reorganization Transactions in the United Kingdom, the Company directly holds 100% of the capital and voting rights of EUROAPI UK Limited.

Agreements signed by the Sanofi group and the Group for the execution of the Prior Reorganization Transactions

Prior Reorganization Transactions required the conclusion of two-tier agreements as follows:

Centrally, the master carve-out agreement

The Group and Sanofi entered into a master carve-out agreement (the "Master Carve-Out Agreement"), which sets out the general principles and organizes the terms for completing the Prior Reorganization Transactions, such as defining the limits of the development, manufacturing, marketing and distribution activities of Sanofi group's active pharmaceutical ingredients (APIs) included in the carve-out and transferred to the Group, the transferred assets and liabilities and as appropriate the specific terms applicable to their transfer, the indemnification rules between the parties or cooperation commitments between the parties.

The Master Carve-Out Agreement, as modified by amendments dated February 25, 2022, and March 28, 2022, effective as of the date of their signature, provide for, subject to certain exceptions, the transfer to the Group of all assets and liabilities linked to the Transferred Activity. In this respect, under the Master Carve-Out Agreement, the Company and its subsidiaries are obliged to indemnify the Sanofi group companies against all liabilities linked to the Transferred Activity or transferred assets, including liabilities relating to product liability, environmental liabilities and/or those related to the ownership or the use of real estate transferred under the Prior Reorganization Transactions (subject to a few exceptions, mainly in Germany where specific rules described below are provided for), as well as the corporate, legal and tax liabilities relating to the Transferred Activity. The Group notably undertakes to indemnify Sanofi or any of its affiliates for any loss or action brought against the Sanofi group relating to environmental pollution or contamination, the release of dangerous substances and/or personal injuries caused by the latter related to the Transferred Activity. This indemnity is applicable whether the operative event or the circumstances at the origin of these liabilities are known or unknown or predate or postdate the effective date of the agreements relating to the Prior Reorganization Transactions in each of the relevant jurisdictions.

Notwithstanding the principle of transferring to EUROAPI all the liabilities related to the Transferred Activity, the Master Carve-Out Agreement, as amended, also provides for a number of commitments, including indemnification, made by Sanofi to the Group, such as:

- an environmental indemnification mechanism for the

Vertolaye and Saint-Aubin-lès-Elbeuf sites located in France: as of October 1, 2021, Sanofi has undertaken to indemnify the Company for a maximum amount of €16.7 million for costs relating to restoration approved by the competent French authorities and initiated by the Sanofi group but not yet completed at the transfer date on certain plots of the Group sites located at Saint-Aubin-lès-Elbeuf and Vertolaye and subsequent to the pollution, contamination or release of dangerous substances into the environment caused by the Transferred Activity. This commitment will end on September 30, 2026.

- A mechanism to cover part of the repair and renovation work initiated by the Group at the Brindisi site: Sanofi has undertaken to compensate the Company or its subsidiary in Italy up to a maximum of €4.0 million for the costs relating to the repair and renovation of the pipes (rainwater and cooling water sewage system) at the Brindisi site for the portion of the costs exceeding €4.0 million. This commitment runs until December 31, 2025.
- A mechanism for handling the restoration work initiated by the Sanofi group on the Marat plot located close to the Vertolaye French site: in the wake of an order issued by the Préfet on September 30, 2021, Sanofi has undertaken to bear the cost of all restoration actions required by the competent authorities under the environmental regulation on the Marat plot for which only the property title was transferred to the Group on October 1, 2021. This commitment is valid until the earlier of the following two dates: (i) the date on which the competent authorities issue a document stating that the restoration measures for the Marat plot have been duly executed or any other document stating that they have met the main restoration measures for the Marat plot (in other words after completion of the soil and water restoration measures other than the monitoring of underground water) or (ii) the date on which the administrative responsibility concerning the environmental situation of the Marat plot is transferred to the Group. In accordance with the provisions of the Master Carve-Out Agreement, the Group has undertaken to request from the authorities the transfer of the administrative responsibility for the Marat plot and to cooperate with Sanofi for the purposes of the completion of the transfer, once the authorities have confirmed the completion of the restoration.
- An indemnification/handling mechanism for certain regulatory review costs: as of October 1, 2021, Sanofi has undertaken to indemnify the Company for a maximum amount of €15.0 million for costs related to the regulatory review of a list of APIs in the scope of the Transferred Activity. The scope of this regulatory review includes the validation of the compliance of the regulatory files of the transferred APIs or the business with the ICH Q2A (validation of analytical methods) and ICH Q11 (development and manufacture of pharmaceutical substances) standards, as well as the proactive assessment of the level of the current regulatory files associated with the transferred APIs or the business with respect to the latest recommendations of the International Council on Harmonization of Technical Requirements for the Registration of Pharmaceuticals for Human Use (ICH). This commitment is valid until September 30, 2025.
- Indemnification of certain commitments to the company BASF Agri Production SAS ("BASF"): Sanofi shall indemnify the Company or its subsidiary EUROAPI France for the damages that it might suffer in respect of an indemnification obligation in favor of BASF under the separation agreement entered into between BASF and the Sanofi group on February 13, 2004 (as amended, particularly by the September 28, 2021, tripartite agreement), transferred to the Company consecutive to the sale of the Saint-Aubin-lès-Elbeuf site, for losses suffered by BASF due to (i) environmental claims or (ii) occupational illnesses affecting its employees.
- Indemnification for certain expenses related to the Prior Reorganization Transactions: Sanofi shall indemnify the Company or its subsidiaries for certain expenses related to the Prior Reorganization Transactions incurred before June 30, 2022, for an amount of €9.4 million, and some operating expenditures related to the transition of IT systems in Germany incurred between (i) the loss of control by Sanofi resulting from the Distribution in Kind of the Company's shares at the time of the admission to trading of the Company's shares (the "Loss of Control") and (ii) December 31, 2022, for an amount of €3.1 million.

Furthermore, in accordance with the terms of the Master Carve-Out Agreement, Sanofi purchased an environmental insurance policy for the benefit of the Group for a period of ten years starting from October 1, 2021, and for a maximum amount of €50 million to cover environmental liabilities originating prior to the implementation of the Prior Reorganization Transactions (or in certain cases, the Company's initial listing). This insurance is subject to the customary exclusions for such insurance policies providing coverage for environmental liabilities. This policy, for which the premium is fully handled by Sanofi, was transferred to the Company in connection with the initial listing of the Company's shares.

In accordance with the provisions of the Master Carve-Out Agreement, the Company and Sanofi have appointed a committee in charge of monitoring the Prior Reorganization Transactions set out by the Master Carve-Out Agreement and a committee in charge of monitoring the commercial relations between the parties. The two committees will meet over a period of three years and five years, respectively, starting from the Loss of Control by Sanofi. The composition of each of these committees, which includes an equal number of representatives of the Company and Sanofi, reflects a balanced governance between the parties. Each of these committees shall provide an escalation mechanism in the event of persistent disagreements.

The Master Carve Out Agreement is subject to French law. Any dispute arising out of or in connection with the Master Carve Out Agreement shall be submitted to arbitration under the rules of the International Chamber of Commerce.

Locally, the Local Transfer Agreements

In each of the countries concerned, the Company's dedicated subsidiary and a Sanofi group company have signed local transfer agreements (the "Local Transfer Agreements") setting out the terms for carrying out the transfer of the assets and liability dedicated to the Transferred Activity in accordance with applicable local laws. Depending on the countries, assets and liabilities transfers have been carried out through demergers, sale of business assets (or local equivalent) and/or sales of isolated assets and liabilities or securities sales.

In addition to these two levels of agreement, the Prior Reorganization Transactions also required the execution of certain sales of isolated assets and liabilities, as described above.

Agreements signed by the Sanofi group and third parties for the execution of the Prior Reorganization Transactions

Agreements entered into with BASF

The industrial site located in Saint-Aubin-lès-Elbeuf and transferred to EUROAPI was shared between Sanofi and BASF in accordance with a series of agreements concluded between the parties comprising, in particular, a separation agreement dated February 13, 2004 (as amended), a sale agreement concerning the land and buildings used for the wastewater treatment plant on November 29, 2013 (as amended), and services agreements. To guarantee the smooth operation of the Saint-Aubin-lès-Elbeuf site, especially the supply of certain services essential to the industrial activity, the transfer of assets and liabilities relating to the Transferred Activity in France required concluding on September 28, 2021, a tripartite agreement between BASF, Sanofi Chimie and EUROAPI France, as well as a commercial lease on September 1, 2021, and a master service agreement on October 1, 2021, providing in particular for the renewal or redrafting of the services agreements for general services, utilities and the waste treatment plant, effective as of January 1, 2022.

As of October 1, 2021, (i) Sanofi is required to indemnify the Company and its subsidiaries for any BASF claim based on environmental issues or occupational illnesses as recalled in Subsection "Agreements signed by the Sanofi group and the Group for the execution of the Prior Reorganization Transactions" above and (ii) the Company will be required to indemnify Sanofi or its subsidiaries against any other loss relating to the obligations or commitments with respect to the services described above and that may be incumbent on them due to the agreements with BASF.

Agreements relating to the Frankfurt site

Furthermore, the Prior Reorganization Transactions required the split and/or the duplication of some agreements concluded, between, on the one hand, Sanofi Aventis Deutschland GmbH ("SADG"), the entity that operated the portion of the Transferred Activity in Germany, and on the other hand, Infraserv GmbH & Co. Höchst KG ("ISH") and its affiliates (together with ISH, the "ISH Group"). The Transferred Activity is operated in the Höchst industrial park at Frankfurt am Main in Germany. The ISH Group owns all the land on which the Höchst industrial park is built, which it leases to the companies located in the industrial park, and provides various services to these companies. SADG is currently a shareholder of the ISH Group with a 30% equity stake.

SADG and the ISH Group have entered into various agreements regarding real-estate leasing and the supply of services by the ISH Group, particularly services relating to buildings, utilities and networks, IT, environmental, logistics and other services. Most of these agreements concerned both the Transferred Activity and the business retained in the scope of SADG. Consequently, on June 30, 2021, SADG and the ISH Group concluded several agreements with the goal of dividing and/or duplicating their agreements in order to create a separate set of agreements dedicated to the Transferred Activity and another set dedicated to the business retained by SADG. As part of the Prior Reorganization Transactions carried out in Germany, the agreements relating to the Transferred Activity were transferred to EUROAPI Germany GmbH, a subsidiary of the Company, with effect from November 1, 2021.

The main provisions of the agreements with the ISH Group in the context of the agreements relating to the Transferred Activity in Germany are presented below:

- Some agreements provide for a right to adjust prices for the benefit of the ISH Group, in the event of change in the costs of the ISH Group resulting from a change of legislation, case law or administrative practice or in case of unexpected costs linked to the capital expenditures borne by the ISH Group.
- The new lease (the "Lease Agreement"), pursuant to which EUROAPI Germany GmbH leases the majority of its buildings contains a clause providing for the right for ISH to request a temporary or permanent price adjustment, for ancillary costs, in an appropriate amount and after certain imposed procedures, in the event that other companies located in the industrial park are unable to pay their share of costs due to insolvency.
- The ISH Group has requested a guarantee concerning the obligations provided for by the Lease Agreement in connection with the Transferred Activity, particularly the obligation to demolish the buildings when the lease expires. The Company, as the parent company of EUROAPI Germany GmbH, has granted a guarantee to cover these requests. In 2026, EUROAPI Germany GmbH will have to supply a bank guarantee, to supplement the guarantee granted by the Company, in the event that some of the Company's financial performance indicators fall short of the thresholds agreed by the parties on that date. The guarantee granted by the Company and the bank guarantee are limited to €28.5 million, subject to the adjustment in case of the addition or withdrawal of the Lease Agreement for buildings, which is subject to a demolition obligation.

Pursuant to the Lease Agreement, EUROAPI Germany GmbH is required to pay for certain restoration costs in the event of the construction of new buildings by or for EUROAPI Germany GmbH (as for example, the excavation of contaminated soils) or demolition of existing buildings.

Furthermore, EUROAPI Germany GmbH is required, pursuant to the Lease Agreement, to bear 2.19% of the costs relating to protection measures against environmental damages for the entire Höchst industrial park. This obligation can be increased to 2.29% in the event the Company exercises its option to lease an additional building from ISH (the G 839 pilot plant).

In this context, SADG and EUROAPI Germany GmbH, have agreed, as part of the demerger agreement entered into at the end of the Prior Reorganization Transactions, that all liabilities including environmental ones related to the Lease Agreement will definitely be the responsibility of the Company.

Furthermore, SADG is required to bear certain environmental protection costs related to the Offheim, Aßlar and Lindenholzhausen external landfills, which were previously used for SADG activities. According to the terms of the demerger agreement, SADG has transferred a share of these obligations to EUROAPI Germany GmbH, within the limit of 5.97% of the respective total annual costs for the Offheim landfill and 14.24% of the respective total annual costs for the Aßlar and Lindenholzhausen landfills.

The environmental liabilities that may exist, with respect to other commitments and predating the Prior Reorganization Transactions, have been retained by SADG.

Agreements entered into with the Sanofi group and the Group as part of the Prior Reorganization Transactions for the future conduct of business

The Group's related parties include the Company's shareholders, non-consolidated subsidiaries, affiliated companies (equity-accounted investees) and entities on which the various Group executives have significant influence.

For the year ended December 31, 2022, sales to the Group's customers other than Sanofi and sales to Sanofi accounted, respectively, for 51.7% and 48.3% of the Group's consolidated revenue. By 2025, the Group expects sales to Sanofi to account for 30% to 35% of its consolidated revenue.

The figures detailing the relations with these related parties can be found in Note 10.6 of the consolidated financial statements for the years ended December 31, 2022, 2021 and 2020, presented in Section 4.6 "Consolidated financial statements" of the Universal Registration Document.

In addition to the completion of the Prior Reorganization Transactions, it was agreed that the Company and its subsidiaries continue to maintain a set of contractual commercial relations with the Sanofi group from which they originate. In the context of the Prior Reorganization Transactions carried out in 2021, the Company and its subsidiaries have thus concluded with Sanofi and some of its subsidiaries agreements concerning:

- the manufacture and supply of a number of APIs, intermediates and other substances;
- the distribution of some APIs;
- the provision of services;
- the development of APIs or intermediates.

The Company and its subsidiaries have also concluded with Sanofi and some of its subsidiaries license agreements concerning intellectual property rights, as well as other ad-hoc agreements, particularly leases, in order to allow the parties to continue their activities and ensure the master agreements remain in effect.

The conclusion of these agreements is the outcome of independent negotiations between the Group's teams and the Sanofi group teams.

Manufacturing and supply agreements for certain APIs

The global manufacturing and supply agreement

In addition to the completion of the Prior Reorganization Transactions, it was agreed that the Sanofi group will continue to benefit from the services supplied by the Company and its subsidiaries under the new terms concluded as part of the transactions. To this end, Sanofi Winthrop Industrie, a Sanofi group company, and EUROAPI France, each one acting in its own name and in the name and on behalf of their affiliates, signed on October 1, 2021, a manufacturing and supply agreement for APIs, intermediates and other substances (the "Global Manufacturing and Supply Agreement") at fixed prices determined on the basis of market prices and sustainable for both parties, subject to the modulation mechanisms of the pricing policy described below, expiring five years after the Loss of Control of the Company by Sanofi. The Global Manufacturing and Supply Agreement, as amended on March 1, 2022, with effect as of February 25, 2022 (with the exception of certain provisions effective as of January 1, 2022), covers the manufacture and/or supply by the Company of 86 APIs and/or intermediates and/or substances required to manufacture the medication marketed by the Sanofi group or manufactured by Sanofi on behalf of its customers. The intellectual property rights relating to APIs, intermediates and/or other substances covered by the Global Manufacturing and Supply Agreement and those required for their manufacture are held by the Company and its subsidiaries, with the exception of some cases in which they are held by the Sanofi group. The parties shall notify their intention to renew the Global Manufacturing and Supply Agreement at least two years before the end of said agreement, and as from this notification, to negotiate in good faith the terms and conditions of the renewal of the agreement.

Pursuant to the Global Manufacturing and Supply Agreement, the Sanofi group shall exclusively source from the Group, on an established list of territories, for its requirements for APIs and/or intermediates and/or other substances covered by the Global Manufacturing and Supply Agreement, with the exception of certain products listed exhaustively and subject to certain exceptions related to legal constraints, the Group's production capacities and the usual exceptions for such agreements. The exclusive sourcing obligation, which covers 42 APIs and/or intermediates and/or other substances, will be suspended in the event of foreseeable delay in the delivery of products for a duration comprised between one to three months with respect to the delivery date agreed upon by the parties or in the event of repeated incidents relating to product quality and consecutive to an identical cause. At Sanofi's discretion, this obligation may be terminated, product by product, in the event of delay in the delivery of products over a period exceeding three months (or in case of repeated delays over a shorter period), in case of annual customer level below 50% or non-compliance of the pharmaceutical products manufactured by Sanofi with the applicable quality standards, and to the extent where the latter is attributable to the Group; or in order to comply with the European regulation applicable to vertical agreements. The monthly customer service level is the percentage of the number of orders considered compliant (in terms of on-time delivery, quantity and product lifespan) out of the total number of orders received during a given month. In the event that the customer service level on an annual basis falls below a threshold defined by the parties based on the year of performance of the contract, but that exceeds 50%, the Company may be required to pay Sanofi a penalty. The amount of the penalty shall be a mutually agreed percentage of the amount of non-conforming orders that deviate from the expected target (capped at 10%). The Global Manufacturing and Supply Agreement also provides for the Group's obligation to exclusively supply the Sanofi group, limited to the 11 products listed and only in certain countries, with the exclusion of any other customer.

The terms of the Global Manufacturing and Supply Agreement include a price-volume corridor corresponding to an annual tiered compensation mechanism between the parties covering up and down fluctuations, beyond a threshold agreed upon by the parties, between the target revenue and the actual revenue related to Sanofi's purchases for a number of APIs. The price-volume corridor mechanism which is applicable between January 1, 2022, and December 31, 2026, includes (i) a global compensation mechanism, i.e., compensation due by one party to the other if the difference between global actual revenue and reference global sales is outside the globally applicable corridor for the year in question, the magnitude of which shall increase in increments one time over the 2022-2026 period, and (ii) a subsidiary compensation mechanism for the benefit of the Group calculated at the level of each of the production sites, i.e., compensation will be due by Sanofi if the difference between the site's actual revenue and the site's reference sales falls outside the applicable site-wide corridor (for the first three years only), during the 2022-2024 period, the magnitude of which shall increase in increments one time. Reference sales refer to the quantity of sales corresponding to Sanofi's expected purchases, defined by product covered by the price-volume corridor mechanism, by production site and by year.

Actual revenue refers to, for a given year, the amount (in euros) of products for which Sanofi has received firm orders under the terms of the Global Manufacturing and Supply Agreement. Actual revenue includes the amount of products ordered by Sanofi within the limits of the capacity reservation clause described below, in the event that such order is refused by the Company. Any amounts paid under the Group's performance clause or compensation mechanism in the event of a significant increase in the price of certain raw materials or the evolution of energy costs (as described below) are excluded in the determination of the amount of actual revenue.

The APIs and/or intermediates and/or other substances covered by the exclusive sourcing obligation and the price-volume corridor previously described represented 53% of the Group's sales with Sanofi, on a basis, for the year ended December 31, 2022. In addition, the Group's objective regarding Sanofi's relative weighting in total Group revenue by 2025 is presented in Section 4.5.2 "Medium-term outlook" of the Universal Registration Document.

The Global Manufacturing and Supply Agreement also contains a capacity reservation clause in the Group's production sites, for the benefit of Sanofi, corresponding to an annual minimum quantity of five APIs or manufacturing intermediates (THTP, Fexofenadine, Metamizol Na, Cyclopentane and Irbesartan) excluded from the exclusive sourcing obligation and the price-volume corridor, at fixed prices determined by the parties. In the event that Sanofi orders a quantity below the quantity agreed between the parties under the reservation clause, per API and for a given year, compensation would be owed by Sanofi. Correlatively, the Global Manufacturing and Supply Agreement includes a maximum capacity clause beyond which the Company's supply obligation to Sanofi shall cease. In the event that Sanofi orders a quantity exceeding the minimum quantity and lower than the maximum capacity but the Company does not deliver the said quantity, the Company could be compelled to pay Sanofi a penalty as specified in the contract.

The Global Manufacturing and Supply Agreement also includes several commitments from Sanofi in the event of sale by Sanofi to a third party of a finished product including an API manufactured by the Group, from a production site or a business segment concerning such finished product. In such event, the parties have undertaken to ensure that the buyer accepts to continue the relationship with the Group, as a manufacturer, according to the terms set out in the Global Manufacturing and Supply Agreement. As an exception, in certain cases, Sanofi may, at its discretion, act as an intermediary between the Group and the purchaser of the finished product, the production site or a business segment. If some sold finished products are covered by the capacity reservation clause described above, the rights and obligations of the Sanofi group will be transferred to the buyer, subject to certain exceptions.

Pursuant to the Global Manufacturing and Supply Agreement, Sanofi will have to compensate the Group in case of a significant increase in the price of certain key raw materials and solvents used to manufacture APIs and intermediates for Sanofi. This mechanism is applicable starting from 2022 and until the end of 2026. Pursuant to the latter, the Group will be entitled, in the event of an increase ranging between 20% and 50% of the price of certain raw materials and solvents with respect to their reference price set in 2020, to an indemnification, the amount of which will depend on this increase. In the event of an increase of over 50% of the price of these raw materials or solvents, the parties have agreed to negotiate a new indemnification mechanism in good faith.

The Global Manufacturing and Supply Agreement, as amended, contains a reciprocal sharing of energy costs (gas, electricity and steam) in relation to reference prices determined by the parties, for Sanofi's portion of purchases. Under the terms of this agreement, in the event of a difference, calculated by energy source and at the level of each of the Group's sites, between (i) the energy costs for a given year for the concerned energy source and (ii) the Group's supply costs calculated on the basis of reference prices determined by the parties, compensation will be due by energy source and by Group site for Sanofi's portion of purchases, by Sanofi in the event of additional costs for EUROAPI and by EUROAPI in the event of a gain on the price of energy by Group site and by energy source. In addition, in the event of an increase of more than 10% in the quantities of energy used, the Group will be compensated only up to the percentage increase in product sales to Sanofi. This energy cost sharing mechanism is applicable from January 1, 2022, to December 31, 2026.

The Global Manufacturing and Supply Agreement contains a performance clause corresponding to the annual retrocession by the Company, as from 2022 and until the end of 2026, for a portion of the fixed and variable cost savings made by the Company on the cost of APIs, intermediates and other substances sold to Sanofi, the amount of which has been previously agreed upon by the parties on the basis of the actual business volume and the savings relating to the industrial performance and raw materials supply, subject to certain adjustments. The amount of the annual retrocession, which shall be a low single-digit percentage of total annual revenue made with the Sanofi group, will be insignificant and increase steadily through 2026.

The Global Manufacturing and Supply Agreement does not provide for early redemption and/or cancellation in the event of a change of control of the Company. It is governed by French law. Any dispute arising out of or in connection with the Global Manufacturing and Supply Agreement shall be submitted to arbitration under the rules of the International Chamber of Commerce.

Reverse Manufacturing and Supply Agreements

In connection with the completion of the Prior Reorganization Transactions, a number of agreements were also entered into, effective on October 1, 2021. Under these agreements, some Sanofi group companies will have to supply certain services relating to the manufacture of APIs to the Group's companies (the "Reverse Manufacturing and Supply Agreements"). They include:

- A first agreement, as amended, in force until December 31, 2023, and renewable by mutual consent, pursuant to which Sanofi Chimie, acting as sub-contractor, will continue to manufacture a number of APIs belonging to a commercial partner of the Group, and will supply EUROAPI France.
- A second agreement, in force until December 31, 2024, pursuant to which Sanofi Chimie, as the sub-contractor, will be in charge of the manufacture of B12 derivative salts on behalf of EUROAPI France. The contract stipulates that the technology transfer free of charge to the Group must be completed no later than at the end of the contract.
- A third agreement, in force for five years after the Loss of Control of the Company by Sanofi, and renewable by mutual consent, pursuant to which Sanofi Chimie, as the sub-contractor, will continue to manufacture a number of APIs on behalf of Francopia.

Special agreement between the Group and the Sanofi group related to the packaging of pharmaceutical products

In addition to the Prior Reorganization Transactions, EUROAPI UK and Genzyme Europe BV, a Sanofi subsidiary, each one acting in its name and in the name of its subsidiaries, reached an agreement pursuant to which EUROAPI UK (and/or each of its concerned subsidiaries), acting as a Sanofi group sub-contractor, shall have to package, control and release Sanofi group pharmaceutical products. This agreement, as amended on February 28, 2022, became effective on January 1, 2022, for a period of five years starting from the Loss of Control of the Company by Sanofi.

Special agreements between the Group and the Sanofi group relating to the development of APIs

EUROAPI France and Sanofi-Aventis Research and Development (each one acting in its name and in the name of its affiliates) concluded on October 1, 2021, a master agreement for development and GMP manufacturing services (the "Master Agreement for Development and GMP Manufacturing Services") pursuant to which each of the parties acting, as appropriate, as either service provider or beneficiary of the services relating to the development and/or improvement of the manufacturing processes of certain APIs or intermediates. Furthermore, EUROAPI France entered into a similar development agreement with the Opella Healthcare Group SAS (subsidiary of the Sanofi group's general public health business). As part of these agreements, the Group is developing new chemical entities in Sanofi's R&D portfolio, including a Tolebrutinib, an intermediate currently partially clinical hold in Phase 3 for multiple sclerosis, the peripheral chain and ligand of Tusamitamab ravtansine, an antibody-drug conjugate currently in Phase 3 in non-small cell lung cancer, or the development of a cationic lipid for certain messenger RNA vaccines being developed by Sanofi Pasteur. In accordance with these agreements, the parties can also enter into special agreements to define the specific rules concerning in particular capital expenditures, the intellectual property rights of the parties, order and/or manufacture projections and commitments for certain molecule volumes or prices. These agreements are concluded for an indefinite period, with each party having a right to terminate it at any time subject to compliance with a three-month notice period.

The Master Agreement for Development and GMP Manufacturing Services and the development agreement entered into with Opella Healthcare Group SAS provide that each present and future molecule development/manufacturing project on behalf of Sanofi or Opella Healthcare Group SAS under these contracts will be the subject of a specific application contract setting out the precise terms of the project. It is specified that Sanofi and Opella Healthcare Group SAS will have the opportunity, assessed for each application contract, to terminate any specific application contract for the development/manufacture of a molecule taken in the context of these agreements, in the event of a takeover of more than 50% of the Company by a third party company that itself develops or sells a molecule or a competing product of the molecule developed/manufactured by the Group on behalf of Sanofi or Opella Healthcare Group SAS. The parties may waive this principle or specify the notion of competitor, application contract by application contract and molecule by molecule.

Distribution agreements for certain APIs

EUROAPI France and Sanofi Chimie (each acting in its name and in the name of its affiliates) reached a distribution agreement for APIs belonging to the Sanofi group (the "Distribution Agreement"), effective as of October 1, 2021, for a period of five years starting from the Loss of Control of the Company by Sanofi and renewable by mutual consent. Pursuant to the Distribution Agreement, as amended on February 25, 2022, and with effect as of its execution date, the Company undertakes to distribute 22 APIs, including Clopidogrel, antihistamines (promethazine and alimenazine) and insulin, as a non-exclusive retailer for Sanofi. In accordance with the Distribution Agreement, the prices at which EUROAPI France purchases the APIs are determined by the parties and are fixed for the duration of the agreement, except for two products. The Distribution Agreement mainly covers the distribution by the Group of APIs in Europe and depending on the relevant products, certain other countries and territories, mainly the United States, Japan, South Korea, Russia and India.

Pursuant to the Distribution Agreement and during the initial term of this agreement, Sanofi has undertaken, in the name and on behalf of its affiliates, not to establish a dedicated in-house commercial organization aimed at promoting the sale of APIs and not to conclude any new global distribution agreement with a third party, which could in each of these cases directly compete with the distribution by the Group of APIs covered by the Distribution Agreement, provided that some exceptions related to (i) the direct sale of APIs manufactured by the Sanofi group, in compliance with the European regulation applicable in vertical agreements; (ii) compliance with existing Sanofi group contractual obligations to third parties (particularly partners or license holders) not transferred to the Group or the renewal of the latter; and (iii) the conclusion or completion by Sanofi of certain transactions, such as mergers, acquisitions or sales, directly or indirectly related to APIs.

Furthermore, EUROAPI France and Sanofi Aventis Singapore, each acting in its name and on behalf of its affiliates, have signed a distribution agreement pursuant to which Sanofi Aventis Singapore will distribute and sell in South Korea some APIs manufactured by EUROAPI France and its affiliates. The distribution agreement, which became effective on November 1, 2021, is entered into for five years starting from the Loss of Control of the Company by Sanofi. This agreement is not exclusive, except for the API Glymepiride.

Service supply agreements

At the same time as the completion of the Prior Reorganization Transactions and the carve-out of the Transferred Activity, Sanofi and the Company agreed that it would be necessary for each of them to continue benefiting, following the Prior Reorganization Transactions, from a number of services that the other party or its group used to provide it before the Prior Reorganization Transactions. In this respect, Sanofi and the Company or some of their affiliates have entered into (i) transitional services agreements and (ii) long-term services agreements.

Transitional services agreements

Sanofi and the Company (acting in their own name and in the name and on behalf of their affiliates) have concluded, with effect from October 1, 2021, two transitional services agreements (the "Transitional Services Agreements").

- One under which Sanofi or its affiliates provide(s) services to the Group, including services related to IT and digital solutions, microbiological analysis, operation of climate-controlled rooms for sample storage, health, safety and environmental compliance, management and accounting.
- Another under which the Group provides services to Sanofi or its affiliates and in particular services related to raw materials handling and management, water analysis and the analysis of nitrosamine samples (ICH M7).

Each of the two Transitional Services Agreements will end at the expiration of the last statement of works completed in accordance with its terms, at the end of a three-year period, subject to the extension of a statement of works by the parties beyond that date.

Services Agreements

Sanofi and the Company, directly or through their affiliates, have concluded the following main services agreements (the "Services Agreements").

a. Two agreements concluded for a period of five years, effective on November 1, 2021, between EUROAPI France and Sanofi Chimie, on the one hand, and EUROAPI Germany GmbH and Sanofi, on the other hand, and relating to the reciprocal supply, storage and distribution of the reference standards related to the APIs or intermediates and required for the production of dosages concerning the APIs and the finished drug products containing these APIs.

b. An agreement with effect from November 1, 2021, to December 31, 2025, and concerning the supply by Sanofi-Aventis Deutschland GmbH to EUROAPI Germany GmbH of logistics services relating to certain activities carried out at the Frankfurt industrial sites.

License agreements

In addition to the completion of the Prior Reorganization Transactions, the Company and its subsidiaries have entered into intellectual property license agreements. All of these agreements are valid for the duration of the protection of the licensed intellectual property rights:

- A non-exclusive and free license between the Company and Sanofi concerning the intellectual property rights transferred by Sanofi to the Company and its subsidiaries pursuant to which the Company gives a license to Sanofi and its affiliated companies to use the intellectual property rights transferred in the context of their activities other than the production of APIs for which the intellectual property rights belong to the Company or its subsidiaries under the Prior Reorganization Transactions.
- A non-exclusive and free license between EUROAPI UK and Genzyme Cooperation, a Sanofi group company, specifically concerning the Sevelamer API, pursuant to which EUROAPI UK gives a license to Genzyme Corporation for the use of the intellectual property rights transferred in order to allow Sanofi to continue to comply with the agreement entered into with a third party granting the latter a right of use concerning both the API and the drug product using Sevelamer.
- A non-exclusive and free license between EUROAPI Germany and Opella Healthcare Group (Sanofi's affiliate) specifically concerning the Fexofenadine API, pursuant to which EUROAPI Germany grants a license to Opella Healthcare Group for the use of the transferred intellectual property rights solely for the purpose of allowing Sanofi to directly or indirectly manufacture, market, sell and/or distribute a specific form of Fexofenadine and any finished pharmaceutical product using said substance.
- A non-exclusive license between EUROAPI Hungary and Sanofi specifically concerning the API Irbesartan, pursuant to which Sanofi will grant EUROAPI Hungary a right of use to the intellectual property rights relating to Irbesartan, in consideration for royalties (at a mid-single digit percentage (middle of range) of total annual revenue made with customers other than the Sanofi group) and solely for the purpose of allowing EUROAPI Hungary or its affiliates to directly or indirectly manufacture, market, sell and/or distribute the corresponding API manufactured at the Budapest site in Hungary.
- A non-exclusive and free license between the Company and Sanofi regarding some know-how not exclusively related to the transferred activity but used in connection thereto (as specified in the license agreement), pursuant to which Sanofi will grant the Company and its subsidiaries a right to use such know-how in connection with its present or future activities.

As part of the admission to trading of the Company's shares on the regulated market of Euronext Paris, it is planned that, as from the admission of the Company's shares to trading on the regulated market of Euronext Paris, the Group's companies shall cease to use the name "Sanofi", subject to grace periods in order to cover certain specific situations.

Other relationships with related parties

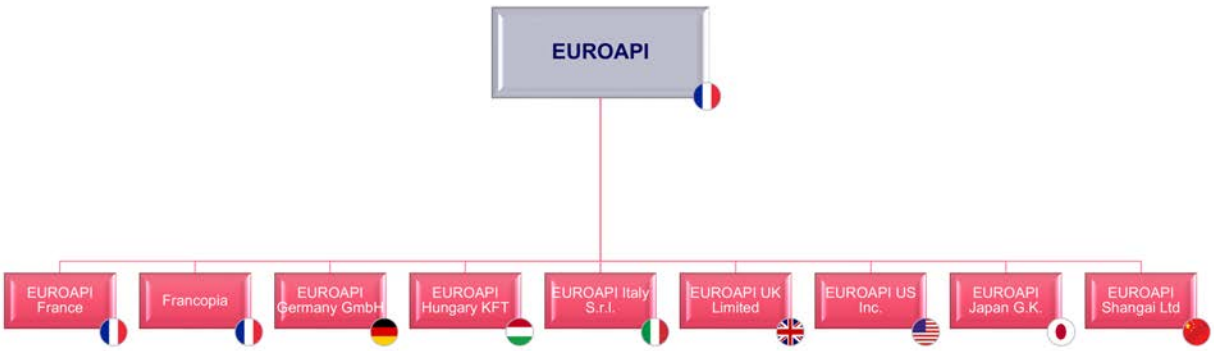
Tax agreements

As of the date of the Universal Registration Document, the Company and its Subsidiaries in France belong to the Sanofi SA tax consolidation group and have concluded with the latter a tax consolidation agreement governing the contribution of the Company and its French subsidiaries to the various overall taxes for which Sanofi SA is the sole taxpayer as the head of the group. The Company's proposed initial listing on the regulated market of Euronext Paris will result in removing the Company and its relevant subsidiaries from the Sanofi SA tax consolidation with retroactive effect as of January 1, 2022. As a result, the existing tax consolidation agreement shall be terminated. The Company and its subsidiaries belonging to the Sanofi SA tax group will conclude, after the Company's initial listing, a tax consolidation exit plan, which will have substantially the same terms as the draft instrument appended to the Master Carve-Out Agreement, for the purpose of specifying the consequences of the exit and planning the reciprocal relations resulting therefrom between Sanofi SA and the exiting companies. This agreement will mainly provide that (i) Sanofi SA will retain the burden of reintegrations related to the exit of the Company and its subsidiaries from the tax group, and (ii) that the exiting companies will bear the consequences of any proposed adjustments to their results for the period during which they were members of the tax group under the same conditions as if they had not been integrated (no adjustments or major tax disputes have been identified as of the date of the Universal Registration Document). The tax consolidation exit agreement will also govern the conditions for making advance tax payments on the companies and additional contributions payable in 2022.

As from January 1, 2023, a tax consolidation group will be created between the Company and its subsidiaries in France for which it will hold at least 95% of the capital. The creation of this group will lead to the conclusion of tax consolidation agreements between the Company and each of the member companies of this integration group to settle the contribution of the subsidiaries to the overall tax for which the Company will become the sole taxpayer as the new head company of the group.

3.1.2 Organization of the Group

The simplified organizational chart below shows the legal organization of the Group and its main subsidiaries as of the date of the Universal Registration Document.



3.1.3 The Company's major subsidiaries

The principal direct and indirect subsidiaries of the Company are described below:

- **EUROAPI France** is a French simplified joint-stock company (*société par actions simplifiée*, (SAS)), with a share capital of €146,089,593 and registered office at 15 rue Traversière, 75012 Paris, France, registered under number 891 090 680 with the Paris Trade and Companies Register.
- **Francopia** is a French limited liability company (*société à responsabilité limitée*), with a share capital of €18,213,824 and registered office at 15 rue Traversière, 75012 Paris, France and registered under number 775 662 463 with the Paris Trade and Companies Register.
- **EUROAPI Germany GmbH** is a German limited liability company (*Gesellschaft mit beschränkter Haftung*), with a share capital of €1,000,000 and registered office is at Brüningstraße 50, 65926 Frankfurt am Main, Germany, and it is registered under number HRB 121366 with the German business register (*Handelsregister des Amtsgerichts Frankfurt am Main*).
- **EUROAPI Italy S.r.l.** is an Italian limited liability company (*Società a Responsabilita Limitata*), with a share capital of €5,000,000 and registered office at Brindisi (BR), Via Angelo Titi no. 22, Italy; it is registered under number 02640720740 (tax code) with the Italian business register (*Registro delle Imprese di Brindisi*).
- **EUROAPI Hungary Kft.** is a Hungarian limited liability company (*Korlátolt Felelősségű Társaság*), with a share capital of 750,000,000 forint and registered office is located at 1045 Budapest, Tó u. 1-5., Hungary, and it is registered under number 01-09-377596 with the Hungarian business register.
- **EUROAPI UK Limited** is a British private limited company, with a share capital of 124,245 pounds sterling and registered office at 37 Hollands Road, Haverhill, Suffolk, CB9 8PU, United Kingdom, and it is registered under number 01556886 with the British business register.
- **EUROAPI Shanghai Ltd.** is a Chinese limited liability company with a share capital of 80,000 yuan and registered office is located at Room 322, East Floor 3, No. 569 Xizang South Road, Huangpu District, Shanghai, China.
- **EUROAPI Japan G.K.** is a Japanese limited liability company (*godo kaisha*) with its registered office at 1-11-1 Marunouchi, Chiyoda-ku, Tokyo, Japan and registered under number 0111-03-010276.
- **EUROAPI US Inc.** is a Delaware Corporation, with its registered office at Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808, United States.

3.2 RISK FACTORS

In the context of the provisions of Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council, as amended, the main risks presented in this chapter are the ones that the Company, as of the date of the Universal Registration Document, considers to be likely to have a material adverse effect on the Group or its business, financial position and reputation, results or outlook, and to be important when making an investment decision. These risks are those that the Company has identified in particular in the context of the development of the mapping of the Group's major risks, which assesses their net criticality, i.e., their severity and probability of occurrence, after taking into account the action plans put in place. The Company has synthesized these risks into five categories presented below in no particular order of importance. Within each risk category mentioned below, the risk factors that the Company considers to be the most significant as of the date of the Universal Registration Document are marked with an asterisk (*) and listed first.

3.2.1 Risks related to the Company's business sector

(a) Risks related to the international nature of the Group activities and to health crises and to geopolitical or macroeconomic instability*

The Group sells and markets its active pharmaceutical ingredients (APIs) in more than 80 countries. During the year ended December 31, 2022, the Group generated 63.2% of its consolidated revenue in Europe[50], 16.3% in Asia-Pacific, 9.2% in North America and 11.3% in the rest of the world. The international nature of its business exposes it to the direct and indirect consequences of health crises, epidemics or pandemics and changes or geopolitical or macroeconomic crises such as trade conflicts, embargoes and sudden changes in customs duties or armed conflicts (such as the ongoing conflict in Ukraine).

A health crisis or pandemic (such as the COVID-19 pandemic) may expose the Group to a slowdown or temporary manufacturing suspension of its products, in particular in the event of a significant reduction in its workforce as a result of a change in the health and safety rules in the production sites, which could lead to a disruption of the production cycle. The maintenance or extension of the restrictive measures put in place by various countries to control a health crisis or pandemic such as the COVID-19 pandemic could also lead to delays or disruptions in production and interruptions in the Group's supply chain. The measures that could be implemented in some countries to restrict access to local inventories of certain Group products may also have a negative impact on the Group's revenue. (see Sections 3.2.2 (a) "Risks related to the operation of industrial sites" and 3.2.2 (b) "Risks related to supply difficulties, raw material and energy costs, and relationships with certain suppliers and subcontractors" of the Universal Registration Document).

For example, in Hungary, where the Group owns a site in Budapest that produces hydroxychloroquine, the local government introduced measures in March 2020 to temporarily prohibit the export of this molecule, as well as certain medicines containing this API, to certain countries. These restrictions had an impact on the product supply chain and resulted in a temporary delay in sales while the therapeutic benefits of hydroxychloroquine in the COVID-19 pandemic was being evaluated.

The consequences of a health crisis or pandemic may also have a negative impact on the business of the Group's customers, due in particular to a change in patient therapeutic needs. For example, during the year ended December 31, 2020, due to the lack of transparency concerning the spread of the COVID-19 pandemic, pharmaceutical companies built up inventories of APIs that were not fully used due to the decrease in certain infectious diseases resulting from governmental protective measures taken to contain the spread of the pandemic, as well as delays in certain treatments that were considered to be non-essential.

Geopolitically, certain changes in international relations, including the introduction of new sanctions and/or restrictions on international trade, tensions or armed conflicts, particularly in Eastern Europe, such as the ongoing conflict between Ukraine and Russia, an escalation of hostilities between China and Taiwan, or other emerging conflicts an escalation of hostilities between China and Taiwan, or other emerging conflicts, may have a significant effect on the Group.

[50] *The Group's sales with the Sanofi group are fully accounted for in France, regardless of the country of destination of the products, while sales to Group customers other than Sanofi are allocated to the respective geographical areas.*

In the event of a significant deterioration in economic conditions, particularly as a result of geopolitical instability, affecting the growth of the pharmaceutical market in certain countries or emerging economies, the Group's business could be materially affected due to: i) a decline in demand (see also Section 3.2.2 (l) "Risks relating to cost reduction initiatives and changes in the reimbursement practices of health administrative authorities" of the Universal Registration Document); ii) an increase in energy prices, in particular on energy intensive raw materials , and/or iii) the availability of some raw materials. The Group may not be able to fully reflect such ncreases in its selling price to clients.
The occurrence of such events and their consequences in one or more countries that are significant to the Group, despite all mitigating measures put in place, could have a negative impact on the Group's business, revenue, operating income and outlook.

(b) Risks related to competition in the markets in which the Group operates

The Group operates in a very competitive market. Its main competitors are manufacturers of APIs as well as other players specialized in custom synthesis of complex chemical synthesis molecules, biochemistry molecules derived from fermentation, highly potent molecules ("HP-APIs") and large molecules.

Revenue from the activity of selling APIs to third parties for which the intellectual property is held by the Group or licensed by the Group and/or covered by a distribution agreement (the "API Solutions" activity) represented approximately 72.6% of the Group's consolidated revenue for the year ended December 31, 2022. The APIs marketed by the Group as part of its API Solutions business are subjected to intense competition from companies operating in countries with low production costs, such as India and China. The Group is also exposed to competition from certain players who could reduce their prices and/or increase their production capacities to increase their market share, which could lead to an increase in supply and a decrease in price levels in the corresponding markets. Such aggressive business or pricing strategies by competitors could have the effect of reducing the Group's market share. As a result, the Group could be forced to lower its prices to maintain its market share, which could have a negative impact on its margin levels. It may also fail to anticipate or adapt within a reasonable time to price decreases in some of its markets, which could result in loss of customers and lower revenue.

Revenue from Contract Development and Manufacturing Organization (CDMO[51]) activities accounted for 27.4% of the Group's consolidated revenue for the year ended December 31, 2022. As part of its CDMO activities and in view of the Group's ambition to reorient its portfolio toward CDMO activities, which represents a strategic market (see Section 1.2.3 "Strategy and objectives" paragraph "Capitalize on innovation and development to accelerate the reorientation of the portfolio toward CDMO activities, particularly in the peptide and oligonucleotide segment" of the Universal Registration Document), the Group is exposed to strong competition to win development and marketing agreements for the more promising molecules. It may not be able to attract new customers, negotiate satisfactory contract terms, identify the right development programs or conduct process development and industrialization studies for new products targeted by the Group. Competitors of the Group could also launch new products or services that offer better alternatives than those proposed by the Group. They could also seek to increase their production capacity, which could result in increased competition in the Group's markets and force the Group to lower its prices to retain its market share. Corden Pharma announced, June1, 2022, their increase in xRNA based capabilities with a strategic investment in Lipid Nanoparticle Formulation services in Caponago. Bachem signed in April 2022 a Strategic collaboration with Lilly to develop innovative and efficient processing solutions for the manufacture of oligonucleotide-based drug substances with a potential to achieve around CHF 100 million per year, depending on Bachem reaching certain milestones and definite volumes ordered by Lilly. The occurrence or intensification of such events could have a material adverse effect on the Group activities, financial position and results.

[51] *An external manufacturing project for a customer that owns the intellectual property of the API being manufactured, which starts with the development of the production process by the Group or the transfer of the production process to the Group, is considered as CDMO activity. Some of these projects do not include a development phase, and in such cases the Group focuses on the manufacturing phase. The Group therefore describes this activity, which includes both types of business relationships, as "CDMO".*

In addition, the Group's business sector, which is still composed of very diverse actors, has undergone a recent movement toward consolidation and integration, both in its API Solutions business and in its CDMO activities, which could reduce the Group's market share or opportunities. In February 2022, Recipharm completed the acquisition of GenIbet, a Portugal-based biologics CDMO of recombinant proteins and, cell and gene therapies, to bolster biologics offering. In April 2022, Symeres purchased Organix to enhance lipids expertise and gain a foothold in the US market. In May 2022, CordenPharma is acquired by European private-equity firm, Astorg. In October 2022, Farmabios, Novasep and PharmaZell merged to create a new CDMO player: Axplora. The continuation or intensification of this trend could increase competition or alter the competitive landscape of the Group's business sectors. If the Group were not able to take part in this trend, it could have a negative impact on its market share, revenue and/or profitability.

In addition, some of the Group's competitors may, due to their size or current or future margins, have greater resources to invest in research into technologies to manufacture new, alternative or emerging APIs. The Group may not succeed in improving its margins or in reaching margin levels equivalent to those of some of its competitors. Due to this difference, the Group may not be in a position to generate sufficient profits and deliver its strategic plan, which could have an impact on its investment capacity.

The occurrence of these events could have a material adverse effect on the Group's business, financial position and results.

3.2.2 Risks related to the Company's activities

(a) Risks related to the operation of industrial sites*

The Group operates industrial chemical and pharmaceutical production sites in several countries in Europe, of which five are classified as "SEVESO" hazardous sites (as defined by Directive 2012/18/EU of 4 July 2012 on the control of major-accident hazards involving dangerous substances, the "SEVESO Directive"), including four sites with "high-threshold" SEVESO facilities in Vertolaye, Frankfurt, Budapest and Brindisi and one site "low-threshold" SEVESO in Saint-Aubin-lès-Elbeuf. In addition, in the course of the manufacture of its products, it uses and has in the past used substances classified as hazardous to human health and/or the environment, such as flammable solvents, hydrochloric acid and hydrofluoric acid. The hazardous nature of the substances and mixtures used and manufactured and of the manufacturing processes may cause accidents or incidents (fire, pollution, accidental releases, etc.) that harm people, property or the environment both within the Group's facilities and in their vicinity or during the transport of the various finished products or raw materials. Such accidents or incidents may result in unforeseen business interruptions, total or partial shutdown of facilities, where appropriate, or may cause environmental pollution or have consequences for the health of Group employees and/or third parties.

Such accidents or incidents could expose the Group to administrative (including, if applicable, the withdrawal of operating licenses) and/or judicial procedures directed against the operating company and, where appropriate, its officers, initiated by the authorities and/or by potential victims (especially if such accidents or incidents occurred on sites operated by the Group near urban centers). For example, exceedances of the applicable limit values observed in the aqueous discharges and/or water waste treatment plan of the Saint-Aubin-lès-Elbeuf site has resulted in the initiation of administrative and other proceedings and will require making investments to correct it. The administrative and/or criminal liability of the Group and, where appropriate, the criminal liability of its officers could be incurred, and the Group could be required to pay financial penalties or experience the temporary shutdown of a production line or site and, under certain conditions, its closure. Claims for damages to the victims could be made in various jurisdictions as well. The occurrence of one or more such events could have an adverse effect on the business, financial position, reputation, results and outlook of the Group.

Even in the absence of any accidents or incidents, it cannot be excluded that (i) remediation work is required and (ii) in the light of legislative or legal developments or changes in scientific knowledge, a claim against the Group may be sought after the fact by authorities or third parties and/or employees who may have been exposed to chemicals used by the Group.

In addition, technical difficulties may arise in the production process (or in connection therewith) or at the product preparation or delivery stage or in the performance of the Group's services as a result of events such as malfunctions of the equipment or manufacturing processes used by the Group or human and/or technical failures. For example, for the production of vitamin B12, which uses biological processes and industrial fermentation techniques, it is important to ensure good control of the process by limiting external contamination. This approach extends

to the fermentation and extraction operations of the main API. In 2021, an issue concerning the manufacture of certain B12 batches led to a different impurity profile on the final API requiring production to be slowed down and resulting in a 700 kg shortfall of pharmaceutical vitamin B12. An improved sterilization process of equipment and media is underway to solve the issue on a more permanent basis. Moreover, on December 7, 2022, the Company announced that it had identified some Good Manufacturing Practices (GMP) deficiencies related to production documentation management for certain prostaglandin products manufactured in its Budapest site and, out of an abundance of caution, proactively decided to pause batch release and as a second step to temporarily suspend prostaglandin production. On January 31, 2023, the Company announced the progressive restart of prostaglandin production at its Budapest site. This temporary suspension had an adverse impact of 150 basis points on the 2022 Core EBITDA margin, mostly stemming from the loss in sales and a write-off of inventories. The Group expects the residual impact to weigh on Core EBITDA margin in 2023 by approximately 110 basis points.

Similar difficulties could arise from natural disasters (such as floods, earthquakes, hurricanes). For example, the Group's sites in Brindisi, Italy, and Vertolaye, France, are exposed to earthquake risks, while the site in Saint-Aubin-lès-Elbeuf, located near the Seine, is exposed to flooding risks and was temporarily closed in June 2016 due to severe flooding of the Seine. The occurrence of a natural disaster could disrupt the functioning of one of these sites and have a negative impact on the production of certain products important to the Group, such as Rifampicin, Spiramycin and Teicoplanin (Brindisi), Prednisolone and Trenbolone (Vertolaye) or vitamin B12 and Pristinamycin (Saint-Aubin-lès-Elbeuf, France).

The occurrence of such events could also have an impact on the production of a batch, a series of specific batches or even on production as a whole and result in an increase in production costs due to expenses related to restoration and/or compliance with standards, loss of revenue related to disrupted or interrupted production or a deterioration of the relationship with customers affected by the supply difficulties, which could result in the Group's liability and the obligation to pay compensation to these customers. The Group could be compelled to devote resources and time to seek out the circumstances that caused such events, which would result in an interruption of production for the products and/or sites affected and the possible loss of other batches or products, which could adversely affect the Group activities.

The occurrence of these risks could have a material adverse effect on the Group's financial position, reputation, results and outlook.

(b) Risks related to supply difficulties, raw material and energy costs, and relationships with certain suppliers and subcontractors*

Supply and raw materials

The Group's manufacturing processes depend on the availability of the raw materials used in its business, including synthetic intermediates and solvents. For the year ended December 31, 2021, the Group's top ten suppliers of raw materials represented 6.4% of its consolidated revenue and 31% of its raw materials expenditures.

Although the Group sources from several third-party suppliers, some raw materials and supplies come from either a very limited number of suppliers or from single suppliers due to considerations related to the API manufactured, quality, expertise or constraints resulting from regulatory requirements. This is the case especially with supplies relating to the manufacture of Glimepiride or Polylactic Acid, a significant portion of which is provided by a single supplier due to the very high concentration of production in this sector. Furthermore, all of the alkaloids marketed by Francopia, a subsidiary of the Company, as well as the salts derived from vitamin B12, are manufactured at a Sanofi group site. Some dependence to a limited number of third-party suppliers exposes the Group to changes in supply prices or in the availability, quality or delivery times of the raw material or services in question. In the event that one or more of third-party suppliers were unable to supply, within a reasonable timeframe or under satisfactory conditions, certain raw materials or sufficient quantities of certain raw materials or other products or processing services, the Group could be forced to search for alternative sources of supply or to stop production of certain products, which could have an adverse effect on the Group's business, financial position and operating results.

In addition, increased energy costs, such as for gas and electricity, or supply difficulties could force some Group suppliers to increase their prices, particularly for commodities (such as sugar, natural grain derivatives, acids or nitrogen), solvents and/or organic intermediates, or to suspend all or part of their activity. Such a situation has been recently faced on some Fexofenadin intermediates. More broadly, raw materials involving energy intensive manufacturing process such as caustic soda are very exposed to short term price increase. Such a situation could have an impact on the Group's ability to source raw materials, particularly those for which there is currently no production in Europe (such as sodium persulfate). Due to applicable regulatory requirements, the Group may not be able to find other suppliers with equivalent quality/compliance levels within satisfactory time limits or may be unable to certify other suppliers or may experience an increase in the prices of certain raw materials, which could result in production disruptions and delays or the temporary or permanent inability to deliver products and adversely affect profitability.

Moreover, a major supplier of raw materials to the Group could disrupt its operations due to changing regulatory requirements, import or export restrictions, natural disasters or international supply chain disruptions caused by pandemics (such as the COVID-19 pandemic), geopolitical problems or operational problems or in the event of a failure to meet quality requirements at one of its facilities. If geopolitical tensions and economic sanctions in Eastern Europe, particularly in Ukraine and in Russia, are extended or tightened, difficulties could arise in the supply of raw materials for which alternative sources of supply may not be available in sufficient quantities or at affordable prices. See also Section 3.1.1 (a) "Risks related to the international nature of the Group activities and to health crises and to geopolitical or macroeconomic instability" of the Universal Registration Document.

For example, Infraserv GmbH & Co. Höchst KG, which leases the majority of the Group's buildings to the Group at the Höchst Industrial Park in Frankfurt am Main, Germany, is a major provider of services for the Group, including services relating to buildings, energy and waste management networks, IT, environmental, logistics and other services.

Any lasting interruption in the supply of raw materials, services for the processing of certain products and/or adequate materials or any significant increase in the price of such materials or services could have a material adverse effect on the Group's business, financial position and operating income.

Energy

The Group may directly experience pressures related to the increase in the cost of gas and electricity, which represented €48.7million of the Group's supply costs for the year ended December 31, 2022, compared with €27.8 million for the year ended December 31, 2021. In addition, energy supply difficulties and/or increases in the cost of energy worldwide, mainly due to geopolitical tensions, such as the ongoing conflict between Ukraine and Russia, impact the Group's suppliers as described above. The occurrence of one of these events could lead to disruptions in the Group's production or to a temporary or permanent inability to deliver its products within satisfactory time limits and an increase in operational costs and thus a decrease in profitability.

Transportation

The Group may rely on subcontractors acting on its behalf or, in the context of the supply and delivery of its products to its customers, on a large number of transportation companies. For example, products marketed by Francopia, the subsidiary of the Company responsible for the production of alkaloids (including opiates and opioids), are subject to safe transportation constraints. The absence of a carrier capable of, or available for, delivering the Group's products exposes it to significant delivery delays. It also remains responsible for the services performed by these subcontractors and remains exposed to the risk associated with any improper or late execution or non-performance of the subcontractors' mission.

Inventory management

The Group may encounter difficulties in its inventory management due, inter alia, to inaccurate projections of demand for products by the Group's customers. If the Group fails to anticipate the needs of its customers correctly and therefore to manage the Group's inventory levels, this could lead to a depreciation of the value of certain raw materials and purchased materials that may become obsolete. Any change in inventories, whether upward or downward, affects the Group's cash flows.

In addition, the Group uses external suppliers in the United States and Japan to store its products prior to delivery, obliging the Group to put in place appropriate logistics processes with those suppliers to ensure the secure storage and timely delivery of its products. The failure of these subcontractors could jeopardize the Group's ability to fulfill its commitments, to comply with applicable regulations or to meet the expectations of its customers and could expose it to liability, which could adversely affect the Group's reputation, business, results, financial position and outlook.

(c) Risk related to Group investments*

In order to maintain the excellence of its manufacturing facilities and innovation platform, the Group makes significant recurring investments, the amount of which is growing regularly. For example, the total amount of these investments amounted to €167.4 million for the year ended December 31, 2022, compared to €88.6 million for the year ended December 31, 2021. These expenditures include maintenance and compliance investments to ensure continuous compliance of the Group's production sites with applicable regulatory and environmental standards and performance and growth investments to improve and/or increase its API production and development capacities.

In the future, the Group intends to pursue its investment policy while increasing the share of performance and growth investments in the total share of its capital expenditures to implement its strategy and in particular develop its CDMO activities. As a result, over the 2022-2025 period, the Group is planning to invest approximately €510 million, of which approximately €230 million will be invested at the Group's sites in France (see Section 4.2.5. "Investments" of the Universal Registration Document. However, the Group may not have sufficient financial and/or human resources to make these investments or to implement them on schedule, as these projects are often delivered at the end of the calendar year. For example, the ELLA project concerning the vitamin B12 manufacturing process, aims for a €45 million CAPEX to improve yields, increase production capacity and reduce production costs. It may not achieve the expected results due to. the Group's inability to scale up the process to an industrial level and/or the Group's inability to construct the production facilities within a satisfactory time-frame and at a satisfactory cost.

The Group could also incur unexpected expenses in connection with its investments, as well as additional delays in commissioning some of its projects, due to an initial incorrect estimate of the cost or quantity of equipment, an increase in their price, and/or a delay or interruption in the supply chain (see in particular Section 3.2.2 (b) "Risks related to supply difficulties, raw material and energy costs, and relationships with certain suppliers and subcontractors" of the Universal Registration Document). Such deviations from initial projections could have a negative impact on the expected level of return on investment of the project in question and, consequently, on the Group's business, financial position, operating results and cash flow.

In addition, the time required for full operability of new equipment or improvements to existing facilities varies depending on the scale and complexity of the equipment. For example, some of the Group's equipment may be custom-made, and the time required for delivery, installation and certification by the regulatory authorities and the Group's customers, as well as the preparation and/or updating of regulatory files, can be as long as two or three years. In the event that the Group fails to take full advantage of the use of new equipment or the improvement of an existing facility, the Group could incur significant fixed costs without generating an increase in its revenue, which could reduce its margins and profitability. Any inability of the Group to implement the planned investments could also have an impact on the achievement of its strategic objectives.

Moreover, if the Group fails to maintain a satisfactory level of competitiveness for its products or services or to generate sufficient demand from its customers in relation to the capacity it has developed, the investments made by the Group to improve and/or increase its production capacities could prove unnecessary and not generate the expected results. The Group may not be able to successfully combine the development of an efficient and economical process with its industrialization and implementation in the designated facility within a satisfactory time-frame and under satisfactory conditions. As an example, the Group was forced to discontinue projects that had become economically unviable, such as the development of a new synthesis route for corticosteroids in Saint-Aubin-lès-Elbeuf and Vertolaye in late 2017, which led to the recognition of an impairment loss of €106 million,

Changes in regulations or in the classification of some of its products could also force the Group to make investments that were not initially planned. For example, in 2020, the Group had to halt the production of hormones at its Vertolaye site for almost a year in order to improve the containment of these products, due to their classification as HP-APIs (OEB5).

Finally, the Group may need additional financial resources to finance its planned medium- and long-term investments. However, it may not be able to realize all or part of its capital expenditures if its cash flows from operations are not sufficient or if it is unable to obtain the necessary funds under its existing loan agreement or secure additional debt.

In the event of any of these developments, the Group may be unable to maintain and/or increase its production capacity, which could have a significant material adverse effect on its business, results, financial position and outlook.

(d) Risks related to the demand for the products and services offered by the Group*

During the year ended December 31, 2022, the Group's API Solutions business and CDMO activities represented 72.6% and 27.4%, respectively, of the Group's consolidated revenue compared with 75.1% and 24.9% for the year ended December 31, 2021.

Risks related to the demand for products in the Group's API Solutions business

As part of its API Solutions business, the Group occupies a premium position in the API market. The Group's positioning results from the level of service provided to its customers, which depends on regulatory support, the quality of the APIs it markets and the reliability of and compliance with the Group's delivery deadlines. This positioning is characterized, in particular, for the Group's customers, by a lower sensitivity to the prices of the Group's products compared to those of most of its competitors.

However, the Group may not be able to maintain the level of service provided to its customers, especially maintaining its regulatory support, or may experience unplanned manufacturing interruptions that could adversely affect its premium positioning, resulting in a decrease in demand for the Group's products or a decrease in prices to enable the Group to continue to sell its products.

The occurrence of any of these events could have a material adverse effect on the Group's revenue.

The level of demand for the APIs manufactured by the Group also depends on the clinical development and marketing of products by its customers. Products that use APIs manufactured by the Group may not achieve the expected commercial success or obtain expected commercial applications or therapeutic indications for a number of reasons beyond the Group's control. In particular:

- the Group's customers may experience a slower rate of recruitment and enrollment of patients during their clinical trials, particularly for rare diseases, which would result in delays in such trials and, as a result, drug approvals;
- products of the Group's customers may fail at any stage in preclinical or clinical trials (including for reasons related to their therapeutic effectiveness or the presence of adverse side effects);
- the *European Medicines Agency* ("EMA"), the *Food and Drug Administration* ("FDA"), or any other health or supervisory authority may delay or require additional data or the discontinuation of clinical trials conducted by the Group's customers or fail to grant them regulatory marketing authorizations required for the marketing of their products or discover irregularities during the qualification audit of the manufacturer's finished product (prior to obtaining marketing authorization), which could delay the market launch;
- the products of the Group's customers may not be as commercially successful as expected, or may be ineffective or less efficient than newly launched products and/or those of non-customer competitors of the Group, or may cause unforeseen side effects; and
- the Group's customers may experience declines in sales volumes in the event of refusal or impossibility, for third-party payers such as government programs or public and private insurance plans and health care networks, to provide coverage and reimbursement at an economically attractive level, or at all.

Risks related to the demand for the products of the Group's CDMO activities

Income from the Group's CDMO activities depends in part on the amount of the expenditure by the Group's customers on research and then the development, production and marketing of their finished products, as well as on the income from those activities. The investments of Group customers in these areas depend on many factors, such as the amount of required investments, the results of clinical trials of those products, competitive intensity or local reimbursement policies in the target therapeutic field. In addition, biotechnology companies, which represented about 10.2% of the Group's consolidated revenue for the year ended December 31, 2021 (excluding Sanofi), finance all or part of their research and development expenditure from private and/or public financing, the amounts, availability and timing of which may vary from year to year, which may lead to delays in making decisions to move from one clinical phase to another or to move on to the marketing of a drug. In some cases, the Group might not be able to fully offset the corresponding loss of future revenues by other projects which might be won at an earlier clinical stage with lower volumes required by customers.

Additionally, the demand for the Group's services in the context of its CDMO activities is dependent on its ability to maintain a high level of compliance with applicable regulations and to successfully pass inspections by health regulatory authorities or audits performed by customers on its production sites. A critical observation by a health regulatory authority and/or the Group's inability to meet the requirements of one of its customers could result in the loss of one or more existing customers and/or make it difficult for the Group to attract new customers.

Finally, the demand for the Group's services depends on the competitiveness of its offers. The Group's ability to offer attractive prices to its customers is due to its reputation, its levels of development and manufacturing capabilities, the quality of its products and its expertise, as well as the competitiveness of its offers. If any of these factors changes, the Group may not be able to increase or maintain its sales with its customers in the framework of its CDMO activities.

The occurrence of any of these events could have a material adverse effect on the Group's business, financial position, results or outlook.

(e) Risks related to the development, marketing or launch of new products manufactured by the Group on its behalf or on behalf of its customers*

As of the date of the Universal Registration Document, the Group markets about 200 APIs and high value-added services to about 530 customers and has signed 79 contracts as part of its CDMO activities. As part of its API Solutions business, the Group's future operating income will depend on its ability to attract new customers for the APIs in its portfolio, improve the manufacturing processes of APIs and/or successfully identify new APIs that the Group intends to manufacture to expand its product portfolio. As part of its CDMO activities, this future operating income will depend on its ability to enter into new contracts for the manufacture of APIs developed by its customers, initiate the development and/or production of APIs or batches on behalf of existing or new customers, or expand relationships with existing customers for new products within a reasonable timeframe.

In addition, the API industry is constantly changing. The Group cannot guarantee that it will be able to meet changes in the demand for products or services in a timely manner due to (i) changes in industry standards (including new manufacturing processes and/or innovative technologies that could render certain Group production technologies obsolete), (ii) changes in customer needs, which are increasingly sophisticated and varied, or (iii) the launch by other actors of new products or services that are better alternatives than those offered by the Group.

Difficulties relating to the development, marketing and launch of new APIs or the expansion of the commercial opportunities of existing APIs manufactured by the Group on its behalf or on behalf of its customers include, in particular:

- the development, testing and manufacturing of products in accordance with regulatory and quality standards within a reasonable timeframe;
- the obtaining and maintenance of regulatory approvals within a reasonable timeframe;
- the availability and price of raw materials and other key elements/components/energy on reasonable commercial terms;
- unforeseen costs resulting from new regulatory standards such as those related to mutagenic impurities (ICH M7), particularly nitrosamines, or changes in raw material costs;
- delays due to the limited resources of regulatory authorities;
- costs imposed by compliance with environmental standards, which are higher than those imposed in countries with low production costs; and
- the inherent attrition of projects in the clinical development phase.

In the context of its CDMO activities, the Group will have to simultaneously manage a certain number of API or intermediates manufacturing projects at different stages of development on behalf of its customers in order to take into account the natural attrition of clinical development projects inherent in the pharmaceutical sector. Despite its resources, the Group cannot guarantee that it will be able to develop satisfactory manufacturing processes that meet its customers' specifications, or that finished products incorporating the APIs manufactured by the Group will achieve the intended therapeutic results.

In addition, a health authority's authorization to move a customer's product into a clinical phase could be blocked due to a failure by the Group prior to process validation, for example, in the event of a breach of Good Manufacturing Practices (GMP) or the improper use of production tools or due to a problem inherent to the robustness of the manufacturing process. In addition, there is a risk of failure by the end customer in the clinical development of the products. For example, a product developed by a Group customer could be discontinued following clinical phase 1, 2 or 3, which would result in an end to product development and collaboration with the Group. As a result of all these difficulties, the products currently developed by the Group on behalf of its customers may not receive the necessary regulatory approvals or may not receive them in a timely manner.

Finally, the quality of the Group's products and the Group's ability to deliver its products within a satisfactory timeframe and their perception by the market are important elements for the Group's reputation and, consequently, for its business. This is particularly important for the Group's customers located in regulated geographical areas (European Union, United Kingdom, United States and Japan), including the largest pharmaceutical companies and leading biotechnology companies, which accounted for nearly half of the requests for proposals received by the Group in the context of its CDMO activities by the end of December 2022, and due to the Group's "premium" positioning in the market, which is largely based on the regulatory support it offers to its customers and on the quality of its products. Any press articles or other negative comments on the products and services performed by the Group or their quality, whether or not proven, could have a significant negative impact on the Group's reputation, business, financial position, operating income or cash flows.

(f) Risks related to the dependence of certain Group sites on the performance of some major products*

Certain Group sites generate a significant portion of their sales on the basis of a few major products. For example, during the year ended December 31, 2022, sales of Sevelamer represented about three-fourths of the Group's Haverhill site sales. Sales of Rifampicin, Spiramycin and Teicoplanine represented about half of the Group's Brindisi site sales, and Fexofenadin, Eterplisen and Metamizole represented about half of the Group's Frankfurt site sales. The Saint-Aubin-lès-Elbeuf site produces only vitamin B12 and Pristinamycin.

Any event that could affect demand, production and/or marketing of one of these major products, such as serious product liability disputes, production and/or quality problems, supply issues, loss of markets by the Group's customers or the replacement of one of these products by that of a competitor deemed to be more efficient, could have an adverse effect on the Group's business (see also Sections 3.1.1 (a) "Risks related to the international nature of the Group activities and to health crises and to geopolitical or macroeconomic instability" and 3.2.2 (l) "Risks related to cost reduction initiatives and changes in reimbursement practices of health administrative authorities" of the Universal Registration Document).

Moreover, due to the specific nature of the manufacturing of the Group's APIs or applicable regulatory requirements, their production requires the use of specific equipment and technologies or, in some cases, dedicated facilities. The Group may experience overcapacities in some sites and underutilization of production capacities in others. However, it may not be able to quickly transfer production between sites using the same technology. For example, the Brindisi site experienced underutilization problems in the production of anti-infectives during the third quarter of the year ended December 31, 2021, which led to the closure of the site for one month, and the Pristinamycin production site located in Saint-Aubin-lès-Elbeuf was temporarily shut down for three months in 2021 due to a decline in sales following the decrease in the prevalence of certain diseases, mainly due to the health measures implemented during the COVID-19 pandemic (lock-downs, protective measures, masks).

Finally, the Saint-Aubin-lès-Elbeuf site is experiencing recurrent situations of maximum utilization of its vitamin B12 production capacity, which does not allow the Group to fully meet increasing market demands. As a result, the occurrence of a problem or delay in the production of vitamin B12 could have an unfavorable impact on the operations of the Saint-Aubin-lès-Elbeuf site and on commercial relationships with the Group's customers.

The occurrence of any of these events could have an adverse effect on the business, operating income and financial position of some Group sites and, therefore, on the financial position of the Group.

(g) Risks related to IT systems*

The Group relies on its own IT systems to conduct its business, in particular to monitor production, supply, product orders and invoicing, customer communication, personnel management and the provision of information needed by the various operational managers to make decisions.

The Group also entered into a transitional service agreement with Sanofi for the provision of IT services (see Section 3.3.3 "Risks related to contractual relations established with the Sanofi group" of the Universal Registration Document).

Despite a policy aimed at strengthening and continuously monitoring the resilience and security of its IT systems, the Group's inability to control a significant failure or interruption resulting from an incident (e.g., a power outage or fire), computer virus, cyberattack or other cause could have an adverse effect on how the Group conducts its business.

Healthcare companies are particularly exposed to cyberattacks whose techniques are constantly changing. If the Group fails to maintain an internal system for protecting its IT systems against cyberattacks and fails to implement a robust and systematic policy for managing access rights, unauthorized third parties could jeopardize integrity, availability or confidentiality (including information about the Group strategy or personal data) of the information system, gain access to sensitive information about the Group's strategy and activities or certain personal data, which could also generate additional financial costs to strengthen the Group's technology capabilities. In addition, the Group may not train or may inadequately train its employees in cybersecurity. All of these events could have an adverse effect on the business, financial position, reputation, results and outlook of the Group.

In addition, the Group outsources certain aspects of its information systems and certain business activities, such as internal audits, shared service centers and tax and statutory compliance of the Company's subsidiaries, in order to optimize the management of its resources and to improve the efficiency and security of its IT infrastructure. It thus relies on the quality of the work and the expertise of its service providers in this field and is therefore exposed to the risk of a failure on their part.

Finally, the Group could suffer significant reputational damage if a cyberattack or other security incident allows unauthorized access to or modification of its information technology data or systems or other external data, or if the services that it provides to its customers were interrupted. The Group grants access rights to certain areas of its IT systems to a large number of its employees, as well as to third parties, including external service providers (especially IT service providers and consultants). In this context, the Group cannot guarantee, despite the control procedures put in place, that a user cannot access data or features to which it theoretically has no access, which could lead, for example, to the disclosure of sensitive data or the manipulation of Group operational or financial data.

Such events could have a material adverse effect on the business, financial position, reputation, results and outlook of the Group.

(h) Risks related to social dialogue

Labor disturbances such as strikes, walkouts, advocacy actions or other labor tensions could disrupt the Group's business and have a significant negative impact on its image and on its business and results.

For example:

- The same site experienced work stoppages in July 2021 in the context of the reorganizations surrounding the creation of the Group.
- A portion of the production staff at the Group's site in Saint-Aubin-lès-Elbeuf, France, conducted a strike in the third quarter of 2021, demanding the payment of a so-called transfer bonus to all employees of EUROAPI France. This strike resulted in disruptions in the production of vitamin B12 and had an estimated impact of €2.8 million on the Group's EBITDA for the year ended December 31, 2021.
- As part of the labor process necessary for its creation, from October 2021, the Group conducted negotiations to establish, mainly in France, institutions representing employees comprising a Social and Economic Committee (*Comité Social et Economique* (CSE)) at its newly created headquarters, followed by a Central CSE. A framework agreement (*accord de méthode*) was signed in September 2021 by the CFDT (*Confédération Française Démocratique du Travail*) and the CFE-CGC (*Confédération Française de l'Encadrement–Confédération Générale des Cadres*). This framework agreement provides for the handling, via transition or substitution agreements, of the duration of existing agreements within the Sanofi group that were challenged at the time of the creation of the EUROAPI legal entity by extending that period by three or five years, or even indefinitely. This agreement therefore enabled the establishment of representative bodies of EUROAPI France to conduct the information-consultation process as part of the Company's IPO project on the regulated market of Euronext Paris.". In the future, these negotiations could cause disruption to the Group's business activities. For example, meetings organized by trade union organizations at the Vertolaye site were held on February 7, 2022, in order to share with the employees a progress report on the formation of the Group. A call for a work stoppage was issued on February 10 and was renewed three times a week in order to pressure the Sanofi group to increase its investments in the context of the Company's proposed initial listing. The suspension of the strike was voted on March 10, 2022.

In addition, the Group cannot exclude that reorganizations related to the creation of the Group or changes related to the strategic development of the Group may affect other sites and cause disruptions in relations with its employees.

The occurrence of any of these events could have an adverse effect on the Group's business, financial position, results and outlook.

(i) Risks related to relations with Group customers other than Sanofi

During the year ended December 31, 2022, the Group generated 51.7% of its consolidated revenue from customers other than Sanofi and 44.9% of its non-Sanofi revenue from its ten largest customers.

Although the Group generally maintains long-term business relations with its customers (for example, the Group has a business relationship of over 20 years with each of its 20 largest customers in terms of revenue (excluding Sanofi)), it is not able to guarantee that they, along with all other contracts and business relationships, will be effectively maintained or renewed on expiration. Moreover, the Group cannot guarantee that the conditions for such a renewal will be favorable. In addition, although the Group's ambition is to market to new customers to increase sales in its API Solutions business, its efforts to mitigate the adverse consequences of loss or reduction of revenue through the gain of new customers could be difficult in the short term, as potential customers generally need time to integrate the Group as a manufacturer (due to regulatory and technical requirements, among other reasons). Such transitions, which can take several months to several years depending on the country, are costly.

Moreover, the Group's independence from its main shareholder is a key factor in the success of the Group's business and technical relationships with other pharmaceutical laboratories. Although the Company has implemented a governance structure that it considers adequate, including with respect to the AFEP-MEDEF Code, Sanofi could have a decisive influence on the Group's strategic decisions in view of the recent reorganization or Sanofi's relative weighting in the Group's revenue (see Section 3.2.3 (a)"Risks related to the influence exerted on the Company's business and strategy by Sanofi, the Company's main shareholder" of the Universal Registration Document).

Finally, some of the Group's business relationships have little or no formalization, especially with regard to purchase orders, which represented approximately 75% of the revenue from the Group's API Solutions business for the year ended December 31, 2021 (excluding Sanofi). The Group's customers could also seek to reduce their supply costs and possibly be forced to abandon certain products manufactured by the Group considered unprofitable given increased competition in their own markets.

Any reduction, cancellation or delay in sales to the Group's customers, the loss of one or more major customers, the Group's potential inability to successfully develop relationships with new customers, future price reductions or other contractual benefits granted to Group customers may result in significant fluctuations or declines in revenue and may have a material negative impact on the Group's business, financial position, operating income and outlook.

(j) Risks related to the Company's dependence on its key personnel and qualified employees

The Group depends on the expertise of its management team and other key employees. As part of the creation of the Group, the establishment of its organizational structure, its governance and its decision-making processes and to help it achieve its strategic objectives, the Group relies heavily on the recruitment and retention of certain personnel. For management positions or in certain sites or regions or specialized activities (such as its commercial activities, its quality and regulatory activities, and its chemical and production activities), the Group faces intense competition to recruit and retain qualified persons.

Within the Group's CDMO activity, any new investment project also requires experienced and competent employees capable of effectively managing the new regulatory requirements and overseeing the manufacturing processes that need to be validated and optimized on behalf of its customers. The Group's experienced and committed staff enable it to implement projects to strengthen its business by developing new technologies. As of December 31, 2022, around 45% of Research and Development (R&D) employees were dedicated to the development of the CDMO business. R&D organization includes 166 people who have a PhD or an engineering degree. More generally, the R&D organization adapts to different macroeconomic environments and support its financial and non-financial performance. In addition, the Group has initiated a program to recruit qualified personnel to accelerate the development of its activities in the CDMO area and is considering recruiting more than a hundred employees with PhDs or engineering degrees, with the aim of increasing the number of employees in its Research and Development (R&D) team to approximately 490 in 2025 (compared to approximately 370 in 2022), including more than 250 employees in the development teams dedicated to CDMO activities.

As of December 31, 2022, Group employees over the age of 55 represented 18% of the total number of Group employees, which also requires the organization, over the next few years, of an effective transfer of skills between different generations. In the event of a failure in the policies governing the transfer of skills, accidents or departures for these employees, the Group may not be able to replace such personnel, which would have a negative impact on the Group's operational performance. Moreover, the departure of such employees to a competitor or the creation by them of actual competition could affect the Group's business.

In addition, the Group's business demands the mastery of very specific skills. For example, the production teams at the peptide and oligonucleotide factory located at the Frankfurt site have engineering capabilities and rare and valuable skills in chemical synthesis, which give the Group a significant competitive and economic advantage. The Group may experience difficulties in recruiting qualified individuals capable of mastering its key skills and/or in passing on these skills to new employees in the event of the loss of key skills following the retirement of certain employees.

The Group's ability to recruit qualified persons depends in particular on its ability to reward their performance, give them a share of profits and compensate them in an attractive way. The applicable executive compensation regulations may restrict the Group's ability to attract, motivate and retain the necessary talent. The inability of the Group to attract, integrate and/or retain highly qualified personnel, particularly those in key functions, may pose a challenge to succession plans, adversely affect the implementation of the Group's strategy and its ability to achieve its objectives and could affect its business and operating income.

(k) Risks related to the Group's acquisition strategy

In order to generate additional revenue growth or diversify its geographic footprint or product portfolio, increase its customer base or more quickly develop or acquire new technologies, the Group may consider acquisitions.

In this context, the Group may encounter the following difficulties that impact expected synergies and performance:

- issues not identified during the due diligence phase could result in significant unanticipated costs, delays or other financial and operational difficulties as well as unforeseen legal constraints, such as the emergence of higher-than-expected liabilities;
- integration of acquired companies or businesses could encounter difficulties and/or face unexpected delays;
- the departure of key employees of the acquired company, any violations of non-compete clauses binding them to the Group or the emergence of disputes with key employees;
- the technologies acquired could could have less market potential and prove less effective than estimated, or their industrialization by the Group could be more complex and/or with lower yields and/or longer and more expensive than anticipated;
- the assumptions made in the business plans of the acquired companies or businesses may prove to be incorrect or underestimated; and
- acquisitions in a new country and/or in a country that is not the Group's home country of origin could involve increased risks notably obtaining clearance and or regulatory approvals from the relevant regulatory or governmental bodies.

In general, the benefits expected from future acquisitions may not become a reality within the timeframes and at the levels expected, which could have a material adverse effect on the business, financial position, results and outlook of the Group.

(l) Risks related to cost reduction initiatives and changes in reimbursement practices of health administrative authorities

In some of the markets in which the Group's customers operate, pharmaceutical products are subject to price controls, with a clear trend toward regular decreases decided by the authorities, particularly for generic products, related to efforts by governments to limit health care and reimbursement costs. For example, the price of generic drugs is approximately 55% lower than the price of originator drugs in France, Belgium and Austria, while in Germany or the Netherlands, health insurance companies call for tenders directly from generic drug manufacturers. Generic drug manufacturers accounted for approximately 14% of the Group's API Solutions business revenue (excluding Sanofi) for the year ended December 31, 2022, compared to approximately 14% (on a restated[52] basis) for the year ended December 31, 2021.

This pressure could result in pressure on the prices of the Group's APIs used to make these drugs or cause the Group's customers to reduce the amount of APIs they buy.

[52] *Please refer to section 4.2.6. Alternative performance measures*

Starting with or even prior to the introduction of a generic drug, governments or, in some countries, private health-insurance plans (such as pharmacy benefit managers in the United States, which act as intermediaries between insurance companies, pharmacies and pharmaceutical companies to obtain drugs at the best price) can impose a significant, rapid and/or steady decline in the drug's selling price. For example, in China, the authorities have put in place a Volume-Based Procurement (VBP) policy that includes tenders for many molecules, such as the tender launched in 2020 for certain Irbesartan products. The companies with the winning tenders are given a large share of the market by offering lower prices. Accordingly, in the event that one of the Group's customers is able to win a call for tenders, the increase in sales volumes of the products in question may only partially offset or not offset the effect of the decrease in prices. In the event that a Group customer fails to win a tender or decides not to participate, this could lead to a decrease in demand for the APIs manufactured by the Group that are part of the composition of the drugs in question.

This risk could be heightened by changes in the pricing, reimbursement or coverage of health products and services decided by some health authorities and private insurance companies or in the event of a major economic downturn leading to an increase in healthcare cost reduction initiatives in certain countries.

Although the Group has not identified any short-term impact on its margins due to the generification of a drug using one or more APIs marketed by the Group, the occurrence of these events could have a negative impact on the Group's profit margins or have a material negative effect on its business, financial position and its operating income.

3.2.3 Risks related to the separation of the Group's activities from the rest of the Sanofi group's activities and the Group's structural organization

(a) Risks related to the influence exerted on the Company's business and strategy by Sanofi, the Company's main shareholder*

The Group was created through a reorganization (through the asset contributions and share disposals described in Section 3.1.1 "Description of the Prior Reorganization Transactions" of the Universal Registration Document) of part of the Sanofi group's API development, manufacturing, marketing and distribution activities. During the year ended December 31, 2022, the Group generated 48.3% of its consolidated revenue from Sanofi. It supplied, in terms of revenue, approximately 30% of the APIs purchased by the Sanofi group in the year ended December 31, 2021.

The Group's independence from its main shareholder is a key success factor for its business and technical relationships with other pharmaceutical laboratories. As of the date of the Universal Registration Document, Sanofi Aventis Participations, a company owned 100%, directly and indirectly, by Sanofi, holds 30% of the capital and voting rights of the Company, remains the Company's main shareholder. Therefore, Sanofi could have a decisive influence on strategic decisions of the Group, in particular those requiring shareholder approval (election and dismissal of the members of the Board of Directors, approval of annual financial statements, distribution of dividends, amendment of the Articles of Association and authorization to conduct capital increases or other issuances of securities, mergers or contributions or any other decision requiring approval by the shareholders of the Company).

In addition, the revolving credit facility (the "RCF Loan Agreement") entered into by the Company on February 22, 2022 (see Section 9.2.2(a) "RCF Loan Agreement" of the Universal Registration Document) 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).

(b) Risks related to difficulties or delays in implementing the internal control procedures and appropriate IT systems necessary for the proper functioning of the Group*

Following the Prior Reorganization Transactions (see Section 3.1.1 "Description of the Prior Reorganization Transactions" of the Universal Registration Document), the Group may experience difficulties in implementing the changes necessary to gain operational autonomy from the Sanofi group (from which it was carved out) or fail to achieve the necessary organizational structures and methods for its proper functioning within a reasonable time.

To comply with its internal control obligations and those obligations that applies to it as from the Company's listing, the Group has therefore developed additional financial and management controls, reporting systems and procedures and hired additional accounting and finance staff. Despite these measures, it may not be able to put the necessary reporting structures and internal control procedures in place in a timely manner.

The Group could discover weaknesses or areas for improvement in its internal control and/or internal audit system, which could lead to previously unidentified difficulties such as difficulty in producing financial statements in a timely manner or the inability to prevent or detect all errors and/or instances of fraud. The Group could also be investigated and/or incur penalties levied by regulatory authorities in France or abroad.

In addition, given its small size compared to the Sanofi group and the limited experience of its employees with its new scope, some Group employees, initially part of the Sanofi group, may have difficulties adapting to the Group's scope, size and/or corporate culture or adopting the new organizational structures and methods of the Group and/or experience difficulties in integrating staff from various business backgrounds. These difficulties could also cause social disruptions (see Section 3.2.2 (h) "Risks related to social dialogue" of the Universal Registration Document).

Any inability by the Group to put in place adequate internal controls in a timely manner and/or maintain appropriate and effective internal control procedures in the light of its new structure could have a material adverse effect on the Group's business, reputation, outlook, financial position and operating income.

In addition, the Group's IT systems may not be immediately mature and fully operational, including with respect to protection against cyberattacks (see Section 3.2.2 (g) "Risk related to IT systems" of the Universal Registration Document). The Group, which was created following the Prior Reorganization Transactions conducted between March 2021 and January 2022, has limited experience as a stand-alone company, which could expose it to difficulties and/or delays in the establishment of these structures and procedures, unanticipated additional costs or even previously unidentified difficulties.

Delays in the organization of internal control, internal audit and IT systems may also delay the achievement of strategic objectives.

(c) Risks related to contractual relations established with the Sanofi group

During the year ended December 31, 2022, the Group generated 48.3% of its consolidated revenue from Sanofi. The Group currently supplies significant quantities of certain APIs to Sanofi under a manufacturing and supply agreement (the "Global Manufacturing and Supply Agreement") entered into as part of the completion of the Prior Reorganization Transactions, with effect from October 1, 2021, for a period of five years following the loss of control by Sanofi resulting from the Company's initial listing, which is renewable by mutual consent and was amended on March 1, 2022 (see Paragraph "Manufacturing and supply agreements for certain APIs" of the Section 3.1.1 "Description of the prior Reorganization Transactions" of the Universal Registration Document). The Group has also entered into other commercial agreements with Sanofi in connection with the completion of the Prior Reorganization Transactions (see Paragraph "Manufacturing and supply agreements for certain APIs" of the Section 3.1.1 "Description of the prior Reorganization Transactions" of the Universal Registration Document) such as (i) the Reverse Manufacturing and Supply Agreements under which Sanofi manufactures several items in the value chain of certain APIs on behalf of Francopia and of vitamin B12 salt derivatives on behalf of EUROAPI France, (ii) the distribution agreement, as amended on February 25, 2022, under which the Group acts as a distributor of some of the APIs manufactured by Sanofi (see Paragraph "Distribution Agreements for certain APIs" of the Section 3.1.1 "Description of the prior Reorganization Transactions" of the Universal Registration Document) and (iii) the Master Agreement for Development and GMP Manufacturing Services under which Sanofi and the Group both act, as the case may be, as a provider or as a beneficiary of services relating to the development of certain APIs for the CDMO services (see Paragraph "Special agreements between the Group and the Sanofi group relating to the development of APIs" of the Section 3.1.1 "Description of the prior Reorganization Transaction of the Universal Registration Document). The Global Manufacturing and Supply Agreement and the distribution agreement contain fixed price clauses for the duration of the agreement, subject, in the case of the Global Manufacturing and Supply Agreement, to

modulation mechanisms for the pricing policy. Any one of these agreements may be terminated early, may not be renewed automatically when it expires, or may be renewed on less favorable terms. The supply of APIs to the relevant subsidiaries of Sanofi may also be interrupted, or the Group may not be in a position to win certain tenders launched by Sanofi, or Sanofi may decide to cease the marketing of all or part of some drugs. Likewise, and to a lesser extent, Sanofi may not meet all or some of its obligations under Reverse Manufacturing and Supply Agreements and/or the distribution agreement to supply APIs intended for distribution by the Group, which could have a negative effect on the Group's revenue and level of profitability.

The Master Agreement for Development and GMP Manufacturing Services dated October 1, 2021, relating to the development of key molecules for the Group's CDMO activities, and the development agreement entered into with Opella Healthcare Group SAS (a subsidiary of the Sanofi group's consumer healthcare business) provide that each current and future development/manufacturing project for a molecule on behalf of Sanofi or Opella Healthcare Group SAS under these agreements will be the subject of a specific application contract specifying the terms of the project. It is specified that Sanofi and Opella Healthcare Group SAS will have the opportunity, assessed for each application contract, to terminate any specific application contract for the development/manufacture of a molecule taken in the context of these agreements, in the event of a takeover of more than 50% of the Company by a third party company that itself develops or sells a molecule or a product competing with the molecule developed/manufactured by the Group on behalf of Sanofi or Opella Healthcare Group SAS. The parties may deviate from this principle or specify the concept of a competitor, application contract by application contract and molecule by molecule (see Paragraph "Special agreements between the Group and the Sanofi group relating to the development of APIs" of the Section 3.1.1 "Description of the prior Reorganization Transaction of the Universal Registration Document).

In addition, Sanofi currently provides IT and other services to the Group under a Transitional Service Agreement entered into by and between the Group and the Sanofi group (see Paragraph "Service supply agreements" of Section 3.1.1 "Description of the prior Reoarganization Transaction" of the Universal Registration Document). The services provided by the Sanofi group include the maintenance of certain applications and infrastructure support by the partner that provides those services for Sanofi and payment by Sanofi of subscription and license fees. If the transitional service master agreement or any other agreement with Sanofi were to be terminated or if the provision of those services was interrupted and the Group could not quickly put in place an equivalent alternative to those services, in particular by recruiting the necessary staff or through agreements with third parties, this could have a material adverse effect on the Group's business, financial position and operating income.

The occurrence of any of these events could have a material adverse effect on the level of production of certain key Group products and therefore on its business, financial position, results and outlook.

(d) Risks related to the representative nature of the consolidated financial statements and other historical financial information presented in the Universal Registration Document

The historical consolidated financial information of the Group contained in Chapter 4 "Financial information and financial statements" of the Universal Registration Document has been extracted from the consolidated financial statements of the Sanofi group for the year ended December 31, 2021, as the Sanofi group has not historically prepared financial statements that isolate the business of the Group's scope of consolidation. Although the Group did not own the companies and activities included in its current scope of activity during the periods in question, the consolidated financial statements present, on a consolidated basis, the assets, liabilities, income and expenses directly related to the Group's business and recognized within the Sanofi group during the periods under consideration.

In addition, the Universal Registration Document contains Group performance indicators whose publication is not required, or that do not include a definition provided for in IFRS accounting standards, such as revenue broken down by flow, product category and nature of sales, gross margin, core EBITDA, EBITDA and the conversion of core EBITDA to free cash flow (Core FCF Conversion) (see Section 4.2.6 "Alternative performance measures" of the Universal Registration Document). To the extent that the historical organization of the Group's activities diverges from the organizational target and reporting structure decided upon when the Prior Reorganization Transactions were put in place, these performance indicators for the years ended December 31, 2021 have been restated to enable investors to better understand the Group's new business model effective as of the date of the Universal Registration Document as part of its independence from the Sanofi group (see Section 4.2.6 "Alternative performance measures" of the Universal Registration Document) and understand the changes in the Group's results as well as the items that may influence its future results.

The alternative performance indicators described above, where appropriate on a restated basis, may not be comparable to the indicators named in a similar manner by other companies. Moreover, even though these indicators are presented to enable investors to better understand the Group's new business model, they are provided for illustrative purposes only and prepared on the basis of a number of assumptions. They are therefore not necessarily representative of what the Group's financial position and operating income (loss) would have been if it had carried on its business as a separate and autonomous entity during the periods presented in the Universal Registration Document and are not indicative of the Group's future performance.

3.2.4 Risks related to the Company's financial position

(a) Exchange rate risks*

The Group sells and markets its APIs in over 80 countries. It is therefore exposed to foreign exchange risk arising from various exposures to currencies other than the euro, which is the Company's functional currency and the reporting currency for the Group's consolidated financial statements. The Group's main exchange rate risk exposure currencies are the US dollar (USD), Hungarian forint (HUF), British pound (GBP) and Japanese yen (JPY).

A share of the Group's expenses are denominated in US dollars (USD), while the majority of its sales

are denominated in euro (EUR), with the resulting exchange rate risk. For example, disbursement flows in US dollars represented approximately 10% of the Group's total disbursements for the year ended December 31, 2022.

The monitoring and evaluation of trends in exchange rate fluctuations is centralized by the finance team at the Group level. Nevertheless, the Group cannot exclude that an unfavorable change in the exchange rates of the above currencies may have an adverse effect on its consolidated financial position and results.

	Impact on operating income (€ million)		Impact on shareholders' equity (€ million)	
Dec 31, 2022	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
GBP	3.8	(3.8)	5.9	(5.9)
HUF	4.4	(4.4)	18,9	(18,9)
USD	(4.2)	4.2	0.8	(0.8)
JPY	0.8	(0.8)	0.5	(0.5)
Total	**4.8**	**(4.8)**	**26.1**	**(26.1)**

(b) Interest rate risks

The Group's exposure to interest rate fluctuations relates exclusively to the €451 million RCF Loan Agreement, which bears interest at a EURIBOR-indexed variable rate, plus an applicable margin. In the event that EURIBOR is below zero, this rate will be considered as equal to zero (see Section 4.3 Financial resources and liabilities paragraph relating to the "RCF Loan Agreement"of the Universal Registration Document). As of the date of the Universal Registration Document, the three-month EURIBOR was above zero but with a non significant impact on our financial results.

The Group may be required to put in place appropriate hedging products in line with the distribution targets between fixed and variable rates. As of the date of the Universal Registration Document, taking into account the policy rates set by central banks and the expectations of rate increases, the Group has not put in place such instruments.

(c) Liquidity risks

Liquidity risk is the risk of not having the necessary funds to meet commitments at maturity. This includes the risk that assets cannot be sold quickly on satisfactory terms in case of need and the risk of anticipated liability or lack of access to credit on satisfactory terms. As of December 31, 2022, the Group is in a negative cash position (for IFRS 16) in the amount of €25.6million.

In a crisis situation, the Group may not be able to obtain the necessary financing or refinancing to implement its investment plan or obtain such financing or refinancing on acceptable terms.

As of December 31, 2022, the Group's financial liabilities included €219.6 million in accounts payable, €132.2 million in other current liabilities and €20.7 million in lease liabilities.

On February 22, 2022, the Group entered into a €451 million RCF Loan Agreement, which may be drawn down as from the admission of the Company's shares to trading on the regulated market of Euronext Paris. The RCF Loan Agreement contains certain affirmative and negative undertakings, including:

- the commitment to comply with a leverage ratio (representing consolidated net debt divided by consolidated core EBITDA) of less than or equal to 4;
- 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 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.

Each case is subject to the usual exceptions for this type of financing.

3.2.5 Legal and regulatory risks

(a) Risks related to product liability*

The Group, which produces APIs and intermediates in the composition of drugs for human use, could be exposed to risks related to the incurrence of liability, in particular liability for products that do not comply with regulations.

The Group's customers, in their capacity as drug manufacturers, are legally required to ensure compliance with the applicable regulations and standards for the substances they use in the manufacture of their products. Consequently, activities related to the manufacture, import, export and marketing of products used in the composition of drugs, in particular APIs, are subject to rules and controls by the authorities with the ultimate purpose of ensuring drug quality. Failure by the Group to comply with regulations, standards or contractual commitments would expose the Group to liability in civil, criminal or commercial disputes.

The process of producing certain APIs is now subject to increased monitoring by health authorities following the detection of mutagenic impurities such as nitrosamines, whose presence was detected in 2018 in a number of APIs and drugs used for the treatment of hypertension. Changes in the regulations and standards applicable to the production or quality control of products to avoid the presence of such impurities could result in constraints for the Group and affect its production capacity. These constraints could also have an adverse effect on the production capacities of drug manufacturers and, consequently, on their needs for the APIs manufactured and marketed by the Group that are part of the composition of their products.

Thus, a risk analysis relating to the presence of mutagenic impurities of the nitrosamine family was carried out by Sanofi and the Group between 2018 and 2021. As of the date of the date of the Universal registration Document, this analysis showed no risk for nearly all the APIs produced by the Group. In particular, the absence of Nitrosodimethylamine and Nitrosodiethylamine impurities was proven for sartans such as Irbesartan and Olmesartan Medoxomil. In 2022, additional expertise allowed to confirm further the absence of patient risk versus Nitrosamine Drug Substance Related Impurities (NDSRIs) for some APIs such as Metamizol and Ramipril. For two active ingredients, Rifampicin and Rifapentine, the risk analysis allowed to identify the presence of Nitrosomethylcyclopiperazine and Cyclopentylnitrosopiperazine respectively. As a result, the Group is developing a plan for the optimization of the rifampicin and rifapentin process with the approval of the health authorities (the FDA in the United States and the local health authorities in Italy (Agenzia Italiana del Farmaco, "AIFA") for rifampicin and the FDA for rifapentin), which aims to limit the presence of nitrosamines below the acceptable daily content. The industrial-scale feasibility of optimized manufacturing processes for rifampicin and rifapentin has been assessed in 2022 and additional development activities will take place in 2023. Executive summaries are exchanged with Health Authorities three times a year.

More recently, an azide-like mutagenic impurity was detected in the sartan category. Further process expertise and analytical development allowed to confirm that both Irbesartan and Olmesartan Medoxomil are compliant and does not present any risk to the patient for these impurities. The presence of any potentially mutagenic impurity requires the implementation of toxicological and advanced analytical assessments to measure impurities in the trace state and chemical analyses in the event that process optimizations are required to guarantee that impurities remain at a level below the acceptable daily content. Depending on the therapeutic interest of the API and the available therapeutic alternatives, an event of non-compliance resulting from the presence of mutagenic impurities at a level higher than the acceptable daily content could lead the authorities to decide to withdraw the marketing authorization for the pharmaceutical products affected and thus to the loss of all or part of the revenue from the relevant APIs. As of the date of the Universal Registration Document, the performed studies conducted on certain APIs confirmed that the risk of mutagenic impurities was under control.

In addition, certain products manufactured by the Group are subject to special supervision by the authorities and are subject to even stricter regulations, in particular certain APIs or drugs classified as narcotic or poisonous substances, such as alkaloids, which represented 4.9% of the Group's revenue as of December 31, 2022 (out of a total of 9.4% for alkaloids marketed by the Group, with the remaining 4.5% corresponding to the sale of non-narcotic opioids), due to the serious risk of dependence that may be caused by the excessive or illegal use of such substances. Changes to applicable regulations might create constraints on the production or distribution of such products, which could affect the Group's production or sales capabilities (see Section 3.2.5 (d) "Legal risks related to the operation of activities under exclusive rights" of the Universal Registration Document). In addition, disputes relating to the marketing and distribution of such products have emerged in some jurisdictions. In the future, such litigation against Group customers could have a negative impact on Group sales volumes and results.

Should the Group be unable to resolve an event of non-compliance affecting one of its products or the risking of its liability for its products, its reputation and the marketing of its products could be heavily and seriously affected, which could have a material adverse effect on the Group's financial position, results and, where appropriate, outlook.

(b) Risks related to environmental and safety regulations and environmental liabilities*

The Group operates in a restrictive legislative and regulatory environment with respect to environmental protection, public health and safety.

The regulations applicable to the Group's activities with regard to environmental, public health and safety issues, which may vary by country, include pollution prevention; treatment of industrial discharges of any kind (aqueous releases and/or accidental leaks, air emissions, etc.); the control of industrial sites and their operating conditions; any restoration of such sites (in particular of the soil); the treatment of waste, noise or visual disturbances; the production, storage, handling, transport and treatment of hazardous waste, dust and fumes; as well as, more generally, public health and food security. The main environmental and other regulations to which the Group is subject are presented in Chapter 3.4 "Regulatory environment" of the Universal Registration Document.

The Group must therefore incur significant costs in order to remain in compliance with the legal and regulatory obligations in force. In the future, it will also have to continue to incur significant costs (both in capital expenditures and in operating expenses) to continue to comply with its obligations. The Group is therefore anticipating a significant increase in these costs in view of increasingly frequent and binding changes in regulations, in particular those related to the protection of the health, public safety and environment.

The Group is therefore required to obtain numerous environmental, safety, public health and other types of licenses and authorizations, such as operating permits, waste water discharge permits, water sampling permits or authorizations for the transportation and disposal of hazardous waste, which are subject to renewal, modification, suspension and possible revocation by administrative and governmental authorities. It operates six industrial sites in Europe, including five sites classified as hazardous by the SEVESO Directive, which include four SEVESO "High-Threshold" facilities in Vertolaye, Frankfurt, Budapest and Brindisi and one SEVESO "Low-Threshold" facility in Saint-Aubin-lès-Elbeuf, due to the risks to human health and/or the environment posed by the substances and mixtures used and manufactured at these sites for the purposes of the Group's business. The obtaining, renewal and maintenance of the licenses and authorizations issued by the administrative authorities necessary for the operation of the Group's activities could also be made more difficult and involve significant expenditure due in particular to the growing urbanization of the areas where the Group's activities are located or a tightening of applicable regulations, or as a result of an accident or incident that occurred at one of the Group's industrial sites. In addition to significant additional capital expenditures, these licensing and authorization updating requirements may place the Group under significant operational constraints (reduction of product quantities, discharges, etc.).

In the event of non-compliance with environmental regulations or with the requirements imposed by operating licenses and authorizations (aqueous releases and/or accidental leaks, emissions, waste treatment), the Group is subject to administrative and/or criminal penalties, or even temporary or permanent closure of the sites affected, which could have a material adverse effect on the Group's results, business, reputation, financial position and outlook. The personal criminal liability of its officers, as individuals, could also be sought in connection with these events of non-compliance.

In addition, the Group's APIs manufacturing activity is subject to European regulations applicable to chemicals (such as, for example, the European REACH Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals), which came into force in 2007, or the CLP Regulation). These regulations are undergoing significant changes and adopting increasing restrictions and even bans on certain chemicals (substances of very high concern). Such developments could thus force the Group to invest significantly in order to anticipate and, where appropriate, remedy such restrictions and/or prohibitions (research and development of alternative substances, requests for authorization). Similarly, such restrictions and/or prohibitions could, in the absence of alternatives, lead to the reduction, suspension or cessation of the production of certain products or the operation of certain production units, without the assurance of compensation for the corresponding losses.

Finally, due to their age and/or original location or use (pharmaceutical or other), some of the Group's industrial sites or neighboring sites have historical contamination of soil and/or shallow and deep aquifer water
. In particular, the existence of old quarries filled with waste from past industrial activities (whether or not from Group activities) on sites belonging to the Group or neighboring sites, particularly in France (Saint-Aubin-lès-Elbeuf or Vertolaye), has been noted. Similarly, due to the long history of the Group's activity, discharges may have resulted in historical environmental impacts in soil, surface water or shallow and deep aquifer water.
. Obligations to remedy such contamination may be placed on the present or past owners, operators or users of such contaminated sites, without necessarily seeking out fault or non-compliance with the law for the activities that caused such contamination. The Group cannot exclude being charged with such costs in the future in its capacity as an industrial operator responsible for the related environmental liabilities, including potential historical liabilities linked to operational activities. In the context of the Prior Reorganization Transactions, all liabilities related to the pollution or contamination of the environment, the discharge of hazardous substances and/or injuries caused by these substances attached to the EUROAPI scope within the Sanofi group were transferred to EUROAPI, whether the generating event or the circumstances at the origin of these liabilities are known or unknown, prior or subsequent to the effective date of the Prior Reorganization Transactions related agreements in each of the concerned jurisdictions. The Group has undertaken to indemnify the Sanofi group if a liability action is brought against Sanofi for these liabilities. The contractual undertakings entered into in connection with the Prior Reorganization Transactions are described in Sections 3.1.1 "Description of the Prior Reorganization Transactions", paragraph "Agreements signed by the Sanofi group and the Group for the execution of the Prior Reorganization Transactions" of the Universal Registration Document.

To that end, provisions were recognized by the Group to cover environmental risks. The amount of provisions for environmental risks as of December 31, 2022 is shown in Note 5.12 of the consolidated financial statements in Chapter 4 "Financial information and financial statements" of the Universal Registration Document. At December 31, 2022, a provision of €45.4 million was recorded by the Group to address environmental risks, and €29.3 million to address potential restoration costs for leased buildings.

The environmental liabilities that may emerge on the Group's sites may have a material adverse effect on the Group's business, reputation, results, financial position and outlook.

(c) Risks related to the laws and regulations applicable to the Company's activities*

The Group operates in a very restrictive and highly evolving legislative and regulatory environment in terms of safety and good manufacturing practices for health products. Changes to these regulations, their interpretation by the competent courts or authorities, and changes to the applicable good practices create increasing constraints that may require significant investments or expose the Group to significant legal risks.

The Group could also be subjected to constraints that would slow the development or prohibit the manufacture of some of its products. In particular, requirements for the maintenance or compliance with standards of its equipment and production sites could have a negative impact on development and production activities.

The Group and its customers are subject to international, national, state and local regulations and standards that create a complex legal environment applicable at all times in the life of products, production and distribution processes and terms of use. Compliance with these regulations is monitored by international or national authorities, such as the FDA in the United States, the EMA at the European level or the National Agency for the Safety of Medicines and Health Products (*Agence Nationale de Sécurité du Médicament et des produits de santé* – "ANSM") in France, as well as the ministries responsible for health issues. These authorities have very broad powers of authorization, inspection and sanctioning and may impose financial penalties or technical constraints such as suspensions, product or site operating bans, product removals or recalls.

In addition, the Group's production sites must be registered with local health authorities (in particular the ANSM in France, the *Medicines and Healthcare Products Regulatory Agency* ("MHRA") in the United Kingdom and the Italian Medicines Agency *(Agenzia Italiana del Farmaco* – "AIFA") in Italy) and other international health authorities in the countries in which Group products are marketed, such as the FDA in the United States and *the Pharmaceutical and Medical Device Agency* ("PMDA") in Japan. In addition, all products manufactured at these sites must be manufactured in accordance with Good Manufacturing Practices ("GMP") as defined by health authorities and international guidelines such as ICH Q7, Good Manufacturing Practice (GMP) for the Manufacturing of APIs. Compliance with GMP regulations requires the allocation of substantial resources and significant expenditures. Prior to product authorization, health authorities inspect both production sites and Group procedures to verify compliance with regulatory standards. Periodic inspections are also carried out by the Group's health authorities and customers after product authorization. Health authorities could also decide to suspend or withdraw product authorizations if regulatory standards were not applied. In the event that the health authorities direct a production site to reduce or cease its activities, or if such a site becomes inoperable, a new authorization must be requested to manufacture at that site or at another site, which could result in production delays, with a material adverse effect on the Group's competitive position, business, financial position, statement of operations and cash flows.

The identification of new issues concerning the safety or efficacy of certain products and substances, such as the presence of mutagenic impurities, could also lead to changes in the applicable regulations or the strengthening of controls and sanctions by the competent authorities.

The Group's customers are subject to significant regulatory hazards in the development of new products, which could adversely affect the Group's activities or products. In addition, events of non-compliance that might be detected among Group customers due to non-compliance with applicable regulations or standards or injunctions by the competent authorities could result in consequences for the Group's activities or products, such as inspections, injunctions, product withdrawals or recalls and demands that the Group be held liable by the competent authorities, customers or third parties.

In addition, the Group operates in a field that falls within the scope of regulations applicable to foreign investments in France, particularly in the area of public health. As a result, certain foreign investments may be subject to prior authorization by the Minister of the Economy, who may attach one or more conditions to the authorization of such a transaction and, in certain cases, refuse to grant such authorization.

(d) Legal risks related to the operation of activities under exclusive rights

Through its subsidiary Francopia, the Group markets alkaloids, including opiates controlled substances, for the composition of narcotic products in France, Canada and Japan, but excluding some countries such as the United States. Francopia is, as of the date of the Universal Registration Document, the only operator in France authorized by the ANSM to market alkaloids on French territory. The ANSM has also put in place an import quota regime that limits the sale of alkaloids in France by other companies located outside France. During the year ended December 31, 2022, the Group's sales of alkaloids in France amounted to €17.2 million, or 1.8% of its consolidated revenue.

However, in countries in which the Group markets alkaloids, health authorities such as the ANSM might decide to allow higher import quotas (currently limited in France to 10% of the volumes of APIs used by opiate drug producers operating in France), thus forcing the Group's products to face increased competition. Similar quotas exist in other countries, in particular the United States and Spain, which limit the marketing of the Group's alkaloids.

The consequences of such a decision could have a material adverse effect on the Group's business, the selling price of the Group's products and, consequently, the Group's financial position, results and outlook.

The risk of dependence of the Group on the Sanofi group, which produces all of the alkaloids marketed by Francopia, is described in Section 3.2.2 "Risks related to supply difficulties, raw material and energy costs, and relationships with certain suppliers and subcontractors" of the Universal Registration Document.

(e) Risks related to compliance and ethics actions or investigations

The Group's activities are subject to various compliance and business integrity regulations. These regulations could become more numerous and/or binding starting with the Company's initial listing. Due to its market and geographical coverage, the Group is also exposed to risks related to non-compliance with the provisions of competition law.

Despite the Group's efforts, inappropriate or illegal behavior by its employees, officers and/or external third parties acting in the name and on behalf of the Group could occur and could expose the Group and/or its officers to potential prosecution and penalties, including fines.

Actions or investigations regarding compliance and business integrity related, for example, to allegations of corruption, money laundering, misappropriation of property, conflicts of interest or non-compliance with procedures, including procurement, manufacturing or quality process, in connection with the Company, its employees and suppliers, and in particular with regard to competitive and business practices, the protection of employees, the environment, personal data and other legal matters could affect the reputation, business, operating income and financial position of the Group.

3.3 INSURANCE AND RISK COVERAGE

3.3.1 Insurance policy

The Group's insurance policy is coordinated by the Group's financial management with the support of the operational departments.

The implementation of insurance policies is based on the determination of the level of coverage necessary to handle the reasonably estimated occurrence of liability, damage or other risks. This assessment takes into account assessments made by insurers as risk underwriters. Non-insured risks are those for which there is no offer of coverage on the insurance market or those for which the offer of coverage and/or its cost are not in line with the potential interest of the insurance or for which the Group considers that the risk does not require insurance coverage.

In particular, the Group has taken out property damage/operating loss, civil liability, environmental and cargo policies with internationally renowned and solvent insurance companies. The Group's policies are supplemented, for risks not covered by them, on a case-by-case basis by policies written locally for a particular subsidiary or site.

3.3.2 Risk coverage policy

Objectives

Risk control is considered a priority by Group management, which closely links internal controls to internal audits. The Group's risk management and internal control systems are based on the Sanofi group's internal control and risk management practices, adapted to the Group's business model, geographic footprint and size. They are in turn based on a range of appropriate resources, procedures and actions to ensure that the necessary measures are taken to enable the Group to:

- achieve its objectives, fulfill its missions, and detect development opportunities in all of its fields of activity while adhering to its values and ethics and complying with laws and regulations; and
- protect its core assets that are the foundations of its business, identify critical points and potentially risky internal and external events and situations for the smooth operation of its business.

Organizational framework

The risk management process and internal controls, which allow the Group to identify and prevent the risks that it may face, are overseen by the corporate affairs and finance departments. The Corporate Affairs Department, which also brings together the Group's expertise in communications, Environmental, Social and Governance (ESG) and public affairs, and the finance department, contribute to the Group's Executive Committee.

Within each of the Group entities, a person responsible for risk management designated under the Business Continuity Plans is responsible for identifying industrial risks, which are then coordinated at Group level by an Industrial Operations Program Project Manager. In addition, the identification of business risks, strategic projects and health, safety and environmental (HSE) risks is the responsibility of the Sales Operations Department, the Strategy Department and the Industrial Affairs Department. Risks related to the Company, other global support functions and disputes are identified at the Group level by an ESG & Risk Manager within the Corporate Affairs Department. Risk management is centralized at Group level by the Corporate Affairs Department.

Internal control is the responsibility of the operational departments of each of the Group's entities, under the control of the finance department, which coordinates the operation of the whole system. It plays a central role in establishing the procedures applicable at Group level and defining the framework within which subsidiaries exercise their internal control responsibilities.

Risk management and internal control system

The Group's overall risk management and internal control system is based on several elements, including:

- standardized procedures by business line and function;
- operational risk control;
- the management of the Group's overall risks at different scales (functional departments, subsidiaries);
- the mapping of the Group's major risks validated by the Group's executive committee in November 2022;
- monitoring of the Group's internal control system;

- the ethical system and organization comprising the Group's procedures and Code of Ethics and training courses put in place in 2022; and
- the internal audit, which, as an independent assurance function and being outsourced, assesses the efficiency and functioning of the system as a whole.

With regard to internal control and risk management, as of the date of the Universal Registration Document, the Group chose to work on the basis of the main recommendations proposed by the AMF Terms of Reference and Application Guides, as updated in July 2010, and the recommendations of the report of the Audit Committee working group, also published in July 2010. The Group also has relied on the experience of the Sanofi group in the area of internal control and risk management and has taken inspiration from certain tools used by Sanofi. These tools have been adapted to the Group's business model, geographic footprint and size.

Group risk management

Group risk management refers to the measures put in place by the Group to identify, analyze and mitigate the risks it is exposed to. The process for developing and reviewing the risk mapping developed by the ESG & Risk Manager, which was implemented in 2020 with the Company risk management framework, allows the identification of the main risks to which the Group is exposed and assesses, for each of them, their potential impact as well as the action plan put in place, and in particular the persons responsible within the Group for monitoring the remediation plans and associated controls.

The Group has set up an Operational Risk Committee, which is composed of a Chair, a Secretary and representatives of the various functions (strategic, human resources, quality, legal, finance, etc.) and the Group's business divisions, to validate and update the risk map based on the updated information that is communicated to it. The Group risk management system will be regularly reviewed by the operational risk committee, which reports the risks to the Corporate Affairs Department.

In addition, the ESG & Risk Manager within the Group's Corporate Affairs Department conducts the specific initiatives summarized below.

The risk mapping framework is presented annually by the Chairman of the operational risk committee, to the audit committee, and, at its request, to the Board of Directors or to one of its other committees.

For example, the internal action and policy plans put in place to manage the risks identified by the Group include:

- Risks related to geopolitical and macroeconomic instability and the international character of the Group's activities. To anticipate the risks related to geopolitical instability and the international character of its activities, the Group relies on the Corporate Affairs Department, and in particular a dedicated network responsible for monitoring developments in each country and in particular in those in which the Group has production sites. The upstream integration of the Group allowed it to limit the impact of the difficulties encountered by its Asian suppliers in 2020.
- Risks related to competition in the markets in which the Group operates. To limit competitive pressure, the Group relies on several tools, processes and remediation plans:
  - competitive oversight, by product range and technology, which informs the business strategy of the Group, which is factored into its price positioning, as well as the organization of its sales forces and product offering;
  - a business risk analysis, which is regularly reviewed to guarantee Group responsiveness and excellence in its support of its customers;
  - multi-year contracts with customers are encouraged to secure the Group's revenue;
    i. action plans for the optimization of structure costs (see Section 1.2.3 "Strategy and objectives" of the Universal Registration Document) and the transformation of the Group, in particular in the context of the development of its CDMO activities (see paragraph "Capitalize on innovation and development to accelerate the reorientation of the portfolio toward the CDMO activities, particularly in the peptide and oligonucleotide segment" of Section 1.2.3 "Strategy and objectives" of the Universal Registration Document) has been deployed in 2022; and
    ii. regular investment in the continuous improvement of processes, in addition to activities for research of new technologies and the development of innovative processes to reduce the production costs and environmental footprint of the Group's production methods and differentiate itself through its technological advances and capacity for innovation, in particular in the context of the development of its CDMO activities.

The size and diversity of the Group's portfolio, which consists of approximately 200 APIs registered with regulatory authorities in many countries, offers stability. Its network of industrial sites and production capacities enables it to ensure the continuity of production operations and monitor projects from the clinical phases to the commercial phases.

The Group maintains its reputation as a provider of reliable, high-quality APIs, its regulatory activities and its strong competitive position in the major geographical areas of the global market for APIs and provides its customers with expertise in a wide range of that market to best meet their specific needs.

- Risks related to the operation of industrial sites. The Group develops risk reduction plans that incorporate short- and medium-term investments as well as organizational or management actions. It also draws on the results of regular regulatory audits to define scenarios that enable it to assess and anticipate the consequences of different events and develop human and material recommendations. The Group is also constantly mobilized to develop and operate safe industrial processes, promote a culture of safety and ensure the protection of the health and safety of its employees. Accordingly, it implements Health, Safety and Environment (HSE) procedures that take into account the main problems related to industrial processes and in particular chemical risk management. In particular, with regard to chemical risk management, the Group is putting in place procedures for the safety and monitoring of the chemical substances and mixtures that it uses and manufactures at its sites, four of which are rated SEVESO "high-threshold" facilities in Vertolaye, Frankfurt, Budapest and Brindisi, and one of which is rated as a SEVESO "low-threshold" facility in Saint-Aubin-lès-Elbeuf. Facilities operating on the SEVESO sites referred to above are inspected at least twice a year. It ensures technical and regulatory monitoring of the hazardous substances and mixtures used and manufactured. Where appropriate, the Group may be required to substitute the use of certain substances at its sites. Employees of the Group that come into contact with chemicals classified as hazardous in the course of their professional activities within the Group shall receive appropriate medical monitoring that takes into account the inherent risks of these substances.
- Risks related to supply difficulties, raw material and energy costs and relationships with certain suppliers and subcontractors. The Group conducts regular monitoring of supply difficulties . The purpose of the program is to assess risks to the chain (from the supply of raw materials to the production of the API and the release of the product) and the establishment of security plans. The Group has also implemented a program to develop several sources of supply for critical raw materials (mono-sourcing exit program) whenever the market proposes these potential sources. A continuous and multidisciplinary process of risk analysis of the raw materials used by the Group and their suppliers is in place to enable the coordination of the qualifications of alternative suppliers or manufacturing sites with a view to reducing mono-source risks and regional dependence that is critical to ensure continuity of supply. In the current climate of strong price increases, in particular for raw materials and energy, many of the Group's contracts contain clauses allowing it to pass on part of the increases in these costs to its customers. The Global Manufacturing and Supply Agreement, as amended, includes (i) a compensation mechanism for the Group in the event of a significant increase in the price of certain key raw materials and solvents, subject to compliance with certain thresholds and time limits, and (ii) a clause providing for reciprocal sharing of a portion of the increase in energy costs related to Sanofi's purchases, in relation to a reference base determined by the parties, which is applicable from January 1, 2022, to December 31, 2026. The Group also intends to further formalize the relationship with its suppliers through contracts rather than purchase orders in order to better control the volatility aspects for all raw materials used by the Group. To handle the difficulties of energy supply and the increase in its cost, the Group sources directly from the gas and electricity markets and uses hedging instruments (futures contracts), to smooth out prices over time. These instruments cover almost all of the Group's energy purchases in 2022 and 2023 (except spot purchases) and, as of the date of the Universal Registration Document, approximately 50% of its energy purchases for 2024. The Group's coverage strategy is to hedge over an anticipated period of three years and to have a minimum of 90% of prices fixed before the end of the prior year for the current year. In addition, the manufacturing of alkaloids marketed by Francopia is subcontracted to a Sanofi group site under a Reverse Manufacturing and Supply Agreement in effect for a period of five years from the date of the Loss of Control by Sanofi. Francopia also uses several specialized secure transport providers, which have been audited by the Sanofi group. In addition, the import quota regime introduced by the ANSM to limit the sale of opiates in France by other companies located abroad was supplemented in 2018 by a secure inventory policy adapted to the needs of operators, which helps to secure supplies. Finally, the raw materials necessary for the manufacture of the APIs of Francopia and the finished products are stored separately to reduce the risk of breakage in the event of an incident.
- Risks related to Group investments. The Group relies on the investments made by the Sanofi group on the transferred sites over the past few years, which mainly include maintenance and compliance investments. It continues this investment policy by increasing the proportion of performance and growth investments in the total share of its investments and by improving the management of its performance and growth investments. These projects (duration, amounts) are monitored by dedicated teams at the local level and/or globally for strategic projects. Moreover, some of the Group's growth investments made as part of its CDMO activities have been co-financed by its customers, in addition to the amounts invested by the Group, in the form of payments prior to investments made or of increased payments on the price of the products during the commercial relationship.

- Risks related to the demand for the products and services offered by the Group. The Group relies on an annual business risk analysis to develop the business strategy for its highly diverse portfolio of approximately 200 APIs spread across several therapeutic areas. To be constantly in line with the needs of the market, a team of business analysts monitors the Group's competitors and market trends. The Group has also put in place a proactive strategy for the development of its portfolio and the extension of the range of its APIs, which is driven by a team of product portfolio managers to adapt to changing market needs.
- Risks related to the development, marketing or launch of new products manufactured by the Group on its behalf or on behalf of its customers. The Group has established a business development plan, equipment investment plan and skills recruitment plan to expand its product portfolio with new products and its CDMO activities, which is one of the pillars of the Group's organic growth. The Group's objective is to increase the number of employees in its R&D team to approximately 490 in 2025] (from about 370 in 2022), including a number of employees in the development teams dedicated to the CDMO activities exceeding 250 by 2025. To ensure operational agility, a system for managing the priorities of research and development (R&D) projects and commercial projects based on the possibilities of the sites is being put in place to respond as quickly as possible to the requests of customers in relation to the Group's strategic plan, while offering them the necessary guarantees of feasibility, quality and confidentiality for that activity.
- Risks related to the dependence of certain Group sites on the performance of some major products. The growth of CDMO activities, including the development of the formulation and production of new APIs, will help to diversify the activities of the Group's production sites and reduce their dependence on the performance of a few products. The Group has also set up training to strengthen the mobility of certain teams, which will be able to move from one Group site to another according to the needs of the customers for the Group's APIs. In addition, the Group's premium positioning, both in the context of its API Solutions business and as a CDMO, is characterized in particular by price sensitivity that is lower for the Group's products than the products of most of its competitors.
- Risks related to IT systems. In order to protect the Group's IT systems and mitigate the increasingly sophisticated cyberattacks that target healthcare-related companies, a reference framework has been put in place with the support of the Sanofi group. The Group has also defined a program for the governance and monitoring of the security of its IT systems that includes crisis management and business continuity plans and recruited a Chief Information Security Officer. The Group's cybersecurity strategy is comprised of five pillars:

  i. the protection of the Group's IT systems, which is based in particular on continuous online protection;

  ii. monitoring, through the use of daily performance indicators for Group terminals;

  iii. responding to threats, including through a highly automated cybersecurity operations center, which is based on the various tools deployed on the Group's platforms to detect and classify security-related events for the Group's IT services and intervene to stop or reduce such events;

  iv. accountability, which is based on several services available to end users and companies; and

  v. data recovery, including testing of data backups for critical functions.

The deployment of security applications that prevent, detect and respond to cyberattacks is operational since Dec 2022. The personal data protection policy inherited from the Sanofi group is currently has been adapted to the Group's business model and implemented at the time of the company's listing.

The personal data protection policy inherited from the Sanofi group has been adapted to the Group's business model.

- Risks related to social dialog. As part of the labor process necessary for its creation, from October 2021, the Group conducted negotiations to establish, in France, institutions representing employees comprising a Social and Economic Committee (*Comité Social et Economique* (CSE)) at the headquarters level, followed by a Central Social and Economic Committee. In addition, an equity-interest agreement and an incentive agreement will be put in place by the Group in France, in order to collectively guarantee eligible employees the right to participate in the results of their company and to collectively associate eligible employees with these results. In order to guarantee the quality of the social dialog, several studies were conducted on the basis of interviews and feedback. The items collected in these studies are used to develop action plans to prevent labor tensions. Employee representative bodies have been elected and implemented in Germany with a works council and spokesman committee as well as the establishment of works council in Hungary and Italy.

- Risks related to relations with Group customers other than Sanofi. The Group conducted a customer satisfaction survey in 2021 to anticipate possible risks related to the relationship with its customers. The market for APIs is characterized by (i) a significant captive market of pharmaceutical companies, in which development and production are oriented toward their internal use, (ii) a long time-to-value for a change of supplier and (iii) a limited share of the cost of the API in the final cost of the finished product. In addition, manufacturing processes and supply chain characteristics must be agreed upon, approved and established prior to the start of commercial manufacturing, taking into account the regulatory framework. In addition, certain contracts entered into by the Group, both in the context of its API Solutions business and CDMO activities, include guaranteed minimum purchase volumes. The Group also enjoys a commercial structure focused on its customers that is present on all continents (see Section 1.2.4 “Overview of Group business activity”, paragraph “Marketing” of the Universal Registration Document). In order to maintain the quality and reliability of the supply of its products and the excellence of its technology platform, the Group also makes significant recurrent investments.
- Risks related to the Company’s dependence on its key elements and qualified personnel. The Group initiated the implementation of a succession plan for persons in senior management functions, including programs for training and transmission of operational capabilities within the Group. As part of the implementation of its target organizational structure, the Group carried out an analysis to identify possible skills gaps. An active recruitment system has also been put in place. The system consists of various phases: planning and approval, candidate searches, profile reviews, interviews, selections and offers and post-recruitment. In addition, a training plan has been developed to address the deficit of certain skills and anticipate skill management needs.
- Risks related to acquisition strategy. The Group’s acquisition strategy is based on the complementary nature of the technologies, markets and portfolios of an acquired company and of the Group in order to facilitate the integration of the acquired company. The strategy and mergers and acquisitions department runs a working group in which various company departments (CDMO, Sales, Marketing, R&D, Industrial and Scientific Operations) participate to monitor a pipeline of complementary targets.
- Risks related to cost reduction initiatives and changes in reimbursement practices of health administrative authorities. The pressure on prices due to the control exercised by health authorities and insurance on the cost of health care expenses is a constant in the pharmaceutical market. This phenomenon is offset by the aging of the population, the increase in life expectancy and demographic growth, which support the demand for drugs and thus the production volumes of drugs and, consequently, the APIs that are part of the composition of those drugs. In order to prevent the erosion of its margins, the Group invests in technical innovation to reduce prices and in the distinctiveness of its APIs. The Group’s offer through its CDMO activities is also directed toward innovative compounds developed by pharmaceutical laboratories.
- Risks related to the influence exerted on the Company’s business and strategy by Sanofi, the Company’s main shareholder. The Company intends to establish a governance structure that it considers to be in compliance with the AFEP-MEDEF Code (see Section 15.4 “Declaration of compliance with the corporate governance system in force” of the Universal Registration Document). In this regard, it should be noted that Sanofi, through its subsidiary Sanofi Aventis Participations, will have only one representative out of a total of ten members of the Board of Directors of the Company as of the admission of the Company’s shares to trading on the regulated market of Euronext Paris, that the Company intends to appoint at least six directors who are independent according to the criteria defined in the AFEP-MEDEF Code as of the admission of the Company’s shares to trading on the regulated market of Euronext Paris and that both companies (Sanofi and EUROAPI) do not have any executive corporate officers in common (Chief Executive Officer and/or Deputy Chief Executive Officer).

- Risks related to difficulties or delays in the implementation of internal control and other structures and appropriate IT systems necessary for the proper functioning of the Group. In early 2022, the Group Internal Control & Internal Audit Department launched the first Group Internal Control Framework which contains approximately 250 controls (194 operational controls and 60 HQ controls). The EUROAPI Internal Control Framework lists the controls which have been created by global process owners to cover their identified function / business risks. Beginning in May 2022, the annual self-assessment of internal controls was rolled-out to all relevant operational process owners within EUROAPI for providing their evaluation of controls for their perimeter. In September and October 2022, a design testing for specific key controls has been performed. Therefore, the integrity of the self-assessment as well as the efficiency of the respective processes has been screened. Furthermore, a monitoring of the implementation status of action plans, which have been set-up during the self-assessment cycle, is now part of an ongoing process. The internal auditing activities have been outsourced to a recognized service provider in order to ensure the professionalization of these tasks and adequate resources adapted to the Group's size. During the fourth quarter of 2022, the first three audits were performed. For the detected deficiencies adequate action plans with deadlines have been set-up by the relevant process owners. A close monitoring of the implementation of action plans will be carried out. A regular communications and change management program for Group employees and managers was established prior to the review of the social agreements initiated at the beginning of the second quarter of 2021 as part of the Prior Reorganization Transactions. In addition, the Group has initiated a cultural transformation program based on its values and expected behaviors (taking ownership, achieving together, driven by our clients and caring for all) and has established indicators that will enable its employees to assess their performance under the new scope and that will be used for the variable remuneration that may be awarded to them. The information technology systems and procedures specific to the Company with regard to internal control and internal audit have been adapted to the specific characteristics of EUROAPI.
- Risks related to contractual relations established with the Sanofi group. In accordance with the terms of the Master Carve-Out Agreement entered into by and between the Company and Sanofi, which lays down the general principles and organizes the terms and conditions for the completion of the Prior Reorganization Transactions, the Company and Sanofi have appointed a committee to monitor the Prior Reorganization Transactions and a committee to monitor the commercial relationships between the parties. Both committees will continue to meet for a period of three years, and five years from the Loss of Control by Sanofi, respectively. In addition, the Global Manufacturing and Supply Agreement entered into by the Group with effect from October 1, 2021, has a term of five years following the loss of control by Sanofi. Finally, for several products, the Group acts as the sole source of supply listed in the Sanofi group's regulatory file for a specific drug. The Group's sales for these products amounted to approximately 25% of the Group's revenue for the year ended December 31, 2022.
- Exchange rate risks. The overall management of exchange rate risk for the Group as a whole is overseen by the Group's finance department. The only authorized instruments will be spot and forward purchases/sales as well as vanilla exchange options (call/put). The Group does not use financial instruments on a speculative basis.
- Interest rate risks. Given the centralization of financing, interest rate risk is localized at the Group level. The only instruments allowed are swaps and so-called vanilla (cap/floor) exchange options. The Group does not use financial instruments on a speculative basis.
- Liquidity risks. The Group has set up a centralized cash flow driven by the Company for all of its subsidiaries (cash pivot and centralized management of financing). Monitoring will be provided by a company computer tool that will make it possible to retrieve the bank statements of all Group subsidiaries and the issuance of almost all payments. Electronic payments not managed by the said IT tool will be administered by the Group through the online banking services of its banking partners (mainly in Japan and China). In addition, on February 22, 2022, the Group entered into the €451 million RCF Loan Agreement, effective as of the admission of the Company's shares to trading on the regulated market of Euronext Paris.

- Risks related to product liability. Between 2018 and 2021, the Group conducted a risk analysis of the entire portfolio of APIs transferred to the Group related to the presence of nitrosamine impurities, which represent a mutagenic risk for the patients. This risk analysis has shown that there is no risk for nearly all the APIs produced by the Group. In particular, the absence of Nitrosodimethylamine and Nitrosodiethylamine impurities was proven for sartans such as Irbesartan and Olmesartan Medoxomil. In 2022, additional expertise has confirmed further the absence of patient risk versus Nitrosamine Drug Substance Related Impurities (NDSRIs) for certain APIs such as Metamizol and Ramipril. For 2 other active ingredients, Rifampicin and Rifapentine, nitrosamine content is monitored on each batch in line with Health Authorities' recommendations and the Group is developing a remediation plan in line with health authorities' expectations. The Group will also continue to proactively assess the risk of mutagenic impurities in its key APIs over the next five years in accordance with the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) guideline M7(R1) on assessment and control of DNA reactive (mutagenic) impurities in pharmaceuticals to limit potential carcinogenic risks. This expertise will enable the Group to ensure risk control and develop a competitive advantage over its competitors by offering its pharmaceutical customers regulatory files that comply with the current requirements of the authorities. Depending on the chemical process applied by the Group, the identification of a mutagenic impurity may be a competitive opportunity factor in the event of compliance with the applicable regulations. Moreover, as of October 1, 2021, Sanofi has agreed to compensate the Company for the costs related to the studies required to develop regulatory state of the art data (including mutagenic impurities assessment, analytical methods validation) of a list of APIs included in the scope of the Transferred Activity, up to a maximum amount of €15.0 million (see Section 3.1.1 "Description of the prior Reorganization Transactions" paragraph "Agreements signed by the Sanofi group and the Group for the execution of the Prior Reorganization Transactions" of the Universal Registration Document).
- Risks related to environmental and safety regulations and environmental liabilities. The Group devotes a significant share of its investments to the maintenance of its industrial equipment, the compliance and safety of production equipment and facilities and the improvement of productivity. Actions to remedy the historical impacts arising from the activities conducted on the Vertolaye and Saint-Aubin-lès-Elbeuf sites are being carried out under the supervision of the competent administrative authorities. The Group's sites are implementing regulatory oversight and employing local third-party companies to implement advanced regulatory oversight to comply with the latest regulatory developments and anticipate potential regulatory developments by identifying weak signals and regulatory trends. Furthermore, the Group aims to have all its sites achieve ISO 14001 (best environmental practices) and ISO 50001 (best energy practices) certification by end of 2023 at the latest. In order to mitigate risks related to environmental liabilities, on December 31, 2022, the Group recorded provisions for environmental risks for a total amount of €45.4 million to cover, in particular, risks related to the current on-site hydraulic containment of polluted aquifer with the installation of hydraulic pumps in order to confine polluted *shallow and deep aquifer water* outside the boundaries of the relevant land and the application of corresponding regular control measures in such locations as Frankfurt, Brindisi, Budapest and Vertolaye. However, no assurance can be given that these provisions are sufficient to cover the actual costs incurred in relation to the identified contamination. The Group also has insurance covering environmental liabilities prior to the date of the transfers for a period of ten years from October 1, 2021, and for a maximum amount of €50 million (subject to the usual exclusions for this type of insurance) and a commitment by Sanofi to assume the remediation costs identified at certain non-operational Group sites located in France, limited to €16.7 million (see Section 3.1.1 "Description of the prior Reorganization Transactions", paragraph "Agreements signed by the Sanofi group and the Group for the execution of the Prior Reorganization Transactions" of the Universal Registration Document).
- Risks related to the laws and regulations applicable to the Company's activities. The Group's Quality Department monitors applicable regulations and ensures that harmonized quality standards are applied throughout the world in order to comply with regulatory requirements. In addition, as of October 1, 2021, Sanofi has agreed to compensate the Company for the costs related to the studies required to develop regulatory state of the art data (including mutagenic impurities assessment, analytical methods validation) of a list of APIs included in the scope of the Transferred Activity (as defined in Section 3.1.1 "Description of the Prior Reorganization Transactions"), up to a maximum amount of €15.0 million (see Section 3.1.1 "Description of the prior Reorganization Transactions" paragraph "Agreements signed by the Sanofi group and the Group for the execution of the Prior Reorganization Transactions" of the Universal Registration Document).

- Legal risks related to the operation of activities under exclusive rights. Francopia's business in France is under the control of the International Narcotics Control Board (INCB) in accordance with the principle of "one country, one producer" that arose from the 1961 United Nations Single Convention on Narcotic Drugs. In this context, the ANSM has introduced an import quota scheme to define the scope of Francopia's exclusivity for French pharmaceutical operators.
- Risks related to compliance and ethics actions or investigations. As part of its creation and implementation of its organization and governance, the Group has adopted a set of policies designed for all its employees to ensure the integrity of the Group's business practices, the management of its information and the protection of its employees. These policies include an anti-corruption policy, a conflict of interest policy, a policy on donations and other contributions, a whistleblowing policy and a disciplinary policy, all translated in local language.

Ethical measures and organization

Ethics and anti-corruption rules are key values and a major concern of the Group. The Group now has a compliance, ethics and personal data manager and has put in place procedures and a Code of Ethics. It also expects its partners, mainly its suppliers and customers, to comply with its ethics and anti-corruption policy. A whistleblowing system was implemented mid-2022. It allows employees and external stakeholders to raise the alert on potential of actual violations of laws, standards, internal policies of Code of Ethics

In addition, the prohibition on engaging in fraudulent practices is the subject of dedicated training module (notably code of ethics, anti-bribery, conflict of interests, donations and contributions) and extensive communication within the Group to raise awareness among employees and limit the risks related to corruption and ethics. The Head of Ethics and Compliance also delivered in person trainings to all the local leadership teams on the Group's Ethics and Compliance standards.

Moreover, and to build a strong compliance culture, the Group has appointed more than 30 compliance champions throughout the world to make sure that Ethics & Compliance standards are widely disseminated and applied.

In 2022 and as per French Sapin II" law requirements, a bribery risk mapping exercise was conducted by the Head of Ethics and Compliance.

3.4 REGULATORY ENVIRONMENT

3.4.1 Sector regulations

The pharmaceutical and biotechnology sectors for human and animal health are highly regulated. National and supranational health authorities have established a broad set of legal and arbitration proceedings requirements, regulations and guidelines to regulate the clinical trials and quality standards necessary for the approval of new drugs and for their safety and efficiency optimization. In particular, these authorities regulate the quality system to be put in place, as well as the development, manufacture, control, distribution and marketing of the products.

In general, medicinal product manufacturers must ensure compliance with regulations and standards for products used in the composition of drugs, including active pharmaceutical ingredients (APIs). Activities related to the manufacture, import, export and marketing of APIs are thus subject to rules and controls by the authorities with the ultimate purpose of ensuring drug quality.

Activities related to APIs are subject to good manufacturing practices ("GMP") and good distribution practices ("GDP"). For example, an international GMP standard (ICH Q7 Good Manufacturing Practice (GMP) for the Manufacturing of APIs) has been developed by the International Council for Harmonization (ICH) of Technical Requirements for Pharmaceuticals for Human Use, a body created in 1990 and reformed in 2015. The ICH also develops guidelines concerning product quality and quality system requirements, based on a scientific consensus among representatives of pharmaceutical regulatory bodies and experts. These guidelines are then implemented by international and local authorities that recognize the ICH.

In addition, production sites must be registered with their local health authorities, such as, for example, the National Agency for the Safety of Medicines and Health Products (*Agence Nationale de Sécurité du Médicament et des produits de santé* – "ANSM") in France, the Medicines and Healthcare Products Regulatory Agency ("MHRA") in the United Kingdom, and the Italian Medicines Agency (*Agenzia Italiana del Farmaco* – "AIFA") in Italy, as well as with the international health authorities of other countries in which the products are marketed, such as the Food and Drug Administration ("FDA") in the United States or the Pharmaceutical and Medical Device Agency ("PMDA") in Japan. The Group's six production sites are registered with their local health authorities, as well as with the FDA and the PMDA, and are audited by these agencies. Finally, exports and imports of APIs worldwide are also subject to laws, regulations, guidance documents and standards issued by supranational, national or local authorities.

European Union

The placing of APIs on the market

In the European Union (except in Italy), the placing of APIs on the market is not subject to a marketing authorization, unlike medicinal products. However, according to Annex I of European Directive No. 2001/83 (EC) (for medicinal products for human use) and Annex I of European Directive No 2001/82 (EC) (for medicinal products for veterinary use), the marketing authorization application for a medicinal product must contain information concerning the API(s) contained in that medicinal product. For the purposes of providing this information, the manufacturer of an API can choose one of three types of procedures:

- establish a permanent file on the API (Active Substance Master File ("ASMF"));
- obtain a certificate of compliance with the European Pharmacopeia ("CEP") or;
- provide the market authorization applicant/holder with the chemical documentation to allow the file in question to be completed.

The first two options are preferred by the Group for confidentiality reasons between the different parties (marketing authorization holder and API manufacturer) and ease of registration in the case of multiple customers.

Creation of a permanent file on the API (ASMF)

The ASMF contains information including a detailed description of the manufacturing process, quality control during manufacturing, and process validation. The ASMF is submitted to the competent health authorities by its holder – the manufacturer of the API – only in support of a market authorization application or a change in the market authorization package, which are themselves submitted by the manufacturer of a medicinal product containing the API. The API manufacturer's submission of the ASMF must therefore be concurrent with the filing of the marketing authorization application by the medicinal product's manufacturer with the competent authority. The ASMF consists of a so-called "closed" part containing information considered confidential by the manufacturer of the API, such as information relating to intellectual property or know-how, and accessible only to the competent authorities. Only the "open" part of the ASMF is accessible to marketing authorization applicants whose medicinal product contains the same API and must include the information needed by the product's manufacturer. The marketing authorization applicant is fully responsible for the contents of its application file and must have all the information necessary to ensure the API's suitability for the needs of its drug, as well as the quality and quality control of the API.

Obtaining of a certificate of suitability to the European Pharmacopeia (CEP)

The European Directorate for the Quality of Medicines & HealthCare ("EDQM"), an executive division of the Council of Europe, manages and updates the European Pharmacopeia, which is a collection of common standards defining, on the one hand, general quality requirements and, on the other hand, specific quality requirements for APIs, known as monographs. Monographs have been developed for a number of well-established ingredients, including organic or inorganic APIs and excipients obtained by a manufacturing process or by extraction. The manufacturer of an API that forms the subject of a monograph in the European Pharmacopeia can apply for a CEP, which is granted, where appropriate, after the review of a detailed application file and samples by the EDQM. The CEP (certificates of suitability to the European Pharmacopeia) guarantees the application of the relevant monographs and makes it possible to verify that the quality of the ingredient is suitable for use in drugs. In particular, it ensures that all impurities and potential contaminations associated with the manufacturing process, implemented in accordance with the relevant monograph, are fully controlled by the latter.

Provision of complete chemical documentation

The third option is for the manufacturer of the API to provide the marketing authorization applicant with the complete chemical documentation, which the marketing authorization applicant then incorporates directly into its marketing authorization file. In this case, information considered confidential by the manufacturer of the API, such as information relating to intellectual property or know-how, is made available to the holder of the marketing authorization. This situation applies in particular to the APIs manufactured by the Company as CDMO for the manufacturer of the drug who intends to fully manage the file on the APIs manufactured for it by the Company.

Good manufacturing and distribution practices

With regard to the GMP and GDP applicable in the European Union, these are defined by the European Medicines Agency ("EMA") under the terms of the relevant European directives, then adopted or transposed into the national law of the Member States and implemented by the national competent authorities, such as the ANSM in France.

The European GMP is derived from the 2000 ICH Q7 guide. The objective of the GMP is to ensure an appropriate quality management system and to ensure that APIs meet the quality and purity requirements necessary for their use in the manufacture of medicines or vaccines. They cover all operations of reception of materials, production, packaging, repackaging, labeling, re-labeling, quality control, release, storage and distribution of APIs, as well as the associated controls.

Manufacturers of medicinal products for human or veterinary use, and therefore their suppliers of APIs, such as the Group, have the obligation to use only APIs that comply with the GMP, and in the case of medicinal products for human use, also with the GDP. In order to certify their compliance with the GMP, sites may be issued by the competent national authorities with a certificate of compliance. All processes for the manufacturing of APIs at the Group's six sites are certified as GMP compliant.

Furthermore, sites engaged in the manufacture, import and distribution of APIs, such as the Group, are subject to specific obligations regulating their creation and their activities, including an authorization issued by the national competent authorities. Thus, in France, these activities carried out by the Company have required prior authorization issued by the Director of the ANSM. The ANSM has the power of inspection and injunction over these sites and may suspend or prohibit all or part of their activities in the event of non-compliance with applicable regulations.

In addition to regulatory inspections by health authorities, sites involved in the manufacture or distribution of APIs may be subject to contractual audits organized by customers (manufacturers of drugs containing the APIs), taking into account the obligations imposed on drug manufacturers as described above. This is the case for the Group's sites, which are regularly audited by its customers.

United Kingdom

The regulations described above in relation to the European Union are also applicable in Northern Ireland. However, following the United Kingdom's exit from the European Union on January 1, 2021, the rest of the United Kingdom (England, Wales and Scotland) is subject to different regulations from those applicable within the European Union. However, the general GMPs such as ICH Q7 are also applicable in the United Kingdom. In addition, MHRA has decided to continue to recognize EU/EEA batch testing and EU/EEA QP certification since it is acknowledged that the regulatory standards are equivalent to those in the United Kingdom.

United States

In the United States, a manufacturer of a product deemed to be a "human drug product", including an API, may file a Drug Master File ("DMF") – also known as a "Type II DMF" – with the FDA when this covers only the API. This file contains confidential and detailed information about the facilities, processes or components used in the manufacture, control, processing, packaging and storage of APIs. The filing of a DMF is not mandatory and does not need to be formally approved by the FDA. It will be assessed only when a market authorization application file makes reference to it. As with European packages, this approach is preferred by the Group because it makes it possible to control the confidentiality of production operations with respect to the customer.

In line with the European practice, another approach is for the manufacturer of the API to provide the marketing authorization applicant with the chemical documentation that the latter will incorporate directly into its pharmaceutical file, for example the Investigational New Drug Application (IND), New Drug Application (NDA) or Abbreviated New Drug Application (ANDA) for generic drugs.

The FDA conducts inspections outside the United States on sites that manufacture pharmaceutical products or APIs for export to the United States. For example, the Group's production sites in the European Union and the United Kingdom are subject to regular inspections by representatives of the FDA. In the event of any finding of potential non-compliance with the requirements applicable to APIs used in the United States, the FDA's inspectors are likely to notify the site's violation risks by issuing a "Form 483" notice requiring the site's management to remedy the situation.

In the United States, the import of APIs is controlled and can be rejected by Customs and Border Protection, generally after consultation with the competent health authorities, such as the FDA.

Japan

In Japan, the PMDA invites manufacturers of APIs to submit a file called a Japanese Drug Master File ("JMF"). This is not a mandatory procedure, and the JMF is presented by the PMDA as neither a marketing authorization nor a patent. However, like the ASMF in the European Union and the DMF in the United States, the JMF consists of a "closed" and an "open" part and is intended to protect the know-how of the manufacturer of the API when information relating to that ingredient is used for the purposes of a drug marketing authorization application. The filing of a JMF by a foreign manufacturer of an API requires the designation of a responsible person, known as an "in-country caretaker", living in Japan, who is responsible for relations with the PMDA. Within the Group, this role is provided by EUROAPI Japan, a subsidiary of the Company. Given the PMDA's level of requirement with regard to the form and detail of JMF applications, the procedure can be lengthy and complex.

Other countries

Many other countries to which APIs manufactured by the Group are exported, such as China, Russia, Brazil and India, require the creation of files for products used in the composition of drugs. Their national authorities are likely to carry out inspections of sites producing APIs imported into their territory. For example, the Group's production sites in the European Union and the United Kingdom receive regular visits from representatives of the health authorities of many countries to monitor how the APIs are produced.

However, some specific aspects of these countries' GMP are quite similar to the GMP defined in ICH Q7, allowing some streamlining of the Group's procedures.

Specific aspects related to animal health products

APIs for veterinary use are managed in a similar manner to APIs for human use. They may give rise to specific inspections by certain authorities.

Specific aspects related to opiates controlled substances

The production, manufacture, transportation, import, export, possession, supply, sale, acquisition and use of certain APIs or drugs classified as narcotics or poisonous substances are subject to stricter regulations than other health products. These specific regulations apply in particular to the opiates controlled substances manufactured by the Group. In France, the production and distribution of these products are therefore subject to authorization and require specific traceability and enhanced security conditions. In addition, the marketing of these products is subject to more or less severe restrictions depending on the country. In France, supplies of narcotics for drug manufacturers can be obtained only from Francopia, a Group company, unless an exception is made by ANSM. Mainly through Francopia, the Group markets opiates (which represented 51.8% of its sales of alkaloîds for the year ended December 31, 2022) mainly in France, Japan and Canada, and excluding the United States.

Due to the serious risks of dependence that may be caused by the excessive or illegal use of opiates, which are classified as narcotics, complaints have been filed against certain manufacturers or distributors, particularly in the United States (see Section 3.5.1 "Risks related to product liability" of the Universal Registration Document).

Problems related to mutagenic impurities and nitrosamines

Since July 2017, the guide "ICH guideline M7 on assessment and control of DNA reactive (mutagenic) impurities in pharmaceuticals to limit potential carcinogenic risk" is applicable to products marketed by the Group and requires the assessment of impurities in APIs in the event of any major changes to processes or to territorial scope. In this context, this guide requires manufacturers of APIs to assess impurities in relation to the mutagenic risk inherent in each molecule. Depending on the classification of each molecule, scientific assessments, expert analyses or process developments must be implemented to evaluate the risk and ensure that the presence of mutagenic impurities remains below the acceptable daily limit. Although these requirements are not presently applicable retrospectively to products already on the market, the required expert analyses will be deployed progressively as each API is developed.

In 2018, the presence of nitrosamines was detected in a number of APIs and drugs used for the treatment of hypertension, triggering a crisis management situation in the pharmaceutical industry. Nitrosamines are classified as probable carcinogens for humans and are tolerated only at very low levels to avoid initiating a risk of cancer. The authorities identified several factors that could be responsible for the presence of nitrosamines, including the chemical process used to produce the API, cross-contamination and raw materials. Following this crisis, several national and supranational authorities, such as the EMA, the FDA and the European authorities responsible for medicinal products, asked all holders of a marketing authorization for chemical medicinal products to carry out, as a precautionary measure, an assessment of the risks linked to the presence of nitrosamines and to formulate a strategy for controlling those risks. Sanofi and the Group conducted a review of the entire portfolio of APIs transferred to the Group between 2018 and 2021. This review made it possible to show the absence of any risk for nearly all of the APIs produced by the Group (in particular, the absence of N-nitrosodimethylamine and N-nitrosodiethylamine impurities for sartans, such as irbesartan and olmesartan medoxomil) or, for a few, to implement action plans to remedy the presence of nitrosamines (systematic expert analysis, optimization of processes under development, submission of corresponding regulatory files to the competent authorities), in particular for rifampicin and rifapentine, for which a process optimization plan is currently being developed by the Group, with the aim of implementing an industrial process in 2023-2024. It is likely that other regulatory texts will be published in the coming years.

3.4.2 Fraud and abuse

The Group is subject to various regulations on fraud and abuse. These regulations concern fraudulent acts, such as misappropriation of assets or corruption, non-compliant behavior in interactions with third parties, including government officials, customers and suppliers, and inappropriate marketing or promotion practices and conflicts of interest.

The Group is thus subject to anti-corruption regulations, such as the Sapin II Law in France, the Bribery Act of 2010 in the United Kingdom or the Foreign Corrupt Practices Act ("FCPA") in the United States.

The Group is also subject to regulations specifically aimed at the health sector that regulate relations between healthcare companies and health professionals, particularly in relation to the management of conflicts of interest, the transparency of certain benefits granted, and the prohibition of benefits or gifts. In France, for example, as a manufacturer of APIs for human use, the Group is subject to the provisions of the French Public Health Code (*Code de la santé publique*) concerning benefits granted by healthcare companies (in particular, Articles L. 1453-1 to L. 1453-14 of the French Public Health Code (*Code de la santé publique*)) prohibiting the provision of benefits to health professionals and making any exceptions subject to authorization or declaration rules, as well as an obligation to make public the existence of any agreements or benefits granted to a wide range of health professionals.

3.4.3 Environmental regulations

A number of the Group's activities involve the handling, manufacture, use or sale of substances that are or could be classified as toxic or dangerous substances within the meaning of regulations concerning the protection of the environment, health and safety, as is the case for other companies engaged in similar activities. Consequently, the Group's production activities in particular are subject to various environmental regulations defined and implemented at the European, national or local level, such as the European Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), the Classification, Labeling and Packaging (CLP)/Globally Harmonized System (GHS), in addition to SEVESO regulations, IPPC/IED regulations, the Waste Framework Directive, the Emissions Trading Scheme Directive, the Water Framework Directive, the Energy Directive and national taxes on the use of fossil fuels, and various other provisions to combat global warming. Thus, the Group's production sites are subject to various obligations under environmental regulations, such as the regulations relating to classified facilities for the protection of the environment (*Installation Classée pour la Protection de l'Environnement* (ICPEs)) in France concerning the handling, use, manufacture, reuse and destruction of substances and pollutants, the rehabilitation of old industrial sites or the regulations relating to waste.

These regulations impose, among other things, the requirement to obtain a permit to carry out certain activities, or to notify such activities to the competent authorities, and to comply with binding and evolving rules relating to the protection of the environment and to health and safety for the conduct of such activities. The authorities responsible for the environment, health or safety have the power to inspect sites and to impose administrative and/or criminal penalties in the event of non-compliance. For example, non-compliant aqueous waste from an industrial site may be subject to a formal notice (as may have been the case at the Saint-Aubin-lès-Elbeuf site) prior to the adoption, where appropriate, of administrative sanctions and criminal proceedings.

These regulations may also provide strengthened provisions, particularly with regard to safety, for facilities with a SEVESO rating due to the risks posed to human health and/or the environment by the substances and mixtures used and manufactured in these facilities. There are two categories of SEVESO facilities according to the total quantity of hazardous materials on site: "high-threshold" and "low-threshold". The Group operates four sites with "high-threshold" SEVESO facilities in Vertolaye, Frankfurt, Budapest and Brindisi and one site "low-threshold" SEVESO in Saint-Aubin-lès-Elbeuf. In France, "high-threshold" SEVESO facilities, such as the one operating in Vertolaye, must therefore have technological risk prevention plans ("TRPPs") to organize the cohabitation of the industrial sites at risk and the neighboring areas. The measures prescribed by the TRPP, namely, land measures (expropriations, land clearance rights), additional measures to reduce risk at source at industrial sites (process modification, unit relocation, etc.), work to reinforce existing neighboring housing in case of technological accidents, or restrictions on future planning, are covered by tripartite financing between the State, local authorities and the operators of the facilities causing the risk.

In addition, under the environmental regulations generally applicable in Europe and particularly in France, Germany and Italy, the operator or former operator of activities that have caused contamination of the operated land or surrounding land may retain responsibility for the existence of such contamination and its potential health or environmental consequences. This responsibility, which may last for decades (for example, 30 years from the declaration of cessation of operations of classified facilities in France), may require the operator or former operator, whether or not it is the owner of the operated land, to undertake, at its own expense, environmental investigations, monitoring measures and/or remediation measures. Moreover, the principle that the waste producer is responsible for the waste until it is finally disposed of may result in liability on the part of the waste producer due to the impact of such waste on land belonging to third parties, including waste generated in the past by activities that are no longer being carried out.

Finally, under the European regulations on chemical substances, in particular the REACH regulation, each substance manufactured and/or imported by each Group entity in quantities of more than one ton per year must be registered. This can generate significant costs, particularly in relation to the sharing of the necessary data. The assessment carried out by the European Chemicals Agency (ECHA) on the information submitted in the context of registrations may result in the identification of substances of very high concern, thus leading to the adoption of restrictions on use (Annex XVII of the REACH Regulation), or even to prohibitions on the placing on the market and/or use of these substances (Annex XIV of the REACH Regulation). Such restrictions and/or prohibitions could significantly impact the Group's activities and must be carefully monitored and anticipated as early as possible to identify appropriate alternative substances.

3.4.4 Regulations on foreign investments in France

Certain foreign investments in French companies are subject to prior authorization from the Minister of the Economy when all or a portion of the target's business activity is related to a strategic sector, such as energy, transport, public health, telecommunications, etc. As of the date of the Universal Registration Document, the Group operated certain activities covered by the regulation on foreign investments in France, particularly for public health. Due to the operation of activities, the Company and the Group fall within the scope of the laws and regulations governing foreign investments in France set forth by Articles L. 151-3 and R. 151-2 *et seq.* of the French Monetary and Financial Code.

Under these provisions, the acquisition by a non-French citizen, a French citizen who does not reside in France, a non-French entity or a French entity controlled by such persons or entities of control, within the meaning of Article L. 233-3 of the French Commercial Code, or of all or a portion of a branch of activity of the Company or one of its French subsidiaries conducted activities enumerated by the aforementioned provisions, is subject to the prior authorization of the Minister of the Economy. Moreover, the acquisition by an investor that is not a citizen of a member State of the European Union, or of a State that is a party to the agreement on the European Economic Area (EEA), that results, directly or indirectly, in exceeding, alone or in concert, the threshold of 25% of the voting rights of the Company or of one of its French subsidiaries conducting these activities, is subject to this same procedure. Within the context of the COVID-19 pandemic, a decree lowered this threshold to 10% of the voting rights for French companies whose shares are listed for trading on a regulated market. This provision has been extended until December 31, 2022, by Decree 2021-1758 of December 22, 2021.

In the context of the prior authorization procedure, the Minister of the Economy is charged with verifying that the conditions of the planned transaction preserves the national interests; in this respect the Minister may attach one or more conditions to the authorization of such a transaction in order to ensure the continuity of the concerned activities, industrial capacities, research and development capacities or related expertise, or even, on the basis of a motivated decision, refuse such an authorization, particularly if national interests cannot be protected.

Any transaction executed in violation of these provisions is null and void; it is also subject to financial sanctions, the maximum amount of which is twice the amount of the illegal investment, and to the criminal sanctions set forth in Article 459 of the French Customs Code (*Code des douanes*).

3.5 LEGAL AND ARBITRATION PROCEEDINGS

As of the date of the Universal Registration Document, the Company is not aware of any governmental, judicial or arbitration proceeding, either pending or threatened, that could have, or has had during the past 12 months, any material impacts on the financial position or profitability of the Group.

3.6 MATERIAL CONTRACTS

The material contracts signed by the companies of the Group outside the normal course of business in the past two years are presented in Section 4.3 Financial Resources and liabilities (paragraph relating to the “RCF Loan Agreement”) and in Section 3.1 Organizational structure of the Universal Registration Document.

3.7 STATUTORY AUDITORS' REPORT ON RELATED-PARTY AGREEMENTS

The Company was incorporated on November 10, 2020. During the years ended December 31, 2021 and 2020, the Company was incorporated as a simplified joint-stock company (*société par actions simplifiée*) and was wholly-owned by Sanofi and therefore exempt from the requirement to provide a special report by the statutory auditors on related-party agreements for those years.

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)*, to assess the relevance of these agreements prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)* of the continuation of the implementation, during the year ended 31 December 2022, of the agreements previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement.

Agreements submitted for approval to the Annual General Meeting

Agreements authorized during the year ended 31 December 2022

We hereby inform you that we have not been notified of any agreements authorized during the year ended 31 December 2022, to be submitted to the Annual General Meeting for approval in accordance with Article L. 225-38 of the French Commercial Code *(Code de commerce)*.

Agreements previously approved by the Annual General Meeting

We hereby inform you that we have not been notified of any agreements previously approved by the Annual General Meeting, whose implementation continued during the year ended 31 December 2022.

Paris and Paris-La Défense, March 15, 2023

The Statutory Auditors
French original *signed by*

BDO Paris
Eric Picarle

ERNST & YOUNG Audit
Pierre Chassagne

Euroapi - Haverhill (United Kingdom)

4

FINANCIAL INFORMATION AND FINANCIAL STATEMENTS

4.1 HIGHLIGHTS OF THE 2022 FINANCIAL YEAR

4.1.1 Main events

Business update

API Solutions' commercial activity experienced strong momentum in the beginning of the year. Several contracts with new and existing customers were signed or extended, together with a strong level of activity on cross-selling. Against a backdrop of inflationary raw material and energy prices, price adjustment initiatives were accelerated and were materialize in the second half of the year for the Other clients than Sanofi.

The CDMO strategy was deployed, with increased EUROAPI brand awareness on the market, intense prospection efforts with clients and strengthening of the scouting team. EUROAPI's CDMO activity continued to grow rapidly. The number of incoming RFPs more than doubled in one year, from 120 in 2021 to 230 in 2022. At the end of 2022, 79 CDMO projects were active compared to 45 in December 2021. In 2022, 41 new contracts were signed, three completed, and four stopped or paused by the customers, including the production of Lademirsen and Tolebrutinib for Sanofi. Consistent with our CDMO strategy, the oligonucleotides and peptides prospecting continued, with 55 offers sent to 41 new customers and 12 contracts signed in 2022. To meet the increasing demand for larges molecules and increase the overall capacity of EUROAPI's Frankfurt site to approximately 500 kilograms per year by 2025, an initial €18 million investment for new state-of-the-art manufacturing equipment was announced in October 2022.
Several growth and performance capex projects were initiated during the period, in line with the objective to commit about half of EUROAPI's investments to growth and performance in order to sustain high value capacity-constrained segments in API Solutions and fast-paced expanding modalities in CDMO by 2025. In this regard, a new tranche of the oligonucleotide and peptide capacity expansion program was launched in Frankfurt, along with the initiation of the construction of a biomass boiler to support the vitamin B12 capacity enhancement program in Elbeuf.

Successful listing on Euronext Paris

On May 6, 2022, EUROAPI announced the success of its listing on Euronext Paris and its first day of trading as an independent company, with Sanofi, EPIC Bpifrance and L'Oréal respectively holding around 30%, 12%[53] and 5% of the share capital and voting rights of EUROAPI[54].

On June 20, 2022, EUROAPI was included in the SBF 120 index, one of the Paris stock exchange's flagship indices, and the CAC Mid 60 index, representing the 60 largest French equities after the CAC 40 and the CAC Next 20.

Temporary suspension of prostaglandin production activity

During an internal assessment, the Group identified some Good Manufacturing Practices deficiencies related to documentation management. These are associated with Production Records for certain prostaglandin products which are manufactured in a segregated production unit at its Budapest site. Upon identification, out of an abundance of caution, EUROAPI proactively decided on November 30, 2022, to pause batch release and as a second step to temporarily suspend prostaglandin production.

The Group has since built and successfully implemented a comprehensive remediation plan, allowing to restart prostaglandin production in January 2023 progressively. The impact on the 2022 Core EBITDA margin was 150 basis points, including inventories' write-off and remediation costs.

Conflict between Ukraine and Russia

The Group has little exposure to the conflict between Ukraine and Russia in terms of suppliers or customers, given its limited exposure to the markets of the countries concerned. Any asset recoverability issues have been identified. However, the conflict has pushed energy prices and inflation sharply upwards but this has been mainly compensated by EUROAPI's energy price hedging strategy and to its policy for managing selling prices to clients and the acceleration of its industrial performance program.

[53] *EPIC Bpifrance, acting on behalf of the French State in accordance with the* Convention French Tech Souveraineté *dated December 11, 2020, agreed to purchase 12% of EUROAPI's share capital from Sanofi at a price equal to the lower of (i) the volume-weighted average price ("VWAP") of EUROAPI's shares over a period of 30 consecutive trading days beginning on the first day of trading on May 6, 2022, multiplied by the number of shares acquired, and (ii) €150 million. The purchase was completed for the latter amount.*

[54] *EPIC Bpifrance and Sanofi have committed to a two-year lock-up period starting from the settlement and delivery date of the EUROAPI shares sold by Sanofi to EPIC Bpifrance (i.e., June 17, 2022) and L'Oréal has committed to a one-year lock-up period starting from May 10, 2022, in each case subject to the customary exceptions.*

4.1.2 Other events

Capital increase

On February 23, 2022, and in the context of the Company's initial listing, the Company completed a €83,719,000 capital increase, fully subscribed by Sanofi Aventis Participations and paid up in cash.

The capital increase, exclusively subscribed by Sanofi pre-listing, was for carve-out related restructuring purposes (eliminating debt) and to finance the remaining part of the committed carve-out related CAPEX expenses.

By decision of July 21, 2022, the Board of Directors carried out a further capital increase reserved for employees who are members of the Company's savings plan for a total amount of €5,623,176 (including €597,976 of matching plan contribution).

Liquidity contract

As announced on June 1, 2022, EUROAPI has appointed Kepler Cheuvreux to implement a liquidity contract to promote the liquidity of EUROAPI shares admitted to trading on Euronext Paris. The "Half-year liquidity contract statement" for first-half 2022 is available on EUROAPI's website.

4.2 ANALYSIS OF THE GROUP'S RESULTS

4.2.1 Group income statement analysis

The table below shows the Group's consolidated statement of income for the year ended December 31, 2022 and December 31, 2021.

(in € millions)	December 31, 2022	December 31, 2021 [(a)]
Net sales	976.6	892.8
Other revenues	4.3	—
Cost of sales	(804.0)	(783.7)
Gross profit	**176.9**	**109.1**
Gross Margin (% of net sales)	**18.1 %**	**12.2 %**
Selling and distribution expenses	(37.7)	(34.0)
Research and development expenses	(21.8)	(17.0)
Administrative and general expenses	(90.5)	(55.4)
Other operating income and expenses	0.2	(1.2)
Impairment of assets	(21.8)	(8.9)
Restructuring costs and similar items	(6.1)	(4.5)
Other gains and losses, and litigation	—	(0.9)
Operating income	**(0.8)**	**(12.8)**
Operating income (% of net sales)	**(0.1)%**	**(1.4)%**
Financial result	**4.0**	**(1.9)**
Income/(loss) before tax	**3.1**	**(14.6)**
Income/(loss) before tax (% of net sales)	**0.3 %**	**(1.6)%**
Income tax expense	(18.2)	6.5
ETR (%)	**(578.4)%**	**(44.5)%**
Net income/(loss)	**(15.0)**	**(8.1)**
Net income/(loss) (% of net sales)	**(1.5)%**	**(0.9)%**

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

Net sales and gross profit

Consolidated net sales[55] increased by €83.8 million which is an 9.4% increase, to reach €976.6 million for the year ended December 31, 2022, compared to €892.8 million for the year ended December 31, 2021.

This raise was driven by a strong growth of the CDMO sales by 20.2%, which amounted to €267.5 millions for the year ended December 31, 2022, versus €222.5 million for the year ended December 31, 2021. API solutions also showed a 5.8% growth for the year ended December 31, 2022, the net sales amounted to €709.1 million compared to 670.3 million for the year ended December 31, 2021.

Gross profit for 2022 was €176.9 million, versus €109.1 million in 2021. The gross profit ratio improved by 646 bps to 18.1%, mainly reflecting the new contractual relationship with Sanofi, as well as additional volumes for API Solutions contributing to the improved absorption of fixed costs, the expansion of the industrial performance program, and a positive mix effect driven by additional CDMO net sales.

[55] *As from January 1, 2022, other revenues include activities and services that are not EUROAPI core activities (i.e., not related to the manufacturing and/or distribution of APIs), including: (i) the secondary packaging activity performed in Haverhill for certain Sanofi finished products that were historically included in API Solutions / Sanofi, and in complex chemical synthesis; (ii) quality testing activities for Sanofi products in the UK (Brexit), also handled in Haverhill.*

Operating expenses

Selling and distribution expenses for 2022 amounted to €37.7 million, versus €34.0 million for 2021. Research and development expenses for 2022 came to €21.8 million, versus €17.0 million for 2021. Administrative and general expenses for 2022 amounted to €90.5 million, versus €55.4 million for 2021.

The increase in operating expenses reflects notably recruitments aimed at building out the Company's target organizational structure further to the stock market listing and the research and development organization required to support the growth of the CDMO activity. It is also affected by significant non-recurring expenses incurred in respect of the stock market listing[56] and related to employees shares based payments recognized in administrative and general expenses (see note 5.10.5).

Other operating income and expenses

Other operating income for 2022 amounted to €0.2 million mainly due to foreign exchange gain on operating items.

Impairment of assets

Impairment of assets amounts to €21.8 million as of December 31, 2022 and is fully linked to the Brindisi site. This impact has been recognized following the result of the impairment test described in Note 5.4 of the Financial Statements.
In 2021, impairment of assets totaled €8.9 million and primarily concerned the reorganization and transformation plan in Italy, with a depreciation on certain equipment at the Brindisi site (see Note 6.6).

Restructuring costs and similar items

Restructuring costs and similar items for 2022 amounted to €6.1 million and primarily reflected the reorganization and transformation plan in Italy as part of the Group's business reorientation, focusing in particular on CDMO business and on transforming the portfolio of tuberculosis treatments. It encompasses the impact of collective agreements and voluntary redundancies affecting certain positions at the Brindisi site.

In 2021, restructuring costs and similar items totaled €4.5 million and primarily concerned the Brindisi site for €4.0 million.

Net financial income

Net financial income was positive at €4.0 million for the year ended December 31, 2022, compared to an expense of €1.9 million for the year ended December 31, 2021. The positive financial result is related to a positive discount impact on provisions amounting to €8.1 million partly compensated by financial expenses.

Income tax

Income tax expense amounted to €18.2 million for the year ended December 31, 2022, compared to an income of €6.5 million for the year ended December 31, 2021. Excluding the impairment of assets related to the Brindisi production site, the income tax rate would have been 52%. The difference compared to the standard French Corporate Income Tax rate (25%) reflects one-off negative impacts related to the carve-out and the impact of the 2022 employee share plan (approx. €4 million in total), in addition to the usual permanent tax rate differences by country.

Net income

Consolidated net loss amounted to €15.0 million for the year ended December 31, 2022, compared to a loss of €8.1 million for the year ended December 31, 2021. Excluding the impact of €(21.8) million non-cash impairment on Brindisi, and €(7.0) million Differed Tax Asset impairment, FY 2022 net income would have been €13.8 million.

[56] *Adjusted from the calculation of Core EBITDA. Please refer to Section 4.2.6. Alternative Performance Measures*

Key performance indicators

(in € millions)	December 31, 2022	December 31, 2021	Change	Restated December 31, 2021	Change
Net sales	**976.6**	**892.8**	**9.4 %**	**899.8**	**8.5 %**
Gross profit	**176.9**	**109.1**	**62.1 %**	**153.3**	**15.4 %**
as a % of net sales	*18.1 %*	*12.2 %*	*48.2 %*	*17.0 %*	*6.5 %*
EBITDA	**93.7**	**63.2**	**48.2 %**	**102.8**	**(8.9)%**
as a % of net sales	*9.6 %*	*7.1 %*	*35.5 %*	*11.4 %*	*(16.0)%*
Core EBITDA	**120.0**	**72.2**	**66.2 %**	**110.6**	**8.5 %**
as a % of net sales	*12.3 %*	*8.1 %*	*51.9 %*	*12.3 %*	*(0.1)%*

Restated performance measures have been prepared for the year ended December 31, 2021, to illustrate the Group's performance taking into account the impacts of the Prior Reorganization Transactions as part of the separation from the Sanofi group. The reconciliation and definition of these restated measures are provided in section 4.2.6. Alternative Performance Measures of the Universal Registration Document.

Comments provided below in Section 4.2.1 are in comparison with the restated information of the year ended December 31st, 2021.

Net sales by flow and type

(in € millions)	December 31, 2022	December 31, 2021	Change	Restated December 31, 2021	Change
API Solutions - Other clients	336.5	331.0	1.7 %	306.9	9.6 %
API Solutions - Sanofi	372.6	339.2	9.9 %	366.7	1.6 %
API Solutions	**709.1**	**670.3**	**5.8 %**	**673.6**	**5.3 %**
CDMO - Other clients	168.4	154.9	8.7 %	152.1	10.7 %
CDMO - Sanofi	99.0	67.6	46.5 %	74.0	33.8 %
CDMO	**267.5**	**222.5**	**20.2 %**	**226.2**	**18.3 %**
Net sales	**976.6**	**892.8**	**9.4 %**	**899.8**	**8.5 %**
Total net sales - Other clients	**504.9**	**485.8**	**3.9 %**	**459.0**	**10.0 %**
Total net sales - Sanofi	**471.6**	**407.0**	**15.9 %**	**440.8**	**7.0 %**

API Solutions

API Solutions' commercial excellence strategy started to pay off in 2022, with €709.1 million in sales, up 5.3% year on year.

Sales to Other clients were up 9.6%, driven by both volumes and prices. Throughout the year, EUROAPI teams focused on executing the strategy to unlock the sales of API Solutions to Other clients, including the extension of a material multiyear contract with a major Japanese pharmaceutical group.

Sales to Sanofi increased by 1.6%. Price adjustment clauses were activated over the year, including raw material pass-through, partial energy price sharing, and performances sharing as defined in the Global Manufacturing and Supply Agreement with Sanofi

CDMO

CDMO sales showed strong growth, increasing by 18.3% to €267.5 million, and representing 27.4% of the Group's Net Sales, compared to 25.1% in 2021. Sales to Sanofi increased by 33.8%, fueled by late-stage products. Business with Other Clients increased by 10.7%, driven by commercial batches for a US biotech.

EUROAPI's CDMO activity continued to grow rapidly. The number of incoming RFPs more than doubled in one year, from 120 in 2021 to 230 in 2022, with 30% related to Large Molecules and 45% to Complex Chemistry.

Net sales by product category

(in € millions)	December 31, 2022	December 31, 2021	Change	Restated December 31, 2021	Change
Large molecules	98.4	52.6	87.1 %	54.7	79.9 %
Highly potent molecules	82.2	102.6	(19.9)%	101.5	(19.0)%
Biochemistry molecules derived from fermentation	148.3	152.2	(2.6)%	154.4	(3.9)%
Complex chemical synthesis molecules	647.7	585.4	10.6 %	589.3	9.9 %
Net sales	**976.6**	**892.8**	**9.4 %**	**899.8**	**8.5 %**

Large molecules were fueled by continued customer demand for peptides and oligonucleotides, including a CDMO contract with a US biotech and a solid contribution from Sanofi. The business delivered a 79.9% increase to reach €98.4 million in net sales .
Highly potent molecules were down 19.0% to €82.2 million, impacted by the anticipated downsizing of a contract for veterinary hormones and the temporary a suspension of prostaglandin production at the Budapest site at end of the second half of the year 2022. To support the future growth of this promising segment, EUROAPI launched a dedicated HP-API development unit in Budapest.
Biochemistry molecules derived from fermentation decreased by 3.9% to €148.3 million. This decrease is mostly explained by the continuous lower demand on antibiotics produced at the Brindisi site leading to the transformation of the site from an API Solutions anti-infective production to a CDMO fermentation activity. While a one-off industrial process issue negatively impacted the first half's performance on vitamin B12 in Elbeuf, the second half benefited from a favorable comparable base and price adjustments.

Complex chemical synthesis molecules delivered strong 9.9% sales growth to €647.7 million, notably reflecting the price adjustments in the second half of the year 2022 and the development of the CDMO activity.

Gross profit

Gross profit was €176.9 million, up 15.3% compared to €153.3 million in 2021. The gross profit margin improved by 110 bps to 18.1%. The negative impact of increased energy and raw material prices was more than offset by favorable fixed cost absorption driven by higher volumes, positive price-mix impact fueled by CDMO sales growth and price increases, and the implementation of the industrial performance program announced in May 2022.

EBITDA and Core EBITDA[57]

EBITDA for the fiscal year 2022 was €93.7 million compared to €102.8 million. The €26.3 million non-recurring items comprise expenses associated with EUROAPI's listing on Euronext Paris (including exceptional allocation of free shares), restructuring costs related to the transformation of the Brindisi site in Italy from an API Solution anti-infective production to a CDMO fermentation activity (€6.1 million), and the actualization of the environmental provision (€6.3 million).
Core EBITDA for fiscal year 2022 amounted to €120.0 million, up 8.5% compared to €110.6 million in 2021. Core EBITDA margin remained at 12.3% of net sales negatively impacted by the combined impact of the suspension of prostaglandin production at the Budapest site and an unforeseen profit tax implemented in late December in Hungary.

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

4.2.2 Group cash flow analysis

(in € millions)	December 31, 2022	December 31, 2021 (a)
Net cash provided by/(used in) operating activities	**44.8**	**71.5**
Net cash provided by/(used in) investing activities	**(167.4)**	**(87.9)**
Net cash provided by/(used in) financing activities	**187.8**	**26.5**
Impact of exchange rates on cash and cash equivalents	(1.0)	0.1
Net change in cash and cash equivalents	**64.2**	**10.3**
Cash and cash equivalents, at beginning of period	**10.3**	**0.0**
Cash and cash equivalents, at end of period	**74.5**	**10.3**

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

Cash and cash equivalents totaled €74.5 million at December 31, 2022. 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 December 31, 2022 and December 31, 2021:

(in € millions)	December 31, 2022	December 31, 2021 (a)
Net income	**(15.0)**	**(8.1)**
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets	94.5	76.0
Net change in income & deferred taxes	18.5	(18.1)
Other profit or loss items with no cash effect and reclassification of interest	13.4	(0.5)
Operating cash flow before changes in working capital	**111.3**	**49.3**
(Increase)/decrease in inventories	(31.7)	14.0
(Increase)/decrease in trade receivables	(29.6)	(131.0)
Increase/(decrease) in trade payables	21.4	88.9
Net change in other current assets and other current liabilities	(26.5)	50.5
Net cash provided by/(used in) operating activities	**44.8**	**71.5**

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

Operating cash flow before changes in working capital increased by €62.0 million in 2022, consistently with the high increase in EBITDA on a consolidated basis (€93.7 million in 2022 versus €63.2 million in 2021).

The working capital increase is mainly due to:

- higher inventories compared to 2021, primary linked to input cost inflation (raw materials and energy), the level of Prostaglandin inventories (which were held onsite following the suspension of production activities at the Budapest site), and additional inventory of raw material to mitigate any supply chain disruption,
- increase in trade receivables due to phasing of the sales,
- net change in other current assets and other current liabilities linked mainly to VAT receivables.

The preceding effects on the working capital were compensated by a net increase in trade payables amounting to €21.4 million.

Net cash provided by operating activities amounted consequently to €44.8 million for the year ended December 31, 2022, compared to €71.5 million for the year ended December 31, 2021.

Net cash provided by (used in) investing activities

The following table shows net cash used in investing activities for the year ended December 31, 2022 and December 31, 2021:

(in € millions)	December 31, 2022	December 31, 2021 (a)
Acquisitions of property, plant and equipment and intangible assets	(167.4)	(88.6)
Net change in other non-current assets	—	0.7
Net cash provided by/(used in) investing activities	**(167.4)**	**(87.9)**

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

Net cash used in investing activities during the period primarily reflected acquisitions of property, plant and equipment and intangible assets, which totaled €167.4 million for year ended December 31, 2022 versus €87.9 million for year ended December 31, 2021. Excluding the €29.1 million of intangible assets relating to the carve-out and Group IT set up which were financed by Sanofi, the capital expenditures amounted to €138.3 million representing 14.2% of net sales. For more details, please refer to section 4.2.5.

The acquisition of intangible assets related to the carve-out and fully financed by Sanofi are excluded from the calculation of Core Free Cash Flow (€29.1 million for 2022).

Net cash flow from (used in) financing activities

(in € millions)	December 31, 2022	December 31, 2021 (a)
Capital increases	88.7	0.0
Dividends paid	0.0	0.0
Repayment of lease liabilities	(4.6)	(2.5)
Net change in short-term debt	98.5	1.3
Finance costs paid	(2.9)	0.0
Acquisition and disposal of treasury shares	(1.3)	0.0
Net contribution of Sanofi to the EUROAPI Group [(a)]	9.3	27.8
Net cash provided by/(used in) financing activities	**187.8**	**26.5**

(a) For 2022, this amount corresponds to cash flows on the current account with the controlling entity until the effective spin-off date. As of the spin-off date, the current account receivable was reimbursed in full by Sanofi. In 2021, this amount corresponds to the situation vis-à-vis the controlling entity up to and including the completion date of the Prior Reorganization Transactions.

Net cash from financing activities amounted to €187.8 million for the year ended December 31, 2022 compared to €26.5 million for the year ended December 31, 2021.

The main financing cash flows during the period resulted mainly from:

- the €83.7 million capital increase completed on February 23, 2022, in the context of the Company's stock market listing, fully subscribed by Sanofi Aventis Participations and paid up in cash. The capital increase, exclusively subscribed by Sanofi pre-listing, was for carve-out related restructuring purposes (eliminating debt) and to finance the remaining part of the committed carve-out related CAPEX[58] expenses; and a further capital increase reserved for employees who are members of the Company's savings plan for a total amount of €5.0 million;
- the €100 million drawdown on the revolving credit facility; and
- Sanofi's €9.3 million reimbursement of the current account receivable prior to spin-off date.

[58] *As defined in Section 4.2.5 Investments for further*

4.2.3 Balance sheet analysis

(in € millions)	December 31, 2022	December 31, 2021 [(a)]
Assets		
Non-current assets	712.5	717.0
Current assets	1,023.6	905.0
Total assets	**1,736.1**	**1,622.0**
Liabilities		
Total equity	1,110.2	1,015.9
Non-current liabilities	169.4	219.4
Current liabilities	456.5	386.7
Total equity and liabilities	**1,736.1**	**1,622.0**

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

Inventories amounted to €594.7 million at December 31, 2022, €569.5 million at December 31, 2021, i.e., an increase of €25.2 million in the year ended December 31, 2022. The increase in inventory levels over the period is explained notably by the inflationary environment, the level of Prostaglandin inventories (which were held onsite following the suspension of production activities at the Budapest site), and additional inventory of raw material to mitigate any supply chain disruption .

Accounts receivable amounted to €264.2 million at December 31, 2022, €238.9 million at December 31, 2021, i.e., an increase of €25.3 million in the year ended December 31, 2022. The increase in accounts receivable at December 31, 2022 primarily reflects the sales phasing.

Accounts payable amounted to €219.6 million at December 31, 2022, €189.6 million at December 31, 2021, i.e., an increase of €30 million in the year ended December 31, 2022. The increase in accounts payable at December 31, 2022 reflects the volume effects combined with the inflationary environment.

Working capital requirement mainly corresponds to the value of inventories plus accounts receivable and minus accounts payable. The Group's working capital requirement amounted respectively to €639.3 million and €618.8 million for the years ended December 31, 2022, and 2021.

Other current assets amounted to €90.3 million at December 31, 2022 and €86.4 million at December 31, 2021, i.e., an increase of €3.9 million in the year ended December 31, 2022. The increase observed at is related mainly to VAT receivables not paid at December 31, 2022.

Other current liabilities amounted to €132.2 million at December 31, 2022 and €191.7 million at December 31, 2021, i.e., a decrease of €59.5 million in the year ended December 31, 2022. The decrease in other liabilities primarily represents the decrease in accounts payable for non-current assets.

4.2.4 Contractual obligations and off-balance sheet commitments

The Group has contracted off-balance sheet commitments, including operating commitments as well as financing commitments with the entry into the RCF Loan Agreement.

At December 31, 2022, the net commitments given and related to the off-balance sheet items of EUROAPI operating activities amounted to €106.1 million. The non-cancelable purchase commitments include firm orders for property, plant and equipment (€52 million), as well as purchasing commitments for goods and services contracted under material supply and other services agreements net of the commitments received, which amounted to €54.1 million.

In particular, the Group is required, under the RCF Loan Agreement, to comply with certain commitments described in Section 3.2.4 “Liquidity risks” (see also Section 4.3 “Financial resources and liabilities”).

The Group’s contractual obligations and off-balance sheet commitments, including the principal commitments resulting from the agreements signed with Sanofi as part of the Prior Reorganization Transactions of the Group, are presented and described in Note 10.2 of the financial statements.

4.2.5 Investments

(a) Main investments made during the past three financial years

The Group makes recurring investments, primarily in the maintenance and improvement of its production sites, in order to continually ensure compliance with applicable regulatory and environmental standards, in accordance with the Group’s ESG objectives. In order to increase its capacities for production and development of APIs, the Group also makes investments in performance and growth, such as improvements to its production tool.

The total amount of the investments made by the Group for the year ended December 31, 2022, was €167.4 million (of which €29.1 million of intangible assets relating to the carve-out and Group IT set up), compared with €88.6 million for the year ended December 31, 2021 (representing 17.1% and 9.9% of consolidated revenues, respectively, or 9.8% of 2021 restated revenues). Excluding the €21.9 million of intangible assets relating to the carve-out and Group IT set up which were financed by Sanofi, the capital expenditures amounted to €138.3 million representing 14.2% of net sales.

The table below presents the amount of capital expenditures made over the last three financial years:

	Year ended December 31,	
(€ million)	**2022**	**2021**
Acquisitions of property, plant and equipment	(106.4)	(111.6)
Acquisitions of intangible assets	(7.4)	(23.9)
Change in debt for non-current assets	(53.6)	47.0
“CAPEX”	**(167.4)**	**(88.6)**

The Group’s capital expenditures (“CAPEX”) correspond to the item “Acquisitions of property, plant and equipment and intangible assets” in the statement of consolidated cash flow.

Acquisitions of property, plant and equipment remain steady in 2022 to support the Group’s growth strategy, from €111.6 million for the year 2021 to €106.4 million for financial year 2022. Acquisitions of intangible assets decreased in 2022 compared to the previous year due to the set up of the IT tools necessary to establish the autonomous organization of the Group in 2021. Due to the investments made over the last quarter of 2021, debt for non-current assets decreased significantly at December 31, 2022.

The table below shows the breakdown of acquisitions of property, plant and equipment :

	Year ended December 31	
As a percentage	**2022**	**2021**
Maintenance and compliance investments	55 %	70 %
Performance and growth investments	45 %	30 %
Total investments	100 %	100 %
of which in France	*41 %*	*47 %*

the percentage of performance and growth investments increased from 30% in 2021 to 45% in 2022, in line with the Group strategy to invest to fuel the future growth of the company.

Maintenance and compliance investments primarily represent investments to maintain or improve the flexibility of the Group's industrial tool, comply with the regulations in force, improve the quality of its products or even to reduce its operating costs:

- Maintenance investments: these correspond to the investments necessary for the continuity of the activity at the Group's production sites (renewal of equipment parts, replacement of reactors and production equipment, such as tanks); and
- Compliance investments: these are the investments necessary to comply with changes in the regulatory framework of the Group activities. These include investments made to comply with applicable quality and HSE standards (air emissions or quality of the water discharged and of the soils or exposure to chemical products), such as the construction of a purification site or the compliance of equipment under pressure.

Performance and growth investments correspond to acquisitions of property, plant and equipment and intangible assets that significantly increase the Group's production or development capacities, primarily as part of the development of its services as a Contract Development and Manufacturing Company (CDMO):

- Performance investments: these are investments intended to increase productivity, primarily through an increase in yield or speed or the reduction of operating costs by reducing the energy or raw materials consumed (improvement in machines, expansion of the largest reactors, automation operations, organization of work);
- Growth investments: these correspond to the installation of capacities that complement existing industrial facilities and the installation of new buildings.

Some of the Group's growth investments may be co-financed by its customers as part of its CDMO activities, increasing the amounts invested by the Group, in the form of payments prior to investments realization or of increased payments on the price of the products during the commercial relationship. Furthermore, certain investments may be subsidized via grants, which are deducted from the amounts invested.

(b) Main investments in progress

During the year ending December 31, 2022, the Group pursued its policy to invest in the development of its CDMO activities, which constitutes one of the Group's pillars for organic growth, and to make performance and growth investments, including: the design and construction of a new production workshop dedicated to the production of HP-APIs hormones at the Vertolaye site; the construction of a new R&D building at the Budapest site; the expansion of capacities for production of peptides and oligonucleotides in Frankfurt; the expansion of the laboratories at the Budapest and Saint-Aubin-lès-Elbeuf sites; and expansion of the existing spray-drying capacities of Haverhill.

(c) Main future investments

In the future, the Group intends to continue the investment policy described above by increasing the proportion of performance and growth investments in the total share of its investments.

Over the period from 2022 to 2025, the Group also plans to invest around €510 million, including around €230 million on the Group's sites in France, which represents both maintenance and compliance investments and performance and growth investments (some of which must still be submitted for approval by the Board of Directors of the Company), divided as follows:

- maintenance and compliance investments:
  - reduction in emissions of volatile organic compounds (VOCs);
  - bringing pressurized containers into compliance;
  - asbestos removal;
  - soil decontamination;
  - replacement of certain production equipment;
  - maintenance and compliance of the wastewater purification station and the clean water and wastewater pipes;
  - reduction of noise and odors and gaseous emissions;
  - improvement in the production from utilities (maintenance of the biomass boiler); and
  - compliance work to comply with the rules on exposure to chemical products.
- performance and growth investments:
  - implementation at the Saint-Aubin-lès-Elbeuf site of a new vitamin B12 fermentation process in order to increase the Group's production capacity and reduce its industrial and environmental footprint for expenditure commitments of approximately €40 million;
  - construction of a new building at the Budapest sites and progressive new hirings in order to boost production capacities and the revenue generated from the Group's sales of prostaglandins to keep pace with changes in the portfolio and volumes ordered for expenditure commitments of approximately €26 million;

- construction of new chromatography facilities at the Frankfurt site with the goal of increasing the Group's downstream process capacity in order to boost production of peptides and oligonucleotides for expenditure commitments of approximately €14 million;
- the adaptation and transformation of the existing spray drying capacities at Haverhill, as well as the construction of new capacities, in order to offer a range line of capacities and expertise in this technology for expenditure commitments of approximately €12 million;
- the design and construction of a new production workshop dedicated to the production of HP-API hormones (subject to the approval by the Board of Directors), with the objective of reaching an annual production capacity of more than ten tons (compared to a maximum annual capacity of six to seven tons per year in 2021); during the intermediate period, the increase in production can be ensured by existing installations to be optimized and adapted to the needs of production in the context of the CDMO activities and API production.

Within the framework of the French government's France Relance program, the Group obtained financial support in the amount of €10.4 million, the first payment for 20% of the total amount was made in January 2022, for a project to build a 15 MW biomass boiler at its Saint-Aubin-lès-Elbeuf site, representing a total investment of approximately €21 million. This boiler will increase the site's production capacities, including for vitamin B12, while significantly reducing its CO2 emissions.

(d) Environmental factors that could influence the use of the property, plant and equipment

Information about the environmental aspects that could influence the use of the Group's property, plant and equipment is provided in Section 5. "ESG - Corporate social responsibility" of the Universal Registration Document.

4.2.6 Alternative Performance Measures

EBITDA, Core EBITDA and Core FCF conversion are alternative performance measures within the meaning of AMF Position no. 2015-12, as they are not standardized accounting measures meeting a single generally accepted definition under IFRS. They should not be considered as substitutes for operating income net income or net cash provided by (used in) operating activities, which are measures defined by IFRS. Other issuers may calculate EBITDA and Core EBITDA, Core FCF Conversion differently from the definitions used by the Group.

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. In addition to EBITDA, the Group presents Core EBITDA, which is a monitoring indicator of the underlying performance of the business after restatement for certain expenses and/or income that do not reflect the Group's operating performance. Core EBITDA thus corresponds to EBITDA adjusted from 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.

EUROAPI considers that the exclusion of these items allows investors to better understand the underlying economic performance of the Group, considering that the exclusion of these items better reflects the current operating performance of the company.

In particular, the Group excludes from its Core EBITDA expenses related to its initial listing, such as those resulting from the exceptional allocation of free shares to certain executives and the employee shareholding plan (described in Note 5.10.5 "Share-based payment" of the Consolidated financial statements), as it considers that they do not reflect the Group's current operating performance.

Restructuring costs and similar items are detailed in Note 6.6 of the Consolidated financial statements, and allocations net of reversals of unutilized provisions for environmental risks in Note 5.12.1.The table below shows the reconciliation of EBITDA and Core EBITDA with operating income.

(in € millions)	December 31, 2022	December 31, 2021
Operating income	**(0.8)**	**(12.8)**
Depreciation and amortization (1)	94.5	76.0
EBITDA	**93.7**	**63.2**
Restructuring costs and similar items (excluding depreciation and amortization) (2)	6.1	3.3
Allocations net of reversals of unutilized provisions for environmental risks	6.3	3.1
Other (3)	13.9	2.6
Core EBITDA	**120.0**	**72.2**

(1) Corresponds to "Depreciation, amortization and impairment of property, plant and equipment, intangible assets and right-of-use assets" in the consolidated statement of cash flows, restated to include amortization and impairment relating to restructuring costs and similar items.
(2) Corresponds to restructuring costs and similar items (excluding depreciation, amortization and impairment) as disclosed in Note 6.6 and Note 8 of the consolidated financial statements.
(3) For the year 2022, the amount corresponds mainly to expenses related to the initial listing of EUROAPI, such as those resulting from the exceptional allocation of free shares to certain executives (see "Exceptional allocation of free shares to certain executives in connection with the listing" of section 14.1.3 "Allotment of stock options" of the French version of the listing Prospectus), the "co-investment" plan (described in Section 14.1.2 "Remuneration of the corporate officers" of the French version of the listing Prospectus) and the employee shareholding plan (described in Section 16.3.4 "Employee stock ownership plans" of the French version of the listing Prospectus).

Restated indicators for the period ended December 31, 2021

For the purposes of presenting meaningful comparisons further to the implementation of the new business model resulting from the Prior Reorganization Transactions, the Group provides restated financial indicators for year ended December 31, 2021. These restated indicators and restatements must be used only as instruments of analysis and must not be considered as substitutes for the indicators defined by the IFRS or a faithful image of past financial statements. The restated performance measures have not been independently reviewed or audited by the Statutory Auditors.

Please refer to Section 8.1.4(b) "*Restated performance indicators that take into account the new EUROAPI business model from the Prior Reorganization Transactions*" of the listing Prospectus. The table below summarizes the various types of restatements applied to the Group's indicators for the period ended December 31, 2021 and presents a reconciliation with the relevant indicators.

		Restatements (*)					
€ in millions	December 31, 2021	Sanofi contracts (1)	Secondary packaging (3)	Target organizational structure (4)	Scope adjustments (5)	Other (6)	December 31, 2021 Restated
Net sales	**892.8**	**36.4**	**(14.5)**	**0.0**	**(14.8)**	**0.0**	**899.8**
Other clients (2)	*485.9*	*(11.3)*	*0.0*	*0.0*	*(15.5)*	*0.0*	*459.0*
Sanofi	*407.0*	*47.7*	*(14.5)*	*0.0*	*0.7*	*0.0*	*440.8*
Other revenues	**0.0**	**0.0**	**2.4**	**0.0**	**0.0**	**0.0**	**2.4**
Gross profit	**109.1**	**45.5**	**(1.1)**	**1.6**	**(4.2)**	**2.4**	**153.3**
EBITDA	**63.2**	**45.5**	**(1.1)**	**(5.5)**	**(4.2)**	**4.8**	**102.8**
Core EBITDA	**72.2**	**45.5**	**(1.1)**	**(5.5)**	**(4.2)**	**3.7**	**110.6**

(*) Restatements as defined in Section 8.1.4(b) "Restated performance indicators that take into account the new EUROAPI business model from the Prior Reorganization Transactions" of the French version of the listing Prospectus approved by the AMF on March 31, 2022, under number 22-076.
(1) Restatements for "Sanofi contracts" do not only affect net sales. As indicated in the "Presentation of the restatements for the new EUROAPI business model resulting from the Prior Reorganization Transactions" in the Listing Prospectus, restatements for "Sanofi contracts" include the Distribution Agreement and the Reverse Manufacturing and Supply Agreements. These contracts favorably affect the purchasing terms with Sanofi and therefore, gross profit, without affecting net sales.
(2) Restatements for Sanofi contracts generated a decrease in net sales to other clients due to the reclassification of sales historically made with customers other than Sanofi. Under the new business model, Sanofi retains the commercial relationship with these customers and accordingly, the related sales were reclassified as sales to Sanofi.
(3) This adjustment consists of retrospectively converting the business model of the labeling and secondary packaging activity carried out by EUROAPI in the United Kingdom. Prior to the new agreements signed on October 1, 2021, and effective as of January 1, 2022, the Haverhill site purchased and sold on to Sanofi, in line with Sanofi's transfer pricing policy, the inventory of goods for which it was responsible for labeling and packaging. Under the new model, EUROAPI no longer owns the inventory but receives a toll fee for the labeling and secondary packaging services it performs.
(4) In line with the proposed stock market listing of the API activity announced by Sanofi on February 24, 2020, the Company began to structure its target organization in 2020 by recruiting management teams. This adjustment aims to reflect the outstanding cost structure required to run the business independently.
(5) Scope adjustments concern certain APIs manufactured at Sanofi's sites and which remain the property of Sanofi. These contracts were managed within the historical scope of EUROAPI but were not transferred as part of the "Prior Reorganization Transactions".
(6) Other restatements concerned certain specific items, such as the cancellation of a provision recognized on a product that remains within the Sanofi scope, and for which the associated sales and direct costs have been adjusted in the "Scope adjustments" column.

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.

(in € millions)	December 31, 2022	December 31, 2021 (a)	Restated December 31, 2021 (a)
Cash flow provided by operating activities	**44.8**	**71.5**	**197.8**
Net change in other current assets and other current liabilities and current taxes	26.5	(38.9)	(41.6)
Financial expenses and income (recognized in the cash flow statement in operating activities)	—	2.0	2.0
Acquisitions of property plant and equipment and intangible assets	(167.4)	(88.6)	(88.6)
Intangible assets relating to the carve-out and Group IT set up [(b)]	29.1	—	—
Restructuring costs and similar items – inflows/outflows	7.6	3.5	3.5
Expenses relating to environmental provisions – inflows/outflows	5.2	11.2	4.0
Other gains and losses, disputes	—	—	2.8
Core Free Cash Flow	**(54.2)**	**(39.3)**	**79.8**
Core Free Cash Flow conversion (Core Free Cash Flow/Core EBITDA)	**(45.2)%**	**(54.5)%**	**72.1 %**

(a) Amended to reflect the finalization of analyses relating to the Prior Reorganization Transactions carried out during 2021 (see Note 2 of consolidated financial statements).
(b) The acquisition of intangible assets relating to the carve-out and fully financed by Sanofi are excluded from the calculation of Core Free Cash Flow (€29.1 million for 2022).

Core Free Cash-flow amounted consequently to negative €(54.2) million for the year ended December 31, 2022, compared to €79.8 million for the year ended December 31, 2021 (restated), notably impacted by:

a. €(29.6) million change in trade receivables resulting from the phasing of the sales in 2022,

b. €(31.7) million change in inventories primarily linked to input cost inflation (raw materials and energy). Months On Hand decreased from 7.6 in 2021 to 7.3 in 2022.

c. and €21.4 million in payables.

Capex investments reached €(138.3) million (14.2% of Net Sales), of which 45% were dedicated to growth projects.

4.3 FINANCIAL RESOURCES AND LIABILITIES

Net cash provided by (used in) operating activities

Net cash provided by (used in) operating activities amounted, respectively, to €44.8 million and €71.5 million, for the years ended December 31, 2022 and 2021. A detailed analysis of net cash provided by (used in) operating activities for the years ended December 31, 2021 and 2022 is presented in Section 4.2.2 “Group cash flow analysis”.

The Group’s ability to generate cash from its operating activities in the future will depend on its future operating performance, which in turn will depend to some extent on economic, financial, competitive, market, regulatory and other factors, many of which are beyond the Group’s control.

Financial liabilities

The short-term debt and other financial liabilities toward Sanofi are nil as at December 31, 2022, against €1.4 million for the years ended December 31, 2021. The Group short term debt and financial liabilities are detailed in Note 5.16 of Consolidated financial statements

Lease liabilities amounted to €20.7 million and €22.7 million, at December 31, 2022 and 2021, respectively. The Group’s lease liabilities are detailed in Note 5.11 of Consolidated financial statements.

On February 22, 2022, the Group entered into a €451 million RCF Loan Agreement with a banking syndicate composed of BNP Paribas, Bank of America, JP Morgan, Crédit Agricole, Société Générale, Deutsche Bank and Natixis (the “Lenders”) which expires on February 26, 2027.

RCF Loan Agreement

The purpose of the RCF Loan Agreement is to finance the Group’s general cash needs and its acquisitions. It is governed by French law, and the Company will have the option to make drawdowns under this agreement as of 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 usual repeated representations.

Only drawdowns intended to finance large cap acquisitions are subject to the prior agreement of a two-thirds majority of the Lenders.

Loans borrowed under the RCF Loan Agreement will bear interest at a EURIBOR-indexed variable rate, plus an applicable margin. In the event that the EURIBOR is below zero, this rate will be considered equal to zero. The applicable margin is initially set at 0.35% per annum, with an upward or downward adjustment mechanism (“ratchet”). The usual commissions such as a commitment fee and a utilization fee will also apply.

The applicable margin varies depending on the ratio of consolidated net debt to consolidated Core EBITDA as defined in the RCF Loan Agreement, but without taking into account the effects of IFRS 16. The applicable margin level is reviewed every six months and will be calculated for the first time on the basis of the financial statements at December 31, 2022. The margin varies within a range of 0.35% and 1.10% as a function of the gearing ratio defined above.

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.

Finally, the Group will be required to maintain leverage (consolidated net debt/Core EBITDA, without taking into account the effects of IFRS 16), tested every six months and, for the first time, for the period ending December 31, 2022, less than or equal to 4.0x until maturity of the RCF Loan Agreement. As of 31st December 2022, this ratio is respected and stand at 0.22.

The RCF Loan Agreement authorizes voluntary early repayments with prior notice and for a minimum amount.

The RCF Loan Agreement provides for repayment and/or early cancellation, in the event of a change of control of the Company, at the demand of any Lender made at the end of a consultation 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, or (ii) any person (other than Sanofi) or group of persons acting in concert (other than a concert in which Sanofi would hold a majority share), 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).

The RCF Loan Agreement stipulates a certain number of early repayment events, which are usual for this type of financing, and include the usual cure periods, including payment default, non-compliance with the financial ratio, the statutory auditors' refusal to certify the Group's financial statements or the identification of significant reservations, the suspension or cessation of the Group activities, failure to meet any other undertaking or make any representation under the RCF Loan Agreement, cross-default and cross-early repayment events related to the Company or its principal subsidiaries, insolvency or the opening of bankruptcy proceedings against the Company or its principal subsidiaries, or the seizure of assets and certain judicial or regulatory judgments against the Company or its principal subsidiaries.

EUROAPI Group Cash pooling

The Group has set up an internal cash pool system between the Company and its subsidiaries to centralize liquidity inside the Group.

4.4 SUBSEQUENT EVENTS

The Group has implemented a comprehensive remediation plan, allowing the restart of prostaglandin production on Budapest site, in January 2023 progressively. As the restart is progressive in nature by design, the majority of the production is expected to be back online by Mid-April 2023. The residual impact in 2023 is expected to weigh about 110 basis points on Core EBITDA margin.

4.5 OUTLOOK

4.5.1 Medium-term outlook

The group is investing in accelerating long-term growth and reducing our dependency from Sanofi and is adjusting the mid-term perspectives as follows:

- Net Sales to increase between +7% and +8% on average for the period 2023-2026[59] (vs. +6% to +7% for the period 2021-2025), driven by double-digit growth of Sales to Other Clients (including API Solutions and CDMO). By 2026, the relative weight of Sanofi in the Group's total revenue is expected to be at the low end of the 30% to 35% range initially expected. Revenues from the CDMO activity should represent around one third of total EUROAPI revenue by 2026.
- Core EBITDA margin to exceed 20% in 2026 (vs. in 2025 initially expected) and is expected to be above 18% in 2025.
- Capex of €510 million for the period 2022-25, and around 10% of revenue in 2025 (unchanged).
- Core Free Cash conversion to be 50% to 53% by 2025 (unchanged).

To support our overall performance, the group is accelerating the company's transformation with €50 million annual run rate of additional value creation expected to be delivered by 2026, including the 2% reduction of sales costs mentioned in the Company's listing prospectus. The transformation plan includes the target of lowering inventories to an equivalent of approximately five months of revenue in 2025.

The company also intends to maintain a net debt/Core EBITDA ratio of less than or equal to a factor of three over the 2022-2025 period, and to prioritize, in the short and medium term, reinvestment of the cash flows generated by its activities in order to support its growth strategy. As a result, the Company does not expect to distribute dividends before 2025 for the year ending December 31, 2024

The objectives and trends discussed below are based on data, assumptions and estimates, including economic outlook, considered reasonable by the Group as of the date of the Universal registration Document.

These trends and these objectives, which are derived from the Group's strategic plans, are not provisional data or profit estimates of the Group. The figures, data, assumptions, estimates and objectives presented below may change or be changed unpredictably, depending on developments in the economic, financial, competitive, legal, regulatory, accounting or tax environment, among others, or depending on other factors of which the Group may not be aware as of the date of the Universal Registration Document.

Moreover, the occurrence of certain risks described in Chapter 3 "Risk factors" may have a negative effect on the business, financial position, market situation, results or outlook of the Group and, as a result, call into question its ability to achieve the objectives presented below.

In addition, the achievement of these objectives assumes the success of the Group's strategy described in Section 1.2.3 "Strategy and objectives" of the Universal registration Document and the implementation of this strategy.

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

4.5.2 Outlook 2023

Forecasts for the year ending December 31, 2022, presented below are based on data, assumptions and estimates that the Group considers to be reasonable as of the date of the Universal Registration Document. These data and assumptions may change or be changed due to uncertainties linked to the economic, financial, accounting, competitive, regulatory and tax environment, or depending on other factors of which the Group may be unaware as of the date of the Prospectus. Moreover, the materialization of certain risks described in Chapter 3 "Risk factors" could have an effect on the activities, financial position, profits or outlook of the Group and, therefore, call into question these forecasts. In addition, the realization of the forecasts assumes the success of the Group's strategy. Therefore, the Group makes no commitment and gives no guarantee as to the realization of the forecasts described in this section.

The forecasts presented below, and their underlying assumptions, have been established in accordance with the provisions of delegated regulation (UE) 2019/980 and the ESMA recommendations on forecasts.

Assumptions

The outlook for the year ending December 31, 2023, has been established on a basis comparable to the historical financial information and in accordance with the accounting methods applied in the Group's consolidated financial statements for the year ended December 31, 2022.

This outlook is primarily based on the following assumptions for the year ending December 31, 2023:

1) the continued implementation of the Group's strategy as described in Section 6.4 "Strategy and objectives" of the Prospectus with, in particular:
   a) an acceleration in the growth of the revenue from its API Solutions business with customers other than Sanofi;
   b) the acceleration of the development of CDMO activities, contributing to a positive product mix on the Group's margins;
   c) an increase in its presence in the most differentiated and most complex APIs by relying on all of the technological tools and expertise at the Group's disposal;
   d) an acceleration of the decrease in the proportion of revenue with Sanofi;
   e) an acceleration of the transformation plan to improve the Group's group performance;
2) In a context of high inflation, the ability of the Group to pass on a significant portion of price increases for raw materials and energy to customers, taking into account the ongoing negotiations with clients other than Sanofi and the limited pricing power to Sanofi based on the disclosed contractual clauses of the Global Manufacturing and Supply Agreement;
3) continuation of the program to reduce inventories initiated in 2021, which will have the long-term effect of lowering inventories to industry standards, but will have a negative effect on the short-term margin;
4) the absence of a significant change in the regulatory and tax environment existing as of the date of the Universal Registration document;
5) the absence of any major change in the foreign exchange rates of the main countries outside the Eurozone in which the Group generates its revenue compared with those seen during the year ended December 31, 2022.

Group forecasts for the year ending December 31, 2023

In the context of the overall volatile and uncertain macroeconomic environment, and based on assumptions described above the Group expects in 2023:

- Net Sales to increase between +7% and +8%;
- Core EBITDA margin between 12.0% and 14.0%;
- Capex between €120 million to €130 million.

4.6 CONSOLIDATED FINANCIAL STATEMENTS

4.6.1 Consolidated financial statements 2022

Consolidated statements of financial position

(in € millions)	Note	December 31, 2022	December 31, 2021 [a]
Property, plant and equipment	5.1	597.1	586.1
Right-of-use assets	5.2	42.2	45.6
Intangible assets	5.3	28.7	26.8
Other non-current assets	5.5	14.9	9.7
Deferred tax assets	7	29.6	48.8
Non-current assets		**712.5**	**717.0**
Inventories	5.6	594.7	569.5
Trade receivables	5.7	264.2	238.9
Other current assets	5.8	90.3	86.4
Cash and cash equivalents	5.16	74.5	10.3
Current assets		**1,023.6**	**905.0**
Total assets		**1,736.1**	**1,622.0**
Equity attributable to owners of the parent		1,110.2	1,015.9
Equity attributable to non-controlling interests		—	—
Total equity	**5.10**	**1,110.2**	**1,015.9**
Non-current lease liabilities	5.11	16.2	18.7
Provisions	5.12	146.9	195.0
Other non-current liabilities		—	—
Deferred tax liabilities	7	6.3	5.6
Non-current liabilities		**169.4**	**219.4**
Trade payables	5.13	219.6	189.6
Other current liabilities	5.14	132.2	191.7
Current lease liabilities	5.11	4.5	4.0
Short-term debt and other financial liabilities	5.16	100.1	1.4
Current liabilities		**456.5**	**386.7**
Total equity and liabilities		**1,736.1**	**1,622.0**

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

Consolidated income statements

(in € millions)	Note	December 31, 2022	December 31, 2021 [a]
Net sales	6.1	976.6	892.8
Other revenues	6.1	4.3	—
Cost of sales	6.2	(804.0)	(783.7)
Gross profit		**176.9**	**109.1**
Selling and distribution expenses		(37.7)	(34.0)
Research and development expenses	6.3	(21.8)	(17.0)
Administrative and general expenses		(90.5)	(55.4)
Other operating income	6.5	0.2	4.2
Other operating expenses	6.5	—	(5.4)
Impairment of assets	6.6	(21.8)	(8.9)
Restructuring costs and similar items	6.7	(6.1)	(4.5)
Other gains and losses, and litigation	6.8	—	(0.9)
Operating income		**(0.8)**	**(12.8)**
Financial expenses	6.9	(4.2)	(2.1)
Financial income	6.9	8.2	0.2
Income/(loss) before tax		**3.1**	**(14.6)**
Income tax expense	7	(18.2)	6.5
Net income/(loss)		**(15.0)**	**(8.1)**
Attributable to owners of the parent		(15.0)	(8.1)
Attributable to non-controlling interests		—	—
Average number of shares outstanding (in millions) [b]	5.10.3	93.7	90.0
Average number of shares after dilution (in millions) [b]	5.10.3	95.0	90.0
- Basic earnings per share (in euros)		(0.16)	(0.18)
- Diluted earnings per share (in euros)		(0.16)	(0.18)

(a) Amended to reflect the finalization of analyses relating to the Prior Reorganization Transactions carried out during 2021 (see Note 2).
(b) Earnings per share as disclosed in these consolidated financial statements for the year ended December 31, 2021 is calculated on the basis of the average number of EUROAPI shares outstanding as derived from the retrospective recognition of the EUROAPI Prior Reorganization Transactions (see Note A.2. to the 2021 consolidated financial statements). Diluted earnings per share for periods in which there was a net loss is presented as equivalent to basic earnings per share.

Consolidated statements of comprehensive income

(in € millions)	Note	December 31, 2022	December 31, 2021 [a]
Net income/(loss)		**(15.0)**	**(8.1)**
Attributable to owners of the parent		*(15.0)*	*(8.1)*
Attributable to non-controlling interests		—	—
Other comprehensive income:			
Actuarial gains/(losses) [b]		36.2	(2.6)
Tax effects		(11.0)	2.4
Subtotal: items that will not subsequently be reclassified to profit or loss (A)		**25.3**	**(0.2)**
Currency translation differences [c]		(18.0)	30.9
Subtotal: items that may be reclassified to profit or loss (B)		**(18.0)**	**30.9**
Other comprehensive income for the period, net of taxes (A+B)		**7.3**	**30.7**
Comprehensive income		**(7.8)**	**22.6**
Of which comprehensive income attributable to owners of the parent		*(7.8)*	*22.6*
Of which comprehensive income attributable to non-controlling interests		—	—

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

(b) In 2022, this line corresponds in full to the effect of the increase in discount and inflation rates on provisions for pensions and other post-employment benefits, mainly in Germany (€30.0 million) and in France (€4.8 million).

(c) The € 18.0 million negative impact shown under currency translation differences mainly concerns Hungary (for negative €15.0 million).

Consolidated statements of cash flows

(in € millions)	Note	December 31, 2022	December 31, 2021 [a]
Net income attributable to owners of the parent		**(15.0)**	**(8.1)**
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets	5.1 to 5.3	94.5	76.0
Net change in current & deferred taxes		18.5	(18.1)
Other profit or loss items with no cash effect and reclassification of interest [b]		13.4	(0.5)
Operating cash flow before changes in working capital		**111.3**	**49.3**
(Increase)/decrease in inventories		(31.7)	14.0
(Increase)/decrease in trade receivables [c]		(29.6)	(131.0)
Increase/(decrease) in trade payables [d]		21.4	88.9
Net change in other current assets and other current liabilities		(26.5)	50.5
Net cash provided by operating activities[e]		**44.8**	**71.5**
Acquisitions of property, plant and equipment and intangible assets [f]		(167.4)	(88.6)
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		—	0.7
Net change in other non-current assets		—	—
Net cash (used in) investing activities		**(167.4)**	**(87.9)**
Capital increases	5.10.1	88.7	—
Dividends paid		—	—
Repayment of lease liabilities		(4.6)	(2.5)
Net change in short-term debt	5.16	98.5	1.3
Finance costs paid [g]		(2.9)	—
Acquisitions and disposals of treasury shares	5.10.2	(1.3)	—
Net contribution of Sanofi to the EUROAPI Group [h]		9.3	27.8
Net cash provided by financing activities		**187.8**	**26.5**
Impact of exchange rates on cash and cash equivalents		(1.0)	0.1
Net change in cash and cash equivalents		**64.2**	**10.3**
Cash and cash equivalents at beginning of period		**10.3**	**—**
Cash and cash equivalents at end of period		**74.5**	**10.3**

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

(b) In 2022, this line mainly comprises changes in provisions and unwinding of discount, unrealized exchange gains and losses for €3.4 million and share based payments expenses for €10.9 million (see note 5.10.5).

(c) In 2021, the trade receivables variation with related parties were presented in other current assets (see note 5.8).

(d) In 2021, the trade payables variation with related parties were presented in other current liabilities (see note 5.14).

(e) In 2022, this line includes €2.6 million of income tax paid.

(f) This line includes the acquisition during the period (see note 5.1 and note 5.3) and the change of the period in amounts payables for acquisitions of non-current assets (capital expenditure) for €53.6 million (see note 5.14).

(g) Finance costs paid include interest on debt and RCF issuance costs.

(h) For 2022, this amount corresponds to cash flows on the current account with the controlling entity until the effective spin-off date. As of the spin-off date, the current account receivable was reimbursed in full by Sanofi. For 2021, this amount corresponds to the situation vis-à-vis the controlling entity up to and including the completion date of the Prior Reorganization Transactions.

Consolidated statements of changes in equity

(in € millions)	Share capital	Legal reserve and share premium	Share-based payments	Treasury shares	Other comprehensive income	Other reserves and retained earning	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at December 31, 2020	**90.0**	**1,778.2**	**4.5**	**—**	**(14.3)**	**(869.0)**	**989.3**	**—**	**989.3**
Other comprehensive income for the period	—	—	—	—	30.9	(0.2)	30.7	—	30.7
Net income/(loss) for the period	—	—	—	—	—	(8.1)	(8.1)	—	(8.1)
Comprehensive income for the period [(a)]	**—**	**—**	**—**	**—**	**30.9**	**(8.3)**	**22.6**	**—**	**22.6**
Dividend paid out of 2021 earnings	—	—	—	—	—	—	—	—	—
Capital increases	—	—	—	—	—	—	—	—	—
Share-based payment	—	—	1.8	—	—	—	1.8	—	1.8
Net contribution of Sanofi equity holders to the EUROAPI Group	—	—	—	—	—	2.3	2.3	—	2.3
Balance at December 31, 2021 [(a)]	**90.0**	**1,778.2**	**6.3**	**—**	**16.6**	**(875.1)**	**1,015.9**	**—**	**1,015.9**

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

(in € millions)	Share capital	Legal reserve and share premium	Share-based payments	Treasury shares	Other comprehensive income	Other reserves and retained earning	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at December 31, 2021 [(a)]	**90.0**	**1,778.2**	**6.3**	**—**	**16.6**	**(875.1)**	**1,015.9**	**—**	**1,015.9**
Other comprehensive income for the period	—	—	—	—	(18.0)	25.3	7.3	—	7.3
Net income/(loss) for the period	—	—	—	—	—	(15.0)	(15.0)	—	(15.0)
Comprehensive income for the period	**—**	**—**	**—**	**—**	**(18.0)**	**10.2**	**(7.8)**	**—**	**(7.8)**
Capital increases [(b)]	4.6	84.2	—	—	—	—	88.7	—	88.7
Dividend paid out of 2022 earnings	—	—	—	—	—	—	—	—	—
Share-based payment [(c)]	—	—	10.9	—	—	—	10.9	—	10.9
Treasury shares	—	—	—	(1.3)	—	—	(1.3)	—	(1.3)
Net contribution of Sanofi to the EUROAPI Group [(c)]	—	—	—	—	—	3.7	3.7	—	3.7
Other movements	—	—	—	—	—	—	—	—	—
Balance at December 31, 2022	**94.6**	**1,862.3**	**17.2**	**(1.3)**	**(1.4)**	**(861.2)**	**1,110.2**	**—**	**1,110.2**

(a) Figures as of December 31, 2021 have been amended to reflect the finalization of analyses relating to the Prior Reorganization Transactions carried out during 2021 (see Note 2).
(b) Note 5.10 explains in detail the capital increase.
(c) Note 5.10 explains the main impacts presented under "Share-based payment" and "Net contribution of Sanofi to the EUROAPI Group".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

Note 1. Introduction

On May 6, 2022, EUROAPI (the "Company" or the "Group"), a leading player in the active pharmaceutical ingredient (API) market, successfully listed on the regulated market of Euronext Paris (Euronext: EAPI).

EUROAPI, together with its subsidiaries (collectively "EUROAPI", "the Group" or "the Company"), 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.

Subsequent to the Prior Reorganization Transactions, which were completed as of December 31, 2021 (see section A of the 2021, 2020 and 2019 consolidated financial statements), the Group comprises EUROAPI, a French joint-stock company (*société anonyme*) with its registered office at 15, rue Traversière, 75012 Paris, France, and subsidiaries owned by EUROAPI.

The consolidated financial statements cover the 12-month period ended December 31, 2022 and were approved for issue by the EUROAPI Board of Directors at its meeting on March 7, 2023

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Note 2. Basis of preparation of financial statements and accounting policies international financial reporting standards (IFRS)

Pursuant to Regulation no. 1606/2002 of July 19, 2002, as amended by European Regulation no. 297/2008 of March 11, 2008, the 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 December 31, 2022 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).

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

New standards, amendments and interpretations applicable to financial periods beginning on or after January 1, 2022

Mandatory as of January 2022:

Standards, amendments and interpretations whose application was mandatory as of January 1, 2022 are as follows:

- Amendment to IFRS 3 "Business Combinations – Reference to the Conceptual Framework".
- Amendment to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use".
- Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts: Cost of Fulfilling a Contract".
- Annual Improvements to IFRSs (2018-2020 Cycle) issued by the IASB on May 14, 2020.

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

Not mandatory as of January 2022:

Standards, amendments and interpretations whose application was not mandatory as of January 1, 2022:

- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates" (issued on February 12, 2021).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – "Disclosure of Accounting Policies" (issued on February 12, 2021).
- Amendments to IAS 1 "Presentation of Financial Statements – Classification of Liabilities as Current or Non-current" and "Classification of Liabilities as Current or Non-current – Deferral of Effective Date" (issued on January 23, 2020 and July 15, 2020, respectively).
- Amendments to IAS 1 "Non current liabilities with covenants" (issued on October 31, 2022").

- Amendments to IAS 12 “Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction” (issued on May 7, 2021).
- Amendments to IFRS 17 “Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information” (issued on December 9, 2021).
- IFRS 17 “Insurance Contracts” (issued on May 18, 2017); including Amendments to IFRS 17 (issued on June 25, 2020).
- Amendments to IFRS 16 “Lease liability in a Sale and Leaseback” (issued on September 22, 2022).

Those amendments have not been early adopted by EUROAPI in its consolidated financial statements for the 12-month period ended December 31, 2022.

Amendments to IAS 1 (“Classification of Liabilities as Current or Non-current” and “Non current liabilities with covenants”) and to IFRS 16 (“Lease liability in a Sale and Leaseback”) have not been adopted by European Union yet.

Use of estimates

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

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

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

Before the completion of the Prior Reorganization Transactions, additional estimates and assumptions were made for the purposes of preparing the historical financial statements, in particular those relating to EUROAPI activities housed within Sanofi entities and costs attributable to administrative and general services provided by the Sanofi group (see next section).

Comparative information: 2021, 2020 and 2019 Consolidated Financial Statements

The consolidated financial statements of EUROAPI for the years ended December 31, 2021, 2020 and 2019 have been prepared in connection with the proposed admission of EUROAPI shares to trading on the Euronext Paris regulated market.
This section describes the basis of preparation of the consolidated financial statements for the year ended December 31, 2021, 2020 and 2019, which were closed off by EUROAPI on February 8, 2022.

Preliminary Reorganization Transactions carried out during 2021

The EUROAPI group of businesses, comprising the EUROAPI activities historically carried on by and housed within dedicated and non-dedicated subsidiaries controlled by Sanofi, was subject to a legal reorganization in 2021 in order to prepare for the proposed admission of EUROAPI shares for trading on the Euronext Paris regulated market.

That legal reorganization mainly took the form of transfers of shares and/or assets relating to substantially all of the assets and liabilities associated with EUROAPI activities to the legal entities of the newly-formed group. Subsequent to the completion of those transactions, as of December 31, 2021 EUROAPI owned all of the subsidiaries forming the EUROAPI group. The scope of consolidation of the EUROAPI group is presented in Note F of the 2021, 2020 and 2019 consolidated financial statements.

The reorganization constitutes a business combinations under common control within the scope of IFRS 3. In the absence of any specific IFRS pronouncements on accounting for transactions between entities under common control, EUROAPI opted to account for such transactions on the basis of the historical carrying amounts of the assets and liabilities transferred in the reorganization. For details of the combinations of entities under common control, refer to Note G of the 2021, 2020 and 2019 consolidated financial statements.

Consequently, those transactions had no effect on continuity of control over the EUROAPI activities with reference to IFRS 10, control having historically been exercised by Sanofi. Given those circumstances, the effects of those transactions between entities under common control are reflected retrospectively in the EUROAPI consolidated financial statements, as if the legal reorganization had taken place on January 1, 2019.

In connection with the Preliminary Reorganization Transactions, Sanofi and EUROAPI signed a Master Carve Out Agreement effective October 1, 2021, setting out the general principles and arrangements for completion of the Preliminary Reorganization Transactions such as (i) determination of the scope of the Sanofi group's API development, manufacturing, commercialization and distribution activities included in the carve out and transferred to the EUROAPI group; (ii) the assets and liabilities transferred, and any specific arrangements applicable to such transfers; (iii) rules governing indemnification between the parties; and (iv) undertakings between the parties to co-operate (see Note C of the 2021, 2020 and 2019 consolidated financial statements).

Under the terms of the Master Carve Out Agreement, certain assets and liabilities that were allocated to the EUROAPI group in advance of the Preliminary Reorganization Transactions and presented in the historical financial information were not contributed by the controlling entity. In the EUROAPI consolidated financial statements, the reorganization was in some cases reflected by contributions and distributions of equity. Consequently, these transactions with the parent entity have been treated as transactions between shareholders; the non-transferred assets and liabilities were deemed to have been netted off on completion of the Preliminary Reorganization Transactions and reflected in equity.

Historical financial information – First-time preparation of financial information under IFRS in 2020 and 2019

As part of the process of preparing for the IPO, combined financial statements for the years ended December 2020 and 2019 were closed off by EUROAPI on December 15, 2021.

The financial statements of EUROAPI for the years ended December 31, 2020 and 2019 were its first financial statements to have been prepared under IFRS. They were prepared in accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards).

The principal positions adopted by EUROAPI for those financial statements were:

- Assets and liabilities attributable to EUROAPI were measured at their historical carrying amount as derived from the Sanofi financial statements, under the option permitted in paragraph D16(a) of IFRS 1.
- Consequently, the assets and liabilities of EUROAPI were measured on the basis of Sanofi's date of transition to IFRS (January 1, 2005) before adjustments made for the consolidation procedures of the Sanofi group, in particular adjustments arising from the application of IFRS 3 (Business Combinations) to legal entities included in the scope of combination (such as fair value adjustments to identifiable assets and liabilities and the recognition of goodwill). In the absence of any changes in scope during the years presented and ended December 31, 2020 and December 31, 2019, no adjusting entries were identified as a result of applying that option. The same applies to the period prior to January 1, 2019.
- Cumulative currency translation differences accounted for in reserves in the opening statement of financial position were deemed to be zero, under the option permitted in paragraph D13(a) of IFRS 1.

The financial statements were prepared without taking into account events after the end of the aforementioned reporting periods that might affect the estimates and judgements made by management during the periods presented, in accordance with IAS 10 (Events After the Reporting Period).

Intercompany transactions between EUROAPI group entities other than share-based transactions were eliminated, while transactions between the EUROAPI group and the Sanofi group were reported as related party transactions.

The consolidated financial statements include allocated indirect costs, mainly comprising administrative and general expenses incurred by Sanofi for the benefit of EUROAPI activities prior to the legal reorganizations of 2021.

Prior to the Preliminary Reorganization Transactions, past transaction flows which related to EUROAPI activities, and which constitute transactions for legal purposes recorded in the Sanofi financial statements, were attributed directly to the EUROAPI group in the consolidated financial statements.

In some specific circumstances, the EUROAPI statements of comprehensive income reflect accounting conventions applied in the absence of past transaction flows, or where it was not possible to attribute transactions directly to EUROAPI.

2021 amendments to comparative information in 2022

During the period 2022, further to the finalization of the analyses relating to the Prior Reorganization Transactions completed as of December 31, 2021, a few errors were identified, mainly relating to tax considerations. These errors have no impact on the Group's cash position and key performance indicators as of December 31, 2021.

Accordingly, the Group amended its comparative information as of December 31, 2021 in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The impacts on the statement of financial position as of December 31, 2021 were as follows:

- deferred tax assets, positive impact of €3.5 million;
- other current liabilities, negative impact of €1 million;
- total equity, positive impact of €4.5 million.

The impacts on the consolidated income statement as of December 31, 2021 were as follows:

- decrease of €7.7 million in income tax expense;
- increase of €7.7 million in net income;
- €0.09 positive impact on earnings per share

Foreign currency translation

Accounting for foreign currency transactions in the consolidated financial statements

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

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

Foreign currency translation of the financial statements of foreign entities

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

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

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

Financial instruments

Non-derivative financial assets

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

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

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

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

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

Derivative instruments

Derivative instruments that do not qualify for hedge accounting are initially and subsequently measured at fair value, with changes in fair value recognized in the income statement in "Other operating income" or in "Financial income" or "Financial expenses", depending on the nature of the underlying economic item which is hedged.

Currency derivative instruments used by EUROAPI are not eligible for hedge accounting. They are recorded in other current assets and liabilities in the statement of financial position (see Note 5.15).

Non-derivative financial liabilities

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

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

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

Fair value of financial instruments

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

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

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

					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.	
5.7/5.13	Trade receivables and payables	Amortized cost	N/A	N/A	Trade receivables and payables are measured at fair value (which in most cases equates to face value) on initial recognition, and subsequently at amortized cost.	
5.12	Financial assets measured at fair value held to meet obligations under post-employment benefit plans	Fair value	1	Market value	Quoted market	
5.11	Lease liabilities	Amortized cost	N/A	N/A	The liability for future lease payments is discounted using the incremental borrowing rate	
5.16	Debt	Amortized cost	N/A	N/A	Amortized cost is regarded as an acceptable approximation of fair value as reported in the notes to the consolidated financial statements.	
5.15	Forward currency contracts	Fair value	2		Present value of future cash flows	Maturity < 1 year: Mark-to-market

Seasonal trends

EUROAPI's activities are not subject to significant seasonal fluctuations. It should be noted however that the production cycle for the bulk of APIs exceeds six months. Net sales are usually more heavily distributed toward the second half, driven by higher API Solution sales as customers manage their contractual obligation toward minimum quantity orders and sales of some APIs are seasonal. For the CDMO activity, revenue is recognized in accordance with IFRS 15 based on the fulfilment of performance obligations. CDMO contracts can take around 6 months to start generating revenue and are executed over an average period of 18 to 24 months.

Covid-19 pandemic

Covid-19, confirmed as a pandemic by the World Health Organization on March 11, 2020, led to a global health crisis. EUROAPI estimates that the impact of this major crisis on its financial performance was not material for the periods presented.

In accordance with IAS 36 "Impairment of Assets", the EUROAPI Group conducts impairment tests on the property, plant and equipment and intangible assets allocated to each cash-generating unit, including assets not yet brought into service, if an indication of impairment is identified (see Notes 5.3 and 5.4). EUROAPI has not recognized any impairment losses that are directly attributable to Covid-19 in respect of the periods presented.

Impact of the conflict in Ukraine

The Group has little exposure to the conflict between Ukraine and Russia in terms of suppliers or customers, given its limited exposure to the markets of the countries concerned. However, the conflict has pushed energy prices and inflation sharply upwards.

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. 2022 highlights

3.1 Main acquisitions of the period

None.

3.2 Other significant events

EUROAPI share-based payments

On June 3, 2022, EUROAPI granted several free share and stock option plans and launched an employee share plan. Detailed information concerning the terms and conditions of these plans and the financial impacts on the consolidated financial statements is presented in Note 5.10.

Liquidity contract

On June 1, 2022, EUROAPI implemented a liquidity contract to promote the liquidity of EUROAPI shares. An amount of €0.5 million was initially allocated to the liquidity account, and was increased to €2 million on July 19, 2022. As of December 31, 2022, the liquidity account comprised 87,997 shares (see Note 5.10.2).

Revolving credit facility agreement

In connection with the initial public offering, EUROAPI contracted a €451 million revolving credit facility with a syndicate of banks, expiring on February 26, 2027 (see Note 5.16). EUROAPI has been able to draw on the facility since the initial listing of EUROAPI shares on the regulated market of Euronext Paris.

Reorganization of EUROAPI Italy

On January 25, 2022, EUROAPI announced a reorganization and transformation plan in Italy as part of the Group's business reorientation program, focusing in particular on CDMO operations and on transforming the portfolio of tuberculosis treatments. The plan covered collective agreements and voluntary redundancies affecting certain positions at the Brindisi site. In 2022, €6.1 million was recognized in restructuring costs in respect of this transformation plan (see Note 6.7).

Furthermore, an impairment loss of €21.8 million has been recognized in 2022 on Brindisi site property plant and equipment located in Italy, as explained in Note 5.4.

Amendment to the Master Carve Out Agreement

An amendment to the Master Carve Out Agreement was signed on February 25, 2022, incorporating a commitment from Sanofi to finance up to €4 million in capital expenditure earmarked for EUROAPI Italy's facilities located in Brindisi and pertaining to the repair of the sewerage network (see Note 10.2).

Other agreements

The Group has entered into an agreement covering activities involving the packing of finished pharmaceutical products at the industrial facility at Haverhill (United Kingdom) on behalf of Sanofi in return for financial consideration. The agreement took effect on January 1, 2022 for a five-year period from the listing date. As from the signing date of the agreement, which modifies the agent/principal relationship between the two companies, the pricing terms have been reviewed in order to reflect the new business relationship. The associated revenues are represented since under "Other revenues" in the consolidated income statement (see Note 6.1).

Capital increase

On February 23, 2022, and in the context of the Company's stock market listing, the Company completed a €83,719,000 capital increase, fully subscribed by Sanofi Aventis Participations and paid up in cash. The capital increase, exclusively subscribed by Sanofi pre-listing, was for carve out-related restructuring purposes (removing debt) and to finance the remaining part of the committed carve out-related CAPEX expenses.

By decision of July 21, 2022, the Board of Directors carried out a further capital increase reserved for employees who are members of the Company's savings plan for a total amount of €5,623,176 (including €597,976 of matching plan contribution).

Temporary suspension of prostaglandin production activity

During an internal assessment, the Group identified some Good Manufacturing Practices deficiencies related to documentation management. These are associated with Production Records for certain prostaglandin products which are manufactured in a segregated production unit at its Budapest site. Upon identification, out of an abundance of caution, EUROAPI proactively decided on November 30, 2022, to pause batch release and as a second step to temporarily suspend prostaglandin production.

The Group has since built and successfully implemented a comprehensive remediation plan, allowing to restart prostaglandin production in January 2023 progressively. The impact on the 2022 Core EBITDA margin was 150 basis points, including inventories' write-off and remediation costs.

Note 4. Scope of consolidation

ACCOUNTING PRINCIPLES

Scope of consolidation
EUROAPI's Group's consolidated financial statements include all companies over which EUROAPI has control, joint control or significant influence.

Consolidation method
The consolidation method is based on the degree of control exercised by the Group.

- Control: full consolidation. The Group controls an entity when the three following conditions are fulfilled:
  - it holds power over the entity;
  - it is exposed, or has rights, to variable returns from its involvement with the entity;
  - it has the ability to use its power to affect the amount of the investor's returns.
- Joint control and significant influence: equity-method accounting. Joint control exists where operating, strategic and financial decisions require unanimous agreement between the partners. Influence is defined as the power to contribute to a company's financial and operating policy decisions, rather than to exercise control over those policies. Significant influence is presumed where the Group directly or indirectly holds 20% or more of an entity's voting rights.
- No influence: the Company is not consolidated.

All entities in EUROAPI's scope are fully consolidated. In 2022, three french companies were created. No other change occurred in the scope of consolidation during 2022. See detailed scope presented in Note 10.8.

Note 5. Notes to statement of financial position

5.1 Property, plant and equipment

ACCOUNTING PRINCIPLE

Property, plant and equipment is initially measured and recognized at acquisition cost, including any directly attributable cost of preparing the asset for its intended use. The component-based approach to accounting for property, plant and equipment is applied.
Government grants relating to property, plant and equipment are deducted from the acquisition cost of the asset to which they relate.

After initial measurement as indicated above (representing the gross value), property, plant and equipment is carried at cost less accumulated depreciation and impairment, except for land which is carried at cost less impairment.

The gross value of items of property, plant and equipment, net of any residual value (estimated disposal value at the end of the asset's useful life), is depreciated on a straight-line basis over the useful life of the asset. The useful life of an asset is usually equivalent to its economic life.

The useful lives applied to property, plant and equipment are as follows:

Buildings	15 to 40 years
Fixtures	10 to 20 years
Machinery and equipment	5 to 15 years
Other	3 to 15 years

Useful lives and residual values of property, plant and equipment are reviewed regularly. The effect of any adjustment to useful lives or residual values is recognized prospectively as a change in accounting estimate.
Depreciation charged against items of property, plant and equipment is incorporated into the cost of inventories or expensed when incurred. Depreciation expense is presented within the income statement line item that corresponds to the function for which the asset is used.

Property, plant and equipment that is under construction and unavailable for use is depreciated from the date on which it is brought into service, defined as the date of acceptance of the asset for operational use.

The net carrying amount of property, plant and equipment owned by EUROAPI stood at €597.1 million as of December 31, 2022.

(in € millions)	December 31, 2021	Acquisitions and other increases	Depreciation expense	Impairment losses, net of reversals	Disposals and other decreases	Currency translation differences	Transfers	December 31, 2022
Land	16.7	—	—	—	—	(0.8)	—	15.9
Buildings	298.6	0.1	—	—	(0.7)	(8.4)	11.9	301.6
Machinery and equipment	1,507.4	2.0	—	—	(14.5)	(16.1)	76.8	1,555.6
Fixtures, fittings and other	160.5	1.6	—	—	(0.8)	(1.7)	(3.4)	156.3
Property, plant and equipment in progress	152.6	102.6	—	—	—	(5.1)	(85.4)	164.7
Gross value	**2,135.8**	**106.3**	**—**	**—**	**(16.0)**	**(32.0)**	**—**	**2,194.0**
Land								
Buildings	(200.0)	—	(8.3)	0.1	0.7	5.9	0.1	(201.5)
Machinery and equipment	(1,220.1)	—	(48.0)	(21.9)	14.5	14.3	(7.1)	(1,268.3)
Fixtures, fittings and other	(128.9)	—	(6.8)	—	0.8	1.5	7.0	(126.5)
Property, plant and equipment in progress	(0.6)	—	—	—	—	—	—	(0.6)
Accumulated depreciation and impairment	**(1,549.7)**	**—**	**(63.1)**	**(21.9)**	**16.0**	**21.6**	**—**	**(1,597.0)**
Land	16.7	—	—	—	—	(0.8)	—	15.9
Buildings	98.6	0.1	(8.3)	0.1	—	(2.5)	12.0	100.1
Machinery and equipment	287.2	2.0	(48.0)	(21.9)	—	(1.8)	69.8	287.3
Fixtures, fittings and other	31.5	1.6	(6.8)	—	—	(0.2)	3.6	29.7
Property, plant and equipment in progress	152.0	102.6	—	—	—	(5.1)	(85.4)	164.1
Net value	**586.1**	**106.3**	**(63.1)**	**(21.9)**	**—**	**(10.4)**	**—**	**597.1**

5.2 Right-of-use assets

ACCOUNTING PRINCIPLE

Under IFRS 16 "Leases", a contract or part of a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

EUROAPI recognizes a right-of-use asset and a lease liability at the commencement date of the lease. Right-of-use assets are initially measured at cost, and then at cost less accumulated depreciation and impairment; the amount may also be adjusted to reflect certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments not yet paid at the commencement date. The discount rate used is the interest rate implicit in the lease or, if that cannot be readily determined, the lessee's incremental borrowing rate (based on the lease term, not maturities). EUROAPI generally uses the latter rate as a discount rate; it corresponds to the risk-free rate for the currency in which the lease is denominated, plus an uplift for credit risk over the duration of the payments.

Subsequently, the lease liability is increased to reflect interest on the liability, and reduced by the amount of the lease payments made.

It is remeasured if future lease payments are modified following changes in an index or rate, or if the Group reassesses whether to exercise an option to purchase or a termination option.

EUROAPI has elected to use the exemptions permitted under IFRS 16 relating to leases with a term of 12 months or less and leases of low-value assets (less than €5,000). Lease payments on such leases are recognized when incurred as an operating expense, within the relevant income statement line item for the use of the leased asset.

Right-of-use assets and lease liabilities

Non-cancellable 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, 2021	Acquisitions and other increases	Depreciation expense	Disposals and other decreases	Transfers	December 31, 2022
Land and buildings	51.8	3.9	—	(4.3)	2.1	53.5
Machinery and equipment	—	—	—	—	—	—
Other property, plant and equipment	6.2	3.1	—	(0.2)	(2.1)	6.8
Gross value	**57.9**	**7.0**	**—**	**(4.5)**	**—**	**60.3**
Land and buildings	(9.8)	—	(4.4)	—	(0.9)	(15.0)
Machinery and equipment	—	—	—	—	—	—
Other property, plant and equipment	(2.5)	0.2	(1.6)	—	0.9	(3.1)
Accumulated depreciation and impairment	**(12.3)**	**0.2**	**(6.0)**	**—**	**—**	**(18.1)**
Land and buildings	42.0	3.9	(4.4)	(4.3)	1.3	38.5
Machinery and equipment	—	—	—	—	—	—
Other property, plant and equipment	3.6	3.3	(1.6)	(0.2)	(1.3)	3.7
Net value	**45.6**	**7.2**	**(6.0)**	**(4.5)**	**—**	**42.2**

Lease expense on short-term leases and low-value assets are not recognized under IFRS 16. The rental expenses recorded in 2022 in relation to these leases are not material.

Total cash outflows on leases (excluding annual lease expense on short-term leases and low-value assets) amounted to €4.9 million for the 12-month period ended December 31, 2022 (of which €4.6 million of repayment of lease liabilities and €0.3 million of interests).

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

5.3 Intangible assets

ACCOUNTING PRINCIPLE

Acquired software

Intangible assets, which mainly comprise acquired or internally-developed computer software, are amortized on a straight line basis over their useful lives, ranging between three and five years.
The useful lives of intangible assets are reviewed regularly at the end of each reporting period. In the event of a change in estimate of the amortization period, the amortization charge is adjusted prospectively.
Amortization charged against intangible assets is recognized in the income statement according to the nature and use of each intangible asset taken individually.
Intangible assets are carried at cost, minus (i) accumulated amortization and (ii) any accumulated impairment losses recognized in accordance with IAS 36 “Impairment of Assets”.
Software licenses are capitalized at acquisition cost, including any directly attributable cost of preparing the software for its intended use. Software licenses are amortized on a straight-line basis over their useful lives as determined by EUROAPI (three to five years).
Internally generated costs incurred to develop or upgrade software are capitalized if the criteria specified in IAS 38 “Intangible Assets” are satisfied and are amortized on a straight-line basis over the useful life of the software.

Internally generated research and development

Research expenditure is systematically recognized as an expense when incurred.
Development expenditure comprises expenditure incurred in relation to in-house programs to develop or improve industrial manufacturing processes prior to their operational and industrial use. Because such developments are subject to risks and uncertainties inherent to EUROAPI’s activities, the criterias for capitalization are considered by program. Consequently, internally generated development expenditure (mainly comprising primary costs of development platforms) is generally expensed as incurred within “Research and development expenses”. Conversely, where the six IAS 38 criteria are considered to have been met, such expenses are recognized as an asset in the statement of financial position within “Intangible assets” as incurred.
Intangible assets derived from in-house development projects are amortized over their useful lives. If the asset contributes to the inventory production cycle, the related amortization expense is incorporated in the cost of inventories; otherwise, it is recognized as a component of operating income within the appropriate income statement line item.

As at December 31, 2022, costs related to ELLA project in Elbeuf fulfilling IAS 38 criteria have been capitalized as intangible assets derived from in-house development for €1.6 million.
Movements in other intangible assets during the year 2022 were as follows:

(in € millions)	December 31, 2021	Acquisitions and other increases	Depreciation expense	Currency translation differences	Transfers	December 31, 2022
Software	36.4	5.5	—	(0.5)	(0.1)	41.3
Other intangible assets	—	1.8	—	—	—	1.8
Other rights	1.1	—	—	(0.1)	0.1	1.2
Gross value	**37.6**	**7.4**	**—**	**(0.6)**	**—**	**44.3**
Software	(10.7)	—	(5.4)	0.4	0.1	(15.5)
Other intangible assets	—	—	—	—	—	—
Other rights	(0.1)	—	—	—	(0.1)	(0.1)
Accumulated amortization and impairment	**(10.8)**	**—**	**(5.4)**	**0.4**	**—**	**(15.7)**
Software	25.8	5.5	(5.4)	(0.1)	—	25.8
Other intangible assets	—	1.8	—	—	—	1.8
Other rights	1.0	—	—	(0.1)	—	1.1
Net value	**26.8**	**7.4**	**(5.4)**	**(0.2)**	**—**	**28.7**

5.4 Impairment of property, plant and equipment and intangible assets

ACCOUNTING PRINCIPLE

In accordance with IAS 36 “Impairment of Assets”, property, plant and equipment and amortized intangible assets are tested for impairment when there is an indication that they may have become impaired. Indications of impairment are assessed using quantitative and qualitative criteria.

The qualitative criteria used relate mainly to risks of non-compliance with pharmaceutical industry regulations and good manufacturing practices, and technological advances. The quantitative criteria used relate to commercial and manufacturing activity levels that could have lasting negative effects on EUROAPI’s operating results.

If there is an indication that an individual asset may have become impaired, the recoverable amount of the asset is determined separately if possible, or at the level of the cash generating unit (CGU) to which the asset belongs.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identifying such asset groups requires management to exercise judgment, based on how operations are managed. Cash-generating units are identified consistently from period to period unless a change is justified.

The recoverable amount of a CGU is also measured if there is an indication that the CGU itself may have become impaired.

Recoverable amount is the higher of (i) selling price less costs to sell or (ii) value in use. Value in use is determined by discounting cash flow projections for the assets being tested. Those cash flow projections are based on management’s economic assumptions and forecasts of operating conditions.

If impairment tests show that a CGU is impaired, the impairment loss is allocated first to any goodwill corresponding to that CGU and then pro rata to all the other assets of the CGU based on the carrying amount of each asset, without however reducing the carrying amount of an asset below the higher of (i) fair value less costs to sell (if measurable) and (ii) its value in use (if determinable).

The CGUs of the EUROAPI Group mainly comprise depreciable items of property, plant and equipment and inventories measured at cost. Any impairment losses are therefore determined in line with the replacement value of those assets taken individually.

Impairment losses taken against property, plant and equipment are presented as an operating expense within dedicated income statement line.

Key assumptions underlying the determination of recoverable amounts

The value in use determined by the Group is generally equal to the present value of the future cash flows expected to be derived from the CGU and based on the following:

- cash flow projections are taken from the Long-Term Plan prepared each year and reflect changes in volumes, prices, direct costs and investment in the period, determined based on contracts and activities and in line with past data and expected changes over the period covered by the Long-Term Plan;
- this plan covers the year in progress and the next four years. This period is representative of the average duration of the Group’s long-term contract portfolio and its short-term activities;
- terminal values are calculated based on discounted forecast flows for the last year of a long-term plan. These flows are determined for each CGU based on a perpetual growth rate mainly founded on long-term inflation;
- these terminal values are calculated based on discount rates and perpetual growth rates reflecting the country or the geographic area of the CGU;
- a discount rate (weighted average cost of capital) is determined corresponding to Consumer Healthcare index : it is equal to the risk-free rate plus a risk premium weighted for country-specific risks. A risk premium is included in the calculation of the weighted average cost of capital of entities located in countries outside the euro zone. The discount rates estimated by management for each CGU therefore reflect current market assessments of the time value of money and the country specific risks to which the CGU is exposed, with the other risks reflected in the expected future cash flows from the assets. These rates were updated by an independent expert once a year.

The assumptions underlying the impairment tests on Group cash-generating units where there is an indication of impairment are as follows:

Geographic area	Recoverable amount determination amount	Discount rate	Perpetual growth rate
Italy	Value in use	7.3%	1.5%

Impairment test results

The results of this assessment carried out at the end of December 2022 did not lead to perform of any impairment test, except on Brindisi site property plant and equipment located in Italy. The temporary suspension of prostaglandin production activity was not an indication of impairment since it did not impact Budapest sites long term business. The impairment of Brindisi property plant and equipment amounted to €21.8 million and was triggered by the acceleration of anti-infectives volume declines from Sanofi and higher energy prices compared to the initial transition plan of the site from API solutions to CDMO activities. The main assumptions underlying Brindisi valuation, were steaming from projected cash flow, considering a 1.5% of perpetual growth and discounted using a 7.3% WACC including a risk premium of 0.2%.

The sensitivity analyses are as follows :

- the increase in perpetual growth rate by 0,5 bps, to 2% would result in an impairment decrease by €8.6 million.
- the decrease in perpetual growth rate by 0.5 bps would result in an impairment increase by €7.3 million.

5.5 Other non-current assets

The amount €14.9 million as of December 31, 2022 corresponds mainly to :

- €9.6 million receivable in respect of the indemnity provided by Sanofi against environmental liabilities arising on non-operational sites,
- €3.8 million receivable in respect of the long term part of cash compensation of Sanofi forfeited shares (as explained in Note 5.10).

These items are presented in Note 10.6.

5.6 Inventories

ACCOUNTING PRINCIPLE

Inventories are measured at the lower of cost and net realizable value.

Cost is calculated using weighted average cost or the first in, first out (FIFO) method.

The cost of inventories mainly comprises: the purchase cost of materials used in the manufacture of products; direct and indirect labor costs; depreciation charged during the period against production lines used to manufacture inventories; other expenses such as the operating costs of the industrial facilities where inventories are manufactured; and other costs incurred to bring inventories to their present location and condition.

EUROAPI assesses inventory levels relative to sales at each reporting date. Production and inventory levels of active ingredients manufactured to meet contractual obligations under supply contracts entered into by EUROAPI are calibrated to meet the needs of the customer. When items produced for a customer cannot be sold or reallocated for alternative commercial use, an allowance for their destruction is recognized. At each reporting date, EUROAPI applies impairment criteria that take account of inventory turnover, obsolescence, net realizable value, and non-compliant production outputs. Decisions on impairment allowances are made for each product identified as being within one of those categories.

EUROAPI applies the principle stipulated in paragraph 9 of IAS 2 whereby inventories must be measured at the lower of cost and net realizable value. Chemical raw materials and work in process are only written down by reference to the recoverable amount of the corresponding finished products, in accordance with paragraph 32 of IAS 2. However, they may also be written down if they are intended for a single customer which terminates its supply contract or decides to suspend manufacture of the product. Raw materials and in-process active ingredients are subject to a lesser risk of becoming time-expired than pharmaceutical products, which are subject to fixed use-by dates. At the end of the manufacturing process, finished products are checked for compliance with quality standards appropriate for their intended use, and with customer specifications. At that stage, the only inventories that can be written down are batches that have failed compliance checks and cannot be returned to production. The recoverable amount of finished products that have cleared compliance checks is measured in accordance with paragraph 9 of IAS 2 at each reporting date by reference to market or contract price, and an impairment allowance is recognized if said price is lower than the carrying amount of the inventories in the statement of financial position.

Consequently, EUROAPI may make adjustments to the carrying amount of inventories in the statement of financial position to allow for excess, obsolete or slow-moving inventories in line with changes in customer demand; stricter quality requirements arising from technological or regulatory developments; or other economic factors.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

If net realizable value is less than the carrying amount recognized in the statement of financial position, an impairment allowance is recognized to cover the difference, applying the principles described above.

	December 31, 2022			December 31, 2021		
(in € millions)	Gross value	Allowances	Carrying amount	Gross value	Allowances	Carrying amount
Raw materials	104.0	(2.1)	102.0	99.0	(4.4)	94.5
Work in process	303.2	(18.5)	284.8	275.6	(12.8)	262.6
Finished goods	219.6	(11.7)	208.0	226.9	(14.8)	212.4
Total	**626.9**	**(32.2)**	**594.7**	**601.5**	**(32.0)**	**569.5**

5.7 Trade receivables

ACCOUNTING PRINCIPLE

Trade receivables are recognized and measured at face value minus allowances for non-recoverable amounts, in accordance with IFRS 9, as described in Note 2 “Financial instruments”.

Impairment is based on the simplified approach provided under the standard. Expected credit losses are calculated based on lifetime losses, using the Group’s historical credit loss experience and forward-looking projections.

Impairment losses on trade receivables are recognized within “Commercial and distribution expenses” in the income statement.

Trade receivables break down as follows:

(in € millions)	December 31, 2022	December 31, 2021
Gross value	265.8	241.2
Allowances	(1.6)	(2.3)
Carrying amount	**264.2**	**238.9**

(in € millions)	December 31, 2022	December 31, 2021
Trade receivables - third parties	114.6	111.4
Trade receivables - related parties	149.6	127.6
Carrying amount	**264.2**	**238.9**

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
December 31, 2022	**233.1**	**9.9**	**9.2**	**7.7**	**5.3**	**0.6**	**32.7**
December 31, 2021	223.3	11.9	3.5	1.5	0.8	0.1	17.9

5.8 Other current assets

Other current assets comprise:

(in € millions)	December 31, 2022	December 31, 2021
Customer contract assets[(a)]	6.4	11.1
Tax receivables[(b)]	45.7	23.2
Other receivables[(c)]	30.0	6.2
Prepaid expenses	3.3	1.3
Other current financial assets[(d)]	4.8	44.6
Total	**90.3**	**86.4**

(a) See Note 5.9.
(b) This caption includes €42.7 million of VAT receivable.
(c) This caption includes mainly €13.2 million in receivables in respect of indemnities provided by Sanofi resulting from various agreements signed in 2021 (see Note 10.6), €8.1 million of advances payments made to suppliers and €4.5 million of grants to receive.
(d) In 2022, this caption mainly comprises the current portion (€3.3 million) of the indemnity provided by Sanofi against environmental liabilities arising on non-operating sites (see Note 10.6). This caption was split between “Other current financial assets” for €8.1 million and “Other current assets - related parties” for €36.5 million in 2021, for a total of €44.6 million.

5.9 Customer contract assets and liabilities

ACCOUNTING PRINCIPLE

EUROAPI recognizes customer contract assets and liabilities in accordance with IFRS 15.

Customer contract assets comprise costs incurred in the pre-production phase and also capitalized and unbilled receivables representing performance obligations satisfied but not yet billed, for which an unconditional right to consideration can be demonstrated.

Customer contract liabilities represent upfront payments made by EUROAPI customers under technology and development service contracts (CDMO contracts) to finance the initial operations necessary for the fulfillment of contractual obligations. Such payments are advance payments for future services rendered, and are recognized as revenue with the same pattern as the delivery of the services.

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

(in € millions)	December 31, 2022	December 31, 2021
Customer contract assets [(a)]	6.4	11.1
Customer contract liabilities [(b)]	6.6	10.4

(a) Customer contract assets amount to €6.4 million as of December 31, 2022 and are composed of costs incurred in the pre-production phase and capitalized at this date, mainly on the following contracts:

- *Manufacturing capacity supply contract signed with Sarepta by EUROAPI Germany in July 2019 for the production and delivery of the Tritylated range;*
- *Service agreement signed in July 2019 with Catalent Pharma Solutions (Catalent) for exclusive use of the K1 building and dedicated equipment at the Haverhill facility (UK); the agreement gives Catalent access to atomization drying technology and to development and manufacturing services, enabling Catalent to meet the commercial needs of its pharmaceutical sector customers.*

(b) Customer contract liabilities amount to €6.6 million as of December 31, 2022 and represent upfront payments made by EUROAPI customers under technology and development service contracts (CDMO contracts) to finance the initial operations necessary for the fulfillment of contractual obligations. Such payments are advance payments for future services rendered, and are recognized as revenue with the same pattern as the delivery of the services.

5.10 Equity

Total equity stood at €1,110.2 million as of December 31, 2022.

5.10.1 Share capital and share premium

On February 23, 2022, and in the context of the Company's stock market listing, the Company completed a €83,719,000 capital increase, fully subscribed by Sanofi Aventis Participations and paid up in cash.

By decision of July 21, 2022, the Board of Directors carried out a further capital increase reserved for members of the Company's savings plan, for a total amount of €5,623,176.

The capital increase resulted in the issuance of new 4,549,488 ordinary shares, each with a par value of €1. Consequently, the share capital increased by €4,549,488 and the share premium by €84,792,688 (including €597,976 of matching plan contribution).

As of December 31, 2022, EUROAPI's share capital amounted to €94.5 million and the share premium stood at €1,862.3 million.

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

	Number of shares	% of share capital for the period
December 31, 2022	**94,549,488**	**100.0**
December 31, 2021	90,000,000	100.0

Nominal amount of shares equals to €1.

5.10.2 Treasury shares

ACCOUNTING PRINCIPLE

All treasury shares held by the Group are recognized at their acquisition cost and deducted from equity. Any gain arising on the disposal of treasury shares is recognized immediately as equity, such that disposal gains or losses do not impact net income for the fiscal year.

At December 31, 2022, the totality of shares owned by EUROAPI are under the liquidity agreement.

Purchases and sales in EUROAPI shares under the liquidity contract in 2022 were as follows:

	2022
Number of shares purchased during the year	722,168
Number of shares sold during the year	634,171

At December 31, 2022, the carrying amount of shares held in treasury by EUROAPI was €1.3 million, breaking down as 87.997 shares representing 1.35% of the share capital.

5.10.3 Number of shares used to calculate earnings per share

ACCOUNTING PRINCIPLE

Earnings per share is calculated by dividing net income for the period attributable to ordinary shareholders by the weighted average number of shares outstanding, excluding treasury shares.

Diluted earnings per share is calculated by dividing net income for the period attributable to ordinary shareholders by the weighted average number of shares outstanding, excluding treasury shares, adjusted to reflect the dilutive effects of any share based payment.

(in million)	December 31, 2022	December 31, 2021
Average number of shares outstanding	93.7	90.0
Adjustment for share based payment with dilutive effect	1.3	
Average number of shares used to compute diluted earnings per share	**95.0**	**90.0**

Amount of earnings per shares and diluted earnings per share as of December 31, 2022 is presented in the Consolidated Income statement.

5.10.4 Currency translation differences

Cumulative currency translation differences amounted to a negative €1.3 million as of December 31, 2022, mainly in Hungary for a negative €10.3 million and UK for a positive €9.2 million.

5.10.5 Share-based payments

ACCOUNTING PRINCIPLE

Share-based payments are accounted for in accordance with IFRS 2. Share-based payment expense is recognized as a component of operating income, in the relevant classification of expense by function. In measuring the expense, the level of attainment of any performance conditions is taken into account.

The new plans implemented by the Group during the period have been valued by an independent expert. The valuation model complies with the basic assumptions of the Monte-Carlo and Black-Scholes models, adapted to the specific features of the plans concerned. The IFRS 2 expense was recognized within administrative and general expenses in the consolidated income statement.

Sanofi performance share plans

Under the plan rules, employees transferred to EUROAPI forfeited any unvested shares at the initial listing date on a pro rata basis.

Under the terms of the Master Carve Out Agreement signed in 2021, employees are compensated in cash by EUROAPI for forfeited shares, the cost of which is reinvoiced to Sanofi:

- the cash compensation is equivalent to the number of forfeited shares multiplied by the average opening share price of Sanofi shares during the 20 days prior to the initial listing date;
- the cash compensation will be paid at the end of the vesting period, subject to the employee's continued service with the EUROAPI Group at that date. Compensation for forfeited shares has been estimated at €4.7 million (including payroll costs) and will be recognized in the consolidated income statement over the remaining vesting period in accordance with IFRS 2 (a €2.0 million expense was recognized in 2022 against payroll liability). As regards reinvoicing to Sanofi, a €4.7 million receivable was recognized against equity within "Net contribution of Sanofi to the EUROAPI Group" as of December 31, 2022.

For the period up until the date of the listing on Euronext, an expense of €0.7 million was recognized in respect of the initial plans, against equity.

EUROAPI employee share plan

On June 3, 2022, EUROAPI's Board of Directors approved a share ownership plan offering employees the opportunity to subscribe to reserved share issues at a discount to the reference market price and including up to 25 matching shares per employee. Discounts and shares awarded to EUROAPI employees under these plans fall within the scope of IFRS 2. The discount and the matching shares granted were recognized as an expense for €3.0 million (including payroll taxes) in the consolidated income statement at the subscription date, based on the value of the shares and of the discount offered to employees.

EUROAPI free share plans

On June 3, 2022, EUROAPI's Board of Directors approved free share plans for all employees and certain executives and managers (the Employee free share plan and the Special Management Incentive share plan) in the context of the listing on Euronext. These plans are subject to a service condition.

On May 30, 2022 and June 3, 2022, EUROAPI's Board of Directors approved free share plans for key executives and the Chief Executive Officer (Executive Committee matching performance share plan and CEO matching performance share plan) in the context of the listing on Euronext. These plans are subject to performance and service (See section 2.3 of Universal Registration Document) .

In accordance with IFRS 2, an expense equivalent to the fair value of the plans is recognized in profit or loss on a straight-line basis over the vesting period, with a contra-entry to equity. The total amount expensed during the period represented €8.3 million (including payroll taxes).

EUROAPI performance share and stock option plans

On June 3, 2022 EUROAPI's Board of Directors approved the implementation of a long-term incentive plan for the Group's key executives and managers, including the Chief Executive Officer, through free share and stock option plans subject to performance and service conditions. In accordance with IFRS 2, an expense equivalent to the fair value of the plans is recognized in profit or loss on a straight-line basis over the vesting period, with a contra-entry to equity. The total amount expensed during the period represented €1.0 million (including payroll taxes).

The principal features of the plans granted in May and June 2022 are set out below:

	Employee share plan matching free shares	Employee free share plan	Special Management Incentive share plan	Executive Committee matching performance share plan [d]	CEO matching performance share plan	Performance share plan	Stock option plan
Date granted by the Board	June 3, 2022 [b]	June 3, 2022	June 3, 2022	May 30, 2022	June 3, 2022	June 3, 2022	June 3, 2022
Total number of shares granted (in thousand)	55.6	1,007.5	122.3	461.2	181.2	216.3	327.1
Vesting period France	—	1 year	2 years	3 years	3 years	3 years	4 years
Vesting period International	—	2 years	2 years	3 years	—	3 years	4 years
Exercise period							June 3, 2026 to June 3, 2031
Exercise price							13.91
Shares delivered or cancelled	55.6	54.6	16.5	63.0	—	6.5	21.0
Outstanding shares at December 31, 2022	—	952.9	105.8	398.2	181.2	209.8	306.1
Share price at grant date [a]	14.60	14.20	14.20	13.45	14.20	14.20	14.20
Fair value per share or option [c]	14.23	14.06	14.06	12.19	12.87	12.94	3.76
Fair value of plan at the grant date (in € millions)	**0.8**	**13.0**	**1.3**	**2.8**	**1.7**	**2.5**	**1.0**

(a) Quoted market price per share at the grant date.

(b) Employee share plan approved by the Board of Directors on June 3, 2022, subscription closed to employees on June 24, 2022.

(c) 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.

(d) The Executive Committee matching share plan was approved by the Board of Directors on May 30, 2022, based on principles similar to the CEO matching performance share plan as described in the Listing Prospectus with regards to internal performance and external conditions. These include internal performance conditions for 75% of the grant (growth in revenue, Core EBITDA margin and inventory coverage, each representing 25% of the grant) and a Total Shareholder Return (TSR) condition versus a panel of companies and an index, for 25%.

The total amount of Sanofi and EUROAPI share-based payments recognized as an expense in the consolidated income statement with a matching entry in equity amounted to €10.9 million (excluding payroll taxes).

5.11 Lease liabilities

ACCOUNTING PRINCIPLE

A explained in Note 5.2, under IFRS 16 “Leases”, a contract or part of a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

EUROAPI recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments not yet paid at the commencement date. The discount rate used is the interest rate implicit in the lease or, if that cannot be readily determined, the lessee’s incremental borrowing rate (based on the lease term, not maturities). The EUROAPI Group generally uses the latter rate as a discount rate; it corresponds to the risk-free rate for the currency in which the lease is denominated, plus an uplift for credit risk over the duration of the payments.

Subsequently, the lease liability is increased to reflect interest on the liability and reduced by the amount of the lease payments made.

It is remeasured if future lease payments are modified following changes in an index or rate, or if the Group reassesses whether to exercise an option to purchase or a termination option.

Lease liabilities comprise:

(in € millions)	December 31, 2022	December 31, 2021
Non-current lease liabilities	16.2	18.7
Current lease liabilities	4.5	4.0
Total Lease liabilities	**20.7**	**22.7**

A maturity analysis of lease liabilities as of December 31, 2022 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 year
Total lease liabilities as of December 31, 2022	**20.7**	**4.5**	**7.2**	**3.5**	**5.5**

5.12 Non-current provisions

ACCOUNTING PRINCIPLE

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", EUROAPI records a provision when it has a present obligation, whether legal or constructive, as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the outflow of resources. Provisions are measured at the present value of the costs necessary to meet the obligation. If part of the obligation may be met through compensation from a third party, such compensation is recognized as a separate asset if it is certain to be received.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of an uncertain future event outside the control of the EUROAPI Group. A contingent liability that does not lead to a probable outflow of resources, or the amount of which cannot be reliably measured, is disclosed in the notes to the consolidated financial statements, unless the probability of an outflow of resources is remote.

EUROAPI estimates provisions on the basis of events and circumstances related to present obligations and of past experience of similar situations, and to the best of management's knowledge.

The table below shows movements in non-current provisions:

(in € millions)	Provisions for environmental risks	Provisions for pensions and other post-employment benefits	Provisions for other long-term benefits [(b)]	Restructuring and other provisions	Total
Balance at December 31, 2021	**47.8**	**90.8**	**25.0**	**31.4**	**195.0**
Increases in provisions	6.5	5.0	(0.9)	0.6	11.2
Provisions utilized	—	(1.1)	(1.5)	—	(2.7)
Reversals of surplus provisions	—	(0.3)	—	(1.6)	(1.9)
Transfers [(a)]	(12.9)	2.8	—	(0.6)	(10.7)
Net interest related to employee benefits, and unwinding of discount	(8.1)	1.0	0.2	—	(6.9)
Currency translation differences	(0.5)	(0.3)	(0.1)	—	(0.8)
Actuarial gains and losses on defined-benefit plans	—	(36.2)	—	—	(36.2)
Balance at December 31, 2022	**32.8**	**61.6**	**22.7**	**29.9**	**146.9**

(a) The €10.7 million decrease under "transfers" is mainly attributable to the reclassification of the current portion of provisions for environmental risks and pension provision to other current liabilities.

(b) The €22.7 million in this aggregate is composed of seniority bonuses for €13.9 million (o.w. €8.4 million in France and €4.7 million in Germany) and €8.7 million of long-term provision for vacation in France.

5.12.1 Provision for environmental risks

ACCOUNTING PRINCIPLE

For environmental risks, EUROAPI recognizes a provision where there is a legal or constructive obligation to remediate harm to human health or the environment resulting from contamination at a site, and the cost can be reliably measured. The amount of the provision is a best estimate of future expenditures on environmental remediation plans, based on the costs that EUROAPI believes it will have to incur over an average period not exceeding (other than in exceptional circumstances) ten years.

Sites identified as exposed to environmental risks are permanently monitored. Existing provisions are judged to be adequate based on available information. However, given the uncertainties as to the amount and timing of future expenditures and regulatory changes, provisions for environmental risks may require significant adjustment in future periods.

Provisions for environmental liabilities are recognized in “Cost of sales” if the provision relates to operational sites, and in “Other operating expenses” if the provision relates to non-operational sites.

Where the effect of the time value of money is material, provisions are measured at the present value of the outflow of resources expected to be required to settle the obligation, calculated using a discount rate that reflects an estimate of the time value of money and the risks specific to the obligation.

Increases in provisions to reflect the effects of the passage of time are recognized within “Financial income/expense”.

The table below shows movements in provisions for environmental risks classified in current and non-current liabilities:

(in € millions)	December 31, 2022	December 31, 2021
Balance at beginning of period	**52.7**	**75.1**
Of which:		
· *Classified in non-current liabilities*	*47.8*	*75.1*
· *Classified in current liabilities*	*4.9*	—
Provision increase	6.5	3.1
Provisions utilized	(5.2)	(10.9)
Provision non utilized	(0.1)	—
Transfers [(a)]	—	(14.6)
Unwinding of discount	(8.1)	—
Currency translation differences	(0.5)	—
Balance at end of period	**45.4**	**52.7**
Of which :		
· *Classified in non-current liabilities*	*32.8*	*47.8*
· *Classified in current liabilities*	*12.6*	*4.9*

(a) In 2021, a provision of €14.6 million was retained by Sanofi pursuant to the Preliminary Reorganization Transactions completed in France on October 1, 2021. Consequently, the “Transfers” line reflects the transfer of this legacy liability to Sanofi, which was treated as a transaction between shareholders and reflected in equity.

5.12.2 Provisions for pensions and other post-employment benefits

ACCOUNTING PRINCIPLE

Pension plans and other post-employment benefits (and their respective portions of plan liabilities and assets, interest and service cost) have been accounted for on the basis of an actuarial valuation of the rights vested or currently vesting in EUROAPI employees and retirees, using the projected unit credit method in accordance with IAS 19 “Employee Benefits”.

Benefits are provided in the form of either defined contribution plans or defined benefit plans.

In the case of defined contribution plans, the cost is recognized immediately in the period in which it is incurred, and equates to the amount of the contributions paid by EUROAPI.

For defined benefit plans, EUROAPI generally recognizes its obligations to pay pensions and similar benefits to employees as a liability, based on an actuarial estimate of the rights vested or currently vesting in employees, using the projected unit credit method. Estimates are performed at the end of each reporting period, and rely on financial assumptions (such as discount rates) and demographic assumptions (such as life expectancy, retirement age, employee turnover, and the rate of salary increases).

In the case of multi-employer defined benefit plans where plan assets cannot be allocated to each participating employer with sufficient reliability, the plan is accounted for as a defined contribution plan, in accordance with paragraph 34 of IAS 19.

Obligations relating to other post-employment benefits (healthcare and life insurance) offered by to EUROAPI employees are also recognized as a liability based on an actuarial estimate of the rights vested or currently vesting in EUROAPI employees at the end of the reporting period.

Employee benefit obligations are recognized net of the fair value of plan assets.

The benefit cost for the period consists primarily of current service cost, past service cost, net interest cost, gains or losses arising from plan settlements not specified in the terms of the plan, and actuarial gains or losses arising from plan curtailments. Net interest cost for the period is determined by applying the discount rate specified in IAS 19 to the net liability (i.e., the amount of the obligation, net of plan assets) recognized in respect of defined benefit plans. Past service cost is recognized immediately in profit or loss in the period in which it is incurred, regardless of whether or not the rights have vested at the time of adoption (in the case of a new plan) or of amendment (in the case of an existing plan).

Actuarial gains and losses on defined benefit plans (pensions and other post-employment benefits), also referred to as "Remeasurements of the net defined benefit liability (asset)", arise as a result of changes in financial and demographic assumptions, experience adjustments, and the difference between the actual return and interest cost on plan assets. The impacts of those remeasurements are recognized in “Other comprehensive income”, net of deferred taxes; they may not subsequently be reclassified to profit or loss.

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.

Pension obligations in the two principal countries represented approximately 95.4% of the total value of the defined-benefit obligation as of December 31, 2022. The principles of the main defined-benefit plans in those two countries are described below:

France

Lump-sum retirement benefit plans

All EUROAPI employees working in France are entitled, under plans historically offered by Sanofi, to a lump-sum payment on retirement. The amount of that payment depends both on their length of service within the company and on the rights guaranteed by collective and internal agreements. The employee’s final salary is used in calculating the amount of these lump-sum retirement benefits. These plans are mandatory in France.

Supplementary pension plan

Few EUROAPI employees working in France are entitled, under plan historically offered by Sanofi, to a supplementary pension plan which was terminated in 2019 with the freeze of rights as of December 31, 2019. There is no longer accrual rights after December 31, 2019 and the definitive acquisition of a beneficiary’s rights remains subject to the presence criteria provided for by the plan. The plan is fully funded through an insurance contract which will be used to pay annuities when the beneficiaries will retire.

Germany

Top-up defined-benefit pension plans

The benefits offered under this pension plan are wholly unfunded (there are no employee contributions and no Contractual Trust Agreement (CTA) as a financing vehicle. The benefits are based on monthly portions. Employees are entitled to receive an annuity under this plan if their salary exceeds the social security ceiling. The amount of the pension is calculated by fictious contributions between 12% and 15% of the salary exceeds the social security ceiling and converted to an annuity by a factor of 20%. The plan also includes disability and death benefits, and represents approximately 27% of the total obligations in Germany.

Sanofi-Aventis plus (SAV plus)

This is a top-up plan that replaces the previous top-up defined-benefit plan. New entrants joining the plan on or after April 1, 2015 contribute fictious amounts to an unfunded account granting fixed and variable interest that is revised every three years. All employees whose salary exceeds the social security ceiling are automatically covered by the plan. The employer's contribution is 15% of the amount by which the employee's salary exceeds the social security ceiling.

Multi-employer plan (Pensionskasse)

This is a defined-benefit plan treated as a defined-contribution plan, in accordance with the accounting policies described in this note. Currently, contributions cover the level of annuities. Only the portion relating to the future revaluation of the annuities is included in the defined-benefit pension obligation. The obligation relating to this revaluation declined from €37.8 million to €19,5 million in 2022 due mainly to the change in discount rate.

Actuarial assumptions used to measure EUROAPI's pension obligation

An actuarial valuation of the obligation was performed with the assistance of independent actuaries as of December 31, 2022. The calculations were based on the following financial and demographic assumptions:

	2022		2021	
	France	Germany	France	Germany
Discount rate [a]/[b]	3.72%	3.45% to 3.85%	0.10% to 1.10%	0.10% to 1.10%
General inflation rate [c]	2.20%	2.20%	1.95%	1.95%
Retirement benefit indexation	3.20%	2.95%	2.40%	1.35%
Retirement age	62 to 67	63	62 to 67	62
Mortality table	INSEE 2016-2018	Heubeck RT 2018 G	TGH/TGF05	Heubeck RT 2018 G

(a) The discount rates used were based on market rates for high quality corporate bonds with a duration close to that of the expected benefit payments under the plans. The benchmarks used to determine discount rates were the same for all periods presented.
(b) The rate depends on the duration of the plan.
(c) Inflation for the eurozone is determined using a multi-criterion method.

Sensitivity analysis

The tables below show the sensitivity of the EUROAPI Group's obligations for pensions and other post-employment benefits to changes in key actuarial assumptions as of December 31, 2022:

(in € millions)		Pensions and other post-employment benefits, by principal country - 2022			
Measurement of defined-benefit obligation	**Change in assumption**	**France**	**Germany**	**Hungary**	**Italy**
Value of defined-benefit obligation		**19.5**	**41.2**	**2.2**	**0.5**
Discount rate	-0.5%	20.5	45.3	2.3	0.5
General inflation rate	+0.5%	19.5	47.5	2.3	0.5
Pension benefit indexation	+0.5%	19.5	47.5	2.2	0.5
Mortality table	+ 1 an	19.5	41.5	2.2	0.5

The table below reconciles the net obligation in respect of EUROAPI's pension and other post-employment benefit plans with the amounts recognized in the consolidated financial statements:

(in € millions)	Pensions and other post-employment benefits 2022
Measurement of the obligation:	
Beginning of period	90.8
Current service cost	5.0
Interest cost	1.0
Actuarial losses/(gains) due to changes in financial assumptions	(34.7)
Actuarial losses/(gains) due to experience adjustments	(1.6)
Plan amendments, curtailments or settlements not specified in the terms of the plan	(0.3)
Benefits paid	(1.1)
Transfers [(a)]	4.6
Currency translation differences	(0.3)
Obligation at end of period	**63.4**
Fair value of plan assets:	
Beginning of period	0.0
Transfers [(a)]	1.9
Currency translation differences	0.0
Fair value of plan assets at end of period	**1.9**
Net amount shown in the balance sheet	
Net obligation	61.6
Effect of asset ceiling	0.0
Net amount shown in the balance sheet at end of period	**61.6**

(a) The amount of €4.6 million shown on the "Transfers" line in 2022 represents the pension debt for people transferred from Sanofi to Euroapi Germany within year 2022 for €2.8 million, recorded against a receivable with Sanofi.
The remaining €1.9 million on the "Transfers" line in liability is linked to the supplementary pension plan in France described in the introduction, totally compensated by the "Transfers" line of the fair value of plan asset. This plan was fully funded through an insurance contract (entirely in euro funds) and was presented on a net basis in 2021. In 2022, a negative €0.3 million impact has been recorded on the liability part due to a salary departure, in line "plan amendments, curtailment or settlement not specified in the terms of the plan".

The table below show the net obligation in respect of pension plans and other post-employment benefits by geographical region as of December 31, 2022:

(in € millions)	Pensions and other post-employment benefits by geographical region				
December 31, 2022	**France**	**Germany**	**Hungary**	**Italy**	**Total**
Measurement of obligation	19.5	41.2	2.2	0.5	**63.4**
Fair value of plan assets	1.9	0.0	0.0	0.0	**1.9**
Net amount shown in the balance sheet at end of period	**17.6**	**41.2**	**2.2**	**0.5**	**61.6**

The net obligation by geographical region presented as of December 31, 2021 was as follows:

(in € millions)	Pensions, other post-employment benefits and long-term benefits provision by geographical region [(a)]						
December 31, 2021	**France**	**Germany**	**Hungary**	**Italy**	**UK**	**Others**	**Total**
Measurement of obligation	40.0	70.2	4.0	1.0	0.5	0.1	115.8
Fair value of plan assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net amount shown in the balance sheet at end of period	**40.0**	**70.2**	**4.0**	**1.0**	**0.5**	**0.1**	**115.8**

(a) Please note that the net obligation by geographical region presented in 2021 concerned pensions, other post-employment benefits and provisions for long term benefits. In 2022, we have focused our analysis on pensions and other post-employment benefits.

The table below show the service cost for EUROAPI's pension and other post-employment benefit plans, by geographical region as of December 31, 2022:

(in € millions)	Pensions and other post-employment benefits by geographical region				
Service cost for 2022	**France**	**Germany**	**Hungary**	**Others**	**Total**
Current service cost	1.9	3.0	0.2	0.0	5.0
Net interest cost/(income) including administration costs and taxes paid during the period	0.2	0.7	0.1	0.0	1.0
(Gains)/losses related to plan amendments, curtailments or settlements not specified in the terms of the plan	(0.3)	0.0	0.0	0.0	(0.3)
Expense/(gain) recognized directly in profit or loss	**1.8**	**3.6**	**0.3**	**0.0**	**5.7**

The service cost split by geographical region as of December 31, 2021 was as follows:

(in € millions)	Pensions, other post-employment benefits and long-term benefits provision by geographical region [(a)]				
Service cost for 2021	**France**	**Germany**	**Hungary**	**Others**	**Total**
Current service cost	3.5	2.6	0.3	0.1	6.5
Net interest cost/(income) including administration costs and taxes paid during the period	0.3	0.5	0.2		0.9
Expense/(gain) for the period	**3.8**	**3.1**	**0.4**	**0.1**	**7.4**

(a) Please note that the service cost presented in 2021 concerned pensions, other post-employment benefits and provisions for long term benefits. In 2022, we have focused our analysis on pensions and other post-employment benefits.

The estimated amounts of employer's contributions to plan assets are as follows:

(in € millions)	France	Germany	Hungary	Others	Total
Employer's contributions (estimate):					
2023	0.1	0.4	0.1	0.0	0.6

The table below shows the expected timing of benefit payments under pension and other post-employment benefit plans for the next ten years:

(in € millions)	France	Germany	Hungary	Others	Total
Estimated benefit payments					
2023	0.1	0.4	0.1	0.0	0.6
2024	0.1	0.7	0.2	0.0	0.9
2025	0.2	0.9	0.1	0.0	1.2
2026	0.4	1.4	0.2	0.1	2.1
2027	0.6	1.3	0.3	0.1	2.3
2028 to 2032	8.8	4.3	1.6	0.2	14.8

5.12.3 Restructuring provisions

ACCOUNTING PRINCIPLE

Restructuring provisions are recognized on the date the obligation arises, i.e., when the EUROAPI Group (i) has a detailed, formal restructuring plan and (ii) has raised a valid expectation in those affected that it will carry out the restructuring.

The table below shows movements in restructuring provisions classified in current and non-current liabilities:

(in € millions)	December 31, 2022	December 31, 2021
Balance at beginning of period	**2.7**	**5.6**
Of which:		
· *Classified in non-current liabilities*	*0.2*	*0.1*
· *Classified in current liabilities*	*2.5*	*5.6*
Change in provisions recognized in profit or loss for the period	2.9	0.4
Provisions utilized	(1.6)	(3.5)
Currency translation differences	—	0.1
Balance at end of period	**4.0**	**2.7**
Of which :		
· *Classified in non-current liabilities*	—	*0.2*
· *Classified in current liabilities*	*4.0*	*2.5*

In 2022, a new restructuring provision was recorded in Italy (see Note 3.2). Termination benefits represent 55.2% of the total restructuring provision.

The timing of future reversals of provisions as of December 31, 2022 is as follows:

At December 31, 2022		**Benefit payments by period**			
(in € millions)	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Total provisions	**4.0**	**4.0**	**—**	**—**	**—**
-Germany	1.3	1.3	—	—	—
- United Kingdom	0.2	0.2	—	—	—
- Italy	2.0	2.0	—	—	—
- France	0.4	0.4	—	—	—

5.13 Trade payables

ACCOUNTING PRINCIPLE

Accounts payable are measured at fair value (which in most cases equates to face value) on initial recognition, and subsequently at amortized cost.

Trade payables break down as follows:

(in € millions)	December 31, 2022	December 31, 2021
Trade payables - third parties	183.1	119.1
Trade payables - related party	36.6	70.5
Carrying amount	**219.6**	**189.6**

5.14 Other current liabilities

Other current liabilities break down as follows:

(in € millions)	December 31, 2022	December 31, 2021
Customer contract liabilities [(a)]	6.6	10.4
Current income tax liabilities	11.7	7.7
Taxes payable, other than corporate income taxes	9.7	6.2
Employee-related liabilities	60.3	50.8
Restructuring provisions	4.0	2.5
Amounts payable for acquisitions of non-current assets [(b)]	9.1	63.1
Other current liabilities [(c)]	30.8	51.0
Total	**132.2**	**191.7**

(a) See note 5.9.
(b) The decrease in this item as of December 31, 2022 is mainly due to significant acquisitions of software and IT infrastructure in 2021. As of December 31, 2021, this item included a €28.4 million debt to Sanofi.
(c) This line was previously split between "Other current liabilities" for €17.5 million and "Other payables - related parties" for €34.5 million in 2021, for a total of €51 million.
As of December 31, 2022, this line includes mainly the current portion of the provisions for €18.0 million.

5.15 Derivative financial instruments

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

The table below shows the fair value of derivative instruments as of December 31, 2022:

(in € millions)	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Market value at December 31, 2022 (net)	Market value at December 31, 2021 (net)
Currency derivatives								
Operating	—	0.5	0.5	—	0.1	0.1	0.4	
Financial	—	0.4	0.4	—	0.3	0.3	0.1	
Total	**—**	**0.9**	**0.9**	**—**	**0.4**	**0.4**	**0.5**	

Currency derivatives used to manage operating risk exposures

The table below shows operating currency hedging instruments in place as of December 31, 2022. The notional amount is translated into euros at the relevant closing exchange rate:

December 31, 2022 *(in € millions)*	Notional amount	Mark-to-market
Forward currency sales	35.3	0.6
Of which USD	*12.3*	*0.1*
Of which HUF	*23.0*	*0.4*
Forward currency purchases	15.7	(0.2)
Of which USD	*6.7*	*(0.1)*
Of which GBP	*9.0*	*(0.1)*
Total	**51.0**	**0.4**

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 December 31, 2022. The notional

amount is translated into euros at the relevant closing exchange rate:

December 31, 2022 *(in € million)*	Notional amount	Mark-to-market
Forward currency sales	9.8	(0.1)
Of which GBP	*5.2*	*0.1*
Of which JPY	*4.6*	*(0.2)*
Forward currency purchases	13.7	0.1
Of which USD	*2.9*	*(0.1)*
Of which HUF	10.8	0.2
Total	**23.5**	**0.1**

5.16 Debt, cash and cash equivalents

ACCOUNTING PRINCIPLE

Cash and cash equivalents as shown in the statement of financial position and statement of cash flows comprise cash, plus liquid short-term investments that are readily convertible into cash and are subject to an insignificant risk of changes in value in the event of movements in interest rates.

The components of cash and cash equivalents shown in the statement of financial position and statement of cash flows reflect the cash held by the EUROAPI Group, which had no cash equivalents as of December 31, 2022.

Changes in financial position during the period were as follows:

(in € millions)	December 31, 2022	December 31, 2021
Long-term debt	—	—
Short-term debt and current portion of long-term debt	100.1	1.4
Interest rate and currency derivative used to manage debt	(0.1)	—
Total debt	**100.1**	**1.4**
Cash and cash equivalents	(74.5)	(10.3)
Net debt/(Net cash) [(a)]	**25.6**	**(8.9)**

(a) Net debt does not include lease liabilities, which amounted to €20.7 million as of December 31, 2022 and €22.7 million as of December 31, 2021.

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

	December 31, 2022			December 31, 2021		
(in € millions)	Non-current	Current	Total	Non-current	Current	Total
Bond issues	—	—	—	—	—	—
Other borrowings	—	100.1	100.1	—	—	—
Bank credit balances	—	—	—	—	1.4	1.4
Interest rate and currency derivative used to manage debt	—	(0.1)	(0.1)	—	—	—
Total debt	**—**	**100.1**	**100.1**	**—**	**1.4**	**1.4**
Cash and cash equivalents	—	(74.5)	(74.5)	—	(10.3)	(10.3)
Net debt/(Net cash)	**—**	**25.6**	**25.6**	**—**	**(8.9)**	**(8.9)**

Net debt includes an amount of €100.1 million drawn under the RCF Loan Agreement (including accrued interests), recorded in other borrowings (see Note 9).

(in € millions)		Current	Non current				
	Total	**2023**	**2024**	**2025**	**2026**	**2027**	**2028 and later**
Floating-rate debt	100.1	100.1	—	—	—	—	—
of which EUR	*100.1*						
% floating-rate	**100 %**						
Debt	**100.1**	**100.1**	**—**	**—**	**—**	**—**	**—**
Cash and cash equivalents	(74.5)	(74.5)	—	—	—	—	—
of which EUR	*(64.4)*						
of which USD	*(4.9)*						
of which HUF	*(2.7)*						
of which JPY	*(1.8)*						
of which CNY	*(0.2)*						
of which RUB	*(0.5)*						
% floating-rate	**100 %**						
Net debt/(Net cash)	**25.6**	**25.6**	**—**	**—**	**—**	**—**	**—**

The table below shows the net debt by interest rate:

Interest and fees

The applicable margin varies depending on the ratio of consolidated net debt to consolidated Core EBITDA as defined in the RCF Loan Agreement (excluding the effects of IFRS 16). The applicable margin level is reviewed every six months and is calculated for the first time on the basis of the financial statements starting December 31, 2022.

RCF loan issuance costs have been recognized in financial assets for an amount of €2.3 million and are amortized over the duration of this credit line.

Note 6. Notes to the income statements

6.1 Net sales and other revenues

ACCOUNTING PRINCIPLE

EUROAPI recognizes revenue in accordance with the revenue recognition model specified in IFRS 15 “Revenue from Contracts with Customers”.

EUROAPI derives a substantial proportion of its revenues from the supply of manufactured or distributed active pharmaceutical ingredients, in particular via its API Solutions business; it also derives revenues (albeit to a lesser extent) from the contract manufacturing of active pharmaceutical ingredients, which involves supplying certain third-party customers with high added value industrial services under CDMO contracts.

Revenue from sales of manufactured or distributed active pharmaceutical ingredients

The bulk of EUROAPI’s revenue derives from sales of manufactured or distributed active pharmaceutical ingredients. Sales are presented within “Net sales” in the income statement in an amount that reflects the consideration received in exchange for satisfying performance obligations, when it is highly probable that there will be no revenue reversal. Revenue is recognized when the API product promised under the contract is delivered to the customer.

EUROAPI does not recognize sales returns for any reason other than non-compliance, supported by analyses carried out by the customer on receipt of the product. Products declared as non-compliant by customers are not returned to inventories and recognized in the statement of financial position unless the active ingredients returned can be reprocessed and ultimately resold.

Volume-based incentives are estimated on the basis of firm customer orders.

Revenue from CDMO

EUROAPI also supplies high added value industrial services under service contracts. Those services include formulation, galenic and analytical development, quality control, regulatory support, and product life cycle management.

Financial consideration received from those activities are recognized as revenue, with the corresponding entry being recognized as a receivable, once the performance obligations defined at contract inception are satisfied (i.e., when control over the goods and services promised under the contract is transferred to the customer). At the inception of each contract, management determines what goods and services are promised under the contract, and the pattern of transfer to the customer. Revenue from CDMO is recognized upon milestones achievements when they are distinct performance obligations in the contacts. Where control is transferred over time, management determines a method for measuring the progress towards transfer, which may be based on inputs (such as costs incurred) or on outputs (by reference to units produced or shipped). If it is not possible to measure progress reliably, EUROAPI recognizes revenue equal to the amount of costs incurred and rebillable to the customer. If a contract is for the supply of active pharmaceutical ingredients, the sale is recognized when the products are physically delivered. Where a contract includes a “stand-ready” performance obligation, EUROAPI recognizes the associated revenue on a straight-line basis over the total duration of the contract.

If a contract includes a significant financing component due to the payment terms exceeding 12 months, that component is taken into account when determining the transaction price and reflected in the amount of revenue recognized. Accordingly, a financial expense is recognized where EUROAPI receives financing, and financial income where EUROAPI grants financing.

Recognizing revenue from contracts with customers in accordance with the IFRS 15 revenue recognition model may require management assumptions and judgments, mainly relating to:

- measurement of progress towards meeting a performance obligation in contracts where the obligation is transferred to the customer over time, and determination of the amount and date on which revenue is recognized;
- determination of the duration of the contract and transaction price in cases where the contract allows the customer an extension option or an option to acquire additional goods or services, and the assessment, measurement and recognition of such option rights where material; and
- determination of the quantities specified in the contract, where the contract includes variable or optional quantities.

Advance payments received in respect of industrial services contracts

Payments received from customers in the pre-production phase that represent future revenues are recognized within “Other current liabilities”; they are then released to profit or loss once performance of the contract starts, following the same pattern as for the transfer of performance obligations to the customer in line with the approach described above in the “Revenue from the supply of industrial services” section.

Customer contract assets and liabilities are presented in Note 5.9.

Other revenues

Other revenues include activities and services that are not EUROAPI core activities (i.e., not related to the manufacturing and/or distribution of APIs).

The net sales amount to €976.6 million as of December 31, 2022 (see Note 8.2).

The other revenue amounts to €4.3 million and includes :

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

6.2 Cost of sales

ACCOUNTING PRINCIPLE

Industrial services contract costs

Costs incurred on industrial services contracts with customers are recognized as an asset within "Other current assets" in the statement of financial position when they meet the IFRS 15 capitalization criteria for contract costs, i.e., when they (i) are directly attributable to the contract; (ii) generate resources that will be used in satisfying the performance obligation defined in the contract; and (iii) are recoverable without directly benefiting the customer. Such costs essentially comprise expenditure incurred by EUROAPI in the pre-production phase that is necessary for bringing the industrial plant and manufacturing facilities into line with the customer's specifications, and for transferring the technology to the customer. These incurred costs, which are necessary for performing the contract but do not benefit the customer directly, are recognized in the EUROAPI statement of financial position.

Contract costs are systematically capitalized when they meet the criteria specified above. When production and performance of the service specified in the contract starts, the contract costs are taken to profit or loss within "Cost of sales" (see Note 6.2) over the contract performance period, following the same pattern as for revenue recognition in line with the approach described above.

Cost of active pharmaceutical ingredients sold

Cost of sales mainly comprises the direct and indirect manufacturing costs of active ingredients sold by EUROAPI. The manufacturing cost of active ingredients sold includes (i) direct costs of materials and solvents used in the manufacturing process; (ii) depreciation expenses corresponding to the normal use of property, plant and equipment and software for manufacturing purposes; and (iii) personnel and other costs directly attributable to production and to site operation.

Capitalized contract costs recognized in profit or loss over the contract performance period

Costs incurred by EUROAPI in the pre-production phase of service and industrial development contracts with customers are capitalized when (i) they do not represent a performance obligation and (ii) they are necessary for fulfilment of the contract. Those costs are then taken to profit or loss within "Cost of sales" once the contract performance phase starts, following the same pattern as for the transfer of performance obligations to the customer and for recognizing the associated revenue.

6.3 Research and development expenses

ACCOUNTING PRINCIPLE

Research and development (R&D) expenses mainly comprise primary expenditures incurred by EUROAPI development platforms relating to in-house projects to develop new products and services or to improve existing products and services before they move into industrial operation.

Government grants relating to research and development projects are recognized in profit and loss to offset the corresponding cost incurred.

(in € millions)	December 31, 2022	December 31, 2021
Research and development	(21.8)	(17.0)
Total	**(21.8)**	**(17.0)**

6.4 Personnel costs

Total personnel costs (other than termination benefits, presented in Note 6.7) include the following items:

(in € millions)	December 31, 2022	December 31, 2021
Salaries	(187.0)	(176.8)
Social security charges and defined-contribution plan [(a)]	(65.0)	(61.8)
Defined-benefit plans, and voluntary and statutory profit-sharing schemes	(20.9)	(18.7)
Stock options and other share-based payment expense [(b)]	(12.9)	(1.8)
Other employee benefits	(14.0)	(15.5)
Total	**(299.8)**	**(274.6)**

(a) In 2022, defined-contribution plan expenses amounted to €10.6 million, versus €8.5 million in 2021.
(b) This amount includes payroll costs. See detail of EUROAPI share plans in Note 5.10.

6.5 Other operating income and expenses

ACCOUNTING PRINCIPLE

Other operating income and Other operating expenses include realized and unrealized foreign exchange gains and losses on operating activities and gains and losses on disposals of non-financial assets. These line items also include other income and expenses that are of an operating nature but do not contribute to generating operating income during the period.

Other operating income and expenses amounted to €0.2 million in 2022, mainly due to foreign exchange gain on operating items.

Other operating income amounted to €4.2 million in 2021, comprising €2.9 million of indemnities receivable in respect of certain short-term employee benefit liabilities owed by Sanofi under the terms of the Master Carve Out Agreement of October 1, 2021 and a foreign exchange gain of €1.3 million.

Other operating expenses were €5.4 million in 2021 and mainly comprised an impairment allowance of €2.0 million taken against a commercial lease that is effective from July 1, 2021 but has not been used, and a charge of €2.4 million to provisions for environmental risks at non-operational sites (mainly parcels of land at Vertolaye in France).

6.6. Impairment of assets

Impairment of assets amounts to €21.8 million as of December 31, 2022 and is fully linked to the Brindisi site. This impact has been recognized following the result of the impairment test described in Note 5.4.

In 2021, €8.9 million were recognized on this line (reclassified from restructuring costs in 2022, see Note 6.7), fully linked to Italy.

6.7. Restructuring costs and similar items

ACCOUNTING PRINCIPLE

Restructuring costs are expenses incurred in connection with the transformation or reorganization of the EUROAPI group's operations or support functions. Such costs include collective redundancy plans; compensation to third parties for early termination of contracts; commitments made in connection with transformation or reorganization decisions; and costs related to temporary shutdowns 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 asset disposals resulting from such decisions.

Restructuring costs and similar items breaks down as follows:

(in € millions)	December 31, 2022	December 31, 2021
Employee-related expenses	(3.1)	0.3
Charges, gains or losses on assets [(a)]	—	—
Other restructuring costs	(3.0)	(4.7)
Total	**(6.1)**	**(4.5)**

(a) In 2021, €8.9 million in this line has been reclassified in line impairment of assets (see Note 6.6).

Restructuring costs in 2022 are mainly linked to Brindisi site in Italy, of which employee-related expenses for €3.1 million and under-activity impact for €2.9 million (see Note 3.2).

6.8 Other gains and losses, and litigation

ACCOUNTING PRINCIPLE

Provisions for litigation are presented within the relevant line item for the nature of the litigation. The impacts of litigation regarded as unusual in terms of its nature, history or amount are recognized within Other gains and losses, and litigation.

No items were recorded within "Other gains and losses, and litigation" in 2022.

6.9 Financial income and expenses

An analysis of financial income and expenses is presented below:

(in € millions)	December 31, 2022	December 31, 2021
Cost of debt [(a)]	(1.3)	(0.6)
Interest income	0.1	0.2
Cost of net debt	**(1.2)**	**(0.4)**
Non-operating foreign exchange gains/(losses)	(1.3)	(0.2)
Unwinding of discounting of provisions [(b)]	8.1	—
Net interest cost related to employee benefits [(b)]	(1.2)	(0.9)
Net interest expense on lease liabilities	(0.4)	(0.4)
Net financial income/(expense)	**4.0**	**(1.9)**
Of which financial expenses	**(4.2)**	**(2.1)**
Of which financial income	**8.2**	**0.2**

(a) The cost of debt is composed of amortization of cost and interest on RCF loan for €1.1 million.
(b) See detail in Note 5.12.

Note 7. Taxes

ACCOUNTING PRINCIPLE

Current and deferred income tax expenses, and tax receivables and payables, have been determined in accordance with the principles specified in IAS 12.

Tax receivables and tax liabilities are presented within the line items “Other non-current assets”, “Other current assets”, “Other non-current liabilities” and “Other current liabilities” in the EUROAPI statement of financial position.

Income taxes

Current tax for the period includes amounts expected to be payable on taxable income in the period together with any adjustments to taxes payable in respect of previous periods, and is determined based on the tax laws enacted or substantively enacted at the reporting date in the countries in which the Group operates and generates taxable income.

The French legal entities (i.e., EUROAPI, EUROAPI France and Francopia) are not in a position to form a tax group in France in 2022, as they were held by Sanofi until EUROAPI’s initial public offering on May 6, 2022. In addition, the Group’s other legal entities are not in a position to form a tax consolidation group in their respective jurisdictions.

Deferred taxes and tax liabilities

Deferred tax is determined by identifying the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax for the period includes origination and reversal of temporary differences, remeasurements of deferred tax balances and adjustments in respect of prior periods.

Deferred tax assets are recognized for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which they can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxation authority, on either the same taxable entity or on different taxable entities where there is an intention to settle the balances on a net basis.

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

(in € millions)	December 31, 2022	December 31, 2021
Current taxes	(9.2)	(18.3)
Deferred taxes	(9.0)	17.1
Total	**(18.2)**	**(1.2)**
Income/(loss) before tax	**3.1**	**(14.6)**

The difference between the effective tax rate (on income before tax and investments accounted for using the equity method) and the standard corporate income tax rate applicable in France is explained as follows:

(in € millions)	December 31, 2022
Income before taxes	3.1
Standard tax rate applicable in France	25.83 %
Theoretical tax expense	**(0.8)**
Impact of permanent differences	(5.0)
Research tax credit	0.6
Differences in tax rates	2.7
Impact of non-recognized deferred tax assets [(a)]	(16.0)
Other	0.3
Effective tax expense	**(18.2)**

(a) This impact in mainly due to Italy for €15.3 million (of which €8.3 million of deferred tax on losses carried forward and €7 million of other deferred tax assets).

An analysis of the net deferred tax position is presented below:

(in € millions)	December 31, 2022	December 31, 2021 [(a)]
Deferred tax assets	29.6	48.8
Deferred tax liabilities	(6.3)	(5.6)
Net deferred tax asset/(liability)	**23.3**	**43.2**

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

The table below provides an analysis of the net deferred tax position by source:

(in € millions)	December 31, 2022	December 31, 2021 [(a)]
Deferred taxes on:		
Consolidation adjustments (intragroup margin in inventory)	(0.2)	0.8
Provision for pensions and other employee benefits	13.4	22.6
Accrued expenses and provisions deductible at the time of payment	8.8	8.3
Temporary differences on property, plant and equipment	1.7	(1.6)
Tax losses available for carry-forward	2.8	—
Other [(b)]	(3.2)	13.1
Net deferred tax asset/(liability)	**23.3**	**43.2**

(a) Amended to reflect the finalization of analyses relating to the Prior Reorganization Transactions carried out during 2021 (see Note 2).
(b) The decrease on line "other" between 2021 and 2022 is linked to the allowance of deferred taxes in the correct categories in 2022.

The inventory of tax losses carried forward by country as of December, 2022 is set out below:

(in € millions)	Tax losses available for carry-forward	France	Germany	Italy	Japan
2023	—	—	—	—	—
2024	—	—	—	—	—
2025	—	—	—	—	—
2026	—	—	—	—	—
2027	—	—	—	—	—
2028 and later	50.0	8.5	2.2	37.5	1.7
Total as of December 31, 2022	**50.0**	**8.5**	**2.2**	**37.5**	**1.7**

Deferred taxes related to losses available for carry-forward amount to €2.8 million as of December 31, 2022, on which €1.5 million in France, €0.7 million in Germany and €0.5 million in Japan.

As of December 31, 2022, unrecognized deferred tax assets amounted to €16.9 million, mainly related to Italy for €16.1 million. This amount is mainly composed of €9 million of tax losses available for carryforward and €3.8 million of temporary differences on property, plant and equipment.

As of December 31, 2021, unrecognized deferred tax assets, which mainly related to tax losses available for carry-forward, amounted to €0.9 million.

Note 8. Segment information

ACCOUNTING PRINCIPLE

Segment information is prepared on the basis of information communicated to the Chief Executive Officer (CEO). The CEO, who has been designated as the chief operating decision-maker (CODM) of EUROAPI in accordance with IFRS 8 "Operating Segments", makes decisions on EUROAPI's strategic orientations and on the allocation of resources.

EUROAPI has identified a single operating segment that meets the IFRS 8 criteria.

Reporting a single segment is consistent with the EUROAPI Group's cross-functional structure and governance arrangements; it reflects the level at which strategic and operational decisions are made, budgetary planning and resource allocations carried out, and performances measured on the basis of information provided regularly to the CODM.

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 6.6);

(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 December 31, 2022 is shown below:

(in € millions)		December 31, 2022	December 31, 2021
Operating income/(loss) (EBIT)		**(0.8)**	**(12.8)**
(+)	Depreciation, amortization and impairment	94.5	76.0
Operating income/(loss) before depreciation, amortization and impairment (EBITDA)		**93.7**	**63.2**
(+)	Restructuring costs and similar items excluding depreciation, amortization and impairment	6.1	3.3
(+)	Increase in provisions for environmental risks, net of reversals of unused provisions	6.3	3.1
(+)	Other [(a)]	13.9	2.6
Core EBITDA		**120.0**	**72.2**

(a) "Other" for 2022 corresponds to the employee share plan, free share plans and forfeited share expenses in connection with the loss of control of the Sanofi group and the initial listing of EUROAPI shares on Euronext as detailed in Note 5.10.
In 2021, this line included charges to provisions for risks relating to an ongoing claim (€0.9 million) and a commercial lease (€1.7 million) which was also subject to an impairment loss taken against right-of-use assets.

8.2 Additional information

An analysis of net sales by category is provided below:

(In € million)	December 31, 2022	December 31, 2021
API solutions net sales	709.1	670.3
CDMO net sales	267.5	222.5
Total net sales	**976.6**	**892.8**

Analysis of net sales by product type is provided below:

(in € millions)	December 31, 2022	December 31, 2021
Large molecules	98.4	52.6
Highly potent molecules	82.2	102.6
Biochemistry molecules derived from fermentation	148.3	152.2
Complex chemical synthesis molecules	647.7	585.4
Total net sales	**976.6**	**892.8**

Note 9. Risk exposure

9.1 Foreign exchange risk

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

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

9.2 Interest rate risk

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

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

9.3 Liquidity risk

EUROAPI had the following arrangement in place as of December 31, 2022 to manage its liquidity in connection with ordinary operations:

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

The purpose of the RCF Loan Agreement is to finance the Group's general corporate purposes and acquisitions. It is governed by French law and the Company has had the option to make drawdowns under this agreement since the Company's notification to the Lenders of the initial listing of 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 includes a covenant starting December 31, 2022 (calculated the June 30, 2022 & December 31, 2022) stipulating that the ratio of total net debt to consolidated core EBITDA may not exceed 4.00. The ratio is largely respected as of December 31, 2022.

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 monitor all customers risks (see note 5.7).

To do this, all customers creation must be checked by the credit management department with a financial information tool. The financial assessment of the client is carried out at least once a year for less regular clients, otherwise three to four times a year for more regular clients to ensure their financial soundness.

Note 10. Other information

10.1 Subsequent events

None

10.2 Off-balance sheet commitments

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

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

These agreements set certain limitations on liabilities in respect of the transferred activities and the related assets and liabilities, and certain indemnity undertakings, that impact EUROAPI's consolidated financial statements for the year ended December 31, 2022.

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 and constitutes an off-balance sheet commitment received from Sanofi as of December 31, 2022 (no change compared to December 31, 2021).

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 2022, €2.6 million "State of the Art" expenses has been incurred and reinvoiced to Sanofi within the dedicated income statement line.

The remaining off-balance sheet commitment received by Sanofi amounts to €12.4 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 consecutively with 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 December, 2022 (no change compared to December 31, 2021).

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, will be transferred to EUROAPI at the date of the initial public offering; provided by the controlling entity until completion of the transaction, it covers EUROAPI against public liability in respect of pollution and remediation.

This undertaking constitutes an off-balance sheet commitment received. In 2022, this insurance has not been used by EUROAPI.

Brindisi Capex

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

In 2022, no amount has yet been paid by Sanofi to EUROAPI Italy under this agreement since the threshold of €4 million has not been reached.

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 generates off-balance sheet commitments:

- A €771.3 million commitment as of December 31, 2022, on the Price Volume Corridor 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 2022, nothing has been recorded in the consolidated income statement under this clause.

- A €335.9 million commitment as of December 31, 2022, on Capacity Reservation clause: compensates EUROAPI for any failure by Sanofi to order the annual quantities reserved, for a specified list of active pharmaceutical ingredients

  In 2022, nothing has been recorded in the consolidated income statement under this clause.

Other off-balance sheet commitments

- The RCF Loan Agreement, drawable in euros, maturing on February 26, 2027, as described in Note 5.16:

At December 31, 2022 *(in € millions)*	Initial amount	Drawn amount	Net amount
RCF Loan	451.0	100.0	351.0

- EUROAPI has also received financial guarantees from banks for a total of €6.3 million and has given financial guarantees for €6.4 million.
- Off-balance sheet commitments relating to EUROAPI's operating activities (other than commitments arising from the agreements mentioned above) were as follows:

At December 31, 2022		Payments due by period			
(in € millions)	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Leases [a]	0.4	0.1	0.2	—	0.1
Irrevocable purchase commitments					
- given [b]	246.5	133.7	30.5	33.3	49.1
- received [c]	(140.9)	(138.2)	(2.7)	—	—
Total - net commitments given	**106.1**	**(4.4)**	**28.0**	**33.3**	**49.2**

(a) This line mainly comprises future lease payment commitments for which no lease liability was recognized in the statement of financial position as of December 31, 2022, the amount of such commitments as of that date was not material.

(b) Irrevocable purchase commitments comprise commitments to suppliers of property, plant and equipment (for €52 million) and firm commitments to purchase goods and services under materials supply contracts (for €194.5 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 arbitral proceedings are recognized in accordance with the principles described in Note 5.11.

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

As of December 31, 2022, 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, following notification of a civil claim for damages by the service-provider.

10.4 Number of employees

As of December 31, 2022, the Group had an average of 3,326 employees, breaking down as follows:

	December 31, 2022
France	1,154
Germany	758
Hungary	922
Italy	205
United Kingdom	250
United States	16
Japan	16
China	5
Total	**3,326**

10.5 Compensation of key executives

The table below breaks down by type the compensation of key executives (Board of Directors and Executive Committee members):

(in € millions)	December 31, 2022	December 31, 2021
Short-term benefits	8.8	5.2
Post-employment benefits	0.5	0.3
Share-based payment	2.7	1.0
Total recognized in profit and loss [(a)]	**12.0**	**6.5**

(a) Including payroll taxes.

10.6 Related parties

ACCOUNTING PRINCIPLE

Transactions with Sanofi, which exercises significant influence on EUROAPI starting the IPO, or its subsidiaries, have been treated as related party transactions and not as intragroup transaction, in accordance with IAS 24 (Related Party Disclosures). The detail of these operations are presented in the note below.

Key executives also constitute a related party for EUROAPI. The company did not enter into any transactions with them during the year 2022. Their compensation is detailed in Note 10.5.

The principal transactions between EUROAPI and 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; and
- production and development services provided by Sanofi to EUROAPI, or by EUROAPI to Sanofi;
- transactions covered by the Master Carve Out Agreement.

(in € millions)	December 31, 2022	December 31, 2021
Net sales and other revenues [(a)]	471.6	407.0
Purchases and other expenses	(139.8)	(164.8)

(a) Price adjustment clauses were activated over the year, including raw material pass-through, partial energy price sharing, and performances sharing as defined in the Global Manufacturing and Supply Agreement with Sanofi

(in € millions)	December 31, 2022	December 31, 2021
Trade receivables (note 5.7)	149.6	127.6
Trade payables (note 5.13)	(36.6)	(70.5)
Other non-current assets (note 5.5) [(a)]	13.4	9.6
Other current assets (note 5.8) [(b)]	16.5	30.6
Other current liabilities [(c)]	—	(58.9)
Other current financial assets [(d)]	—	10.9

(a) This line comprises €9.6 million receivable in respect of the indemnity provided by Sanofi against environmental liabilities arising on non-operational sites (no change compared to 2021) and €3.8 million receivable in respect of the long term part of cash compensation of Sanofi forfeited shares.

(b) This line comprises €13.2 million receivable in respect of indemnities provided by Sanofi resulting from various agreement signed in 2021 (mainly operating excellence costs, profit-sharing costs and incentive scheme) and €3.3 million of current portion of the indemnity provided by Sanofi against environmental liabilities arising on non-operational sites.

In 2021, the amount of €30.6 million included the current portion (€5.0 million) of the indemnity provided by Sanofi against environmental liabilities arising on non-operational sites, and a €12.6 million VAT credit outstanding as of December 31, 2021 generated by new subcontracting transaction flows with Sanofi effective October 1, 2021 and the resulting raw materials purchases.

(c) In 2021, this line included €28.4 million of debt to Sanofi, related to acquisition of Software and IT infrastructure.

(d) In 2021, this line represented the net year-end balance on cash pooling arrangements for legal entities exclusively carrying on EUROAPI activities that are parties to the Sanofi cash pooling agreement.

10.7 Audit fees

	Ernst & Young		BDO	
	2022		2022	
(in € millions)	Amount	%	Amount	%
Audit: statutory audit of separate and consolidated financial statement	0.7	81.9 %	0.3	87.1 %
Services other than statutory audit	0.1	18.1 %	0.1	12.9 %
Audit-related services	0.1		0.1	
Tax	0.0		0.0	
Other	0.1		0.0	
Total	**0.8**	**100.0 %**	**0.4**	**100.0 %**

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

Principal fully consolidated companies.

The principal subsidiaries controlled by EUROAPI and making up the Group's scope of consolidation as of December 31, 2022 are listed below by region:

Europe		Interest (%) at December 31, 2022	Interest (%) at December 31, 2021
EUROAPI	France	100	100
EUROAPI France SAS	France	100	100
EUROAPI H1	France	100	—
EUROAPI H2	France	100	—
EUROAPI H3	France	100	—
EUROAPI Italy S.R.L	Italy	100	100
FRANCOPIA	France	100	100
EUROAPI Hungary	Hungary	100	100
EUROAPI Germany	Germany	100	100
EUROAPI UK Ltd	United Kingdom	100	100

North America		Interest (%) at December 31, 2022	Interest (%) at December 31, 2021
EUROAPI US	United States	100	100

Asia		Interest (%) at December 31, 2022	Interest (%) at December 31, 2021
EUROAPI Japan G. K.	Japan	100	100
EUROAPI Shanghai	China	100	100

4.6.2 Auditors' report on the consolidated financial statements

Period from January 1 to December 31, 2022

This is a translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information specifically required by European regulations and French law, such as information about the appointment of the Statutory Auditors or verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

To the Annual General Meeting of Euroapi,

Opinion

In compliance with the engagement entrusted to us by decision of the sole shareholder, we have audited the accompanying consolidated financial statements of Euroapi for the year ended 31 December 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code *(Code de commerce)* and the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)* for the period from January 1st, 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Revenue recognition

Risk identified	Our response
See notes "6.1 Net sales and other revenue" and "5.9 Customer contract assets and liabilities" to the consolidated financial statements	
As at 31 December, 2022, total net sales recorded in the profit and loss statement of your group amounts to €976,6 million. As indicated in note 6.1 of the notes to the consolidated financial statements, it includes: • revenue coming from sales of active pharmaceutical ingredients as part of its "API Solutions" business. Sales are recognized upon physical delivery of the products in an amount that considers the Company's best estimate of the contractual price adjustments clauses, in particular those included in multi-year agreements with the Sanofi group; • revenue deriving from the contract manufacturing of active pharmaceutical ingredients which involves industrial services under "CDMO" contracts. Revenue is recognized (i) upon physical delivery of the products when the contract is for the supply of active pharmaceutical ingredients, (ii) upon milestones achievement when they are distinct performance obligations, and (iii) over time when control of goods and services is transferred to customers over time. We deemed the recognition of revenue to be a key audit matter given (i) numerous contracts with customers including custom manufacturing agreements, and (ii) the use of judgements and estimates by Management.	Within the scope of our audit, we: ▪ gained an understanding of the internal control procedures relating to the revenue recognition process. ▪ for a sample of significant contracts: ◦ assessed compliance with applicable accounting standards of the accounting treatment used; ◦ analyzed Management's estimates and assumptions, in particular those related to: i. the valuation of price adjustments clauses defined in certain contracts with the Sanofi group, based on the contractual terms and the latest communications between both parties; ii. the measurement of the percentage of completion as well as revenue and costs on completion when control of goods and services is transferred over time to customers, based notably on the comparison between actual data and previous forecasts. • tested, on a sample basis, the accuracy of revenue recorded based on inspection of relevant documents (shipping documents, customer acceptance certificates, etc.) depending on the pattern of transfer of goods and services to customers . Finally, we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given in the Board of Directors' Group management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the Group management report, it being specified that, in accordance with Article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of preparation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditor regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

On the basis of our work, we conclude that the preparation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF *(Autorité des marchés financiers)* agree with those on which we have performed our work.

Appointment of the Statutory Auditor

We were appointed as statutory auditor of Euroapi by decision of the sole shareholder dated 18 March 18 2022 for BDO Paris and 1 October 2021 for ERNST & YOUNG Audit.

As at 31 December 2022, BDO Paris was in the first year of total uninterrupted engagement and ERNST & YOUNG Audit was in the second year of total uninterrupted engagement (including one year since the securities of the Company were admitted to trading on a Regulated Market).

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements.

- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)*. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris and Paris-La Défense, March 15, 2023

The Statutory Auditors

French original signed by

BDO Paris	ERNST & YOUNG Audit
Eric Picarle	Pierre Chassagne

4.7 STATUTORY FINANCIAL STATEMENTS

4.7.1 2022 statutory financial statements

Balance sheet – Assets

(in € millions)	Notes	Gross	Depreciation, amortization and impairment	Net at Dec. 31, 2022	Net at Dec. 31, 2021
Concessions, patents, licenses, software, rights and other		0.3		0.3	0.3
Intangible assets		**0.3**		**0.3**	**0.3**
Property, plant and equipment					
Other equity investments		1,850.4	(39.2)	1,811.2	1,821.4
Other financial assets		2.0	(0.1)	1.9	
Non-current financial assets	**3.1 3.2**	**1,852.5**	**(39.3)**	**1,813.1**	**1,821.4**
TOTAL NON-CURRENT ASSETS		**1,852.7**	**(39.3)**	**1,813.4**	**1,821.7**
Trade receivables		3.6		3.6	
Other receivables		169.9		169.9	76.5
Receivables	**3.3**	**173.5**		**173.5**	**76.5**
Cash and cash equivalents		41.1		41.1	0.3
TOTAL CURRENT ASSETS		**214.6**		**214.6**	**76.8**
Deferred debt issuance costs		1.9		1.9	
Bond redemption premiums					
Unrealized foreign exchange losses		3.6		3.6	2.1
TOTAL		**2,072.8**	**(39.3)**	**2,033.5**	**1,900.6**

Balance sheet – Equity and liabilities

(in € millions)	Notes	December 31, 2022	December 31, 2021
Share capital		94.5	90.0
Additional paid-in capital		1,862.4	1,778.2
Retained earnings		(5.1)	
NET INCOME (LOSS) FOR THE PERIOD		**(46.5)**	**(5.1)**
TOTAL SHAREHOLDERS' EQUITY	**3.4**	**1,905.3**	**1,863.1**
TOTAL OTHER EQUITY		**0.0**	**0.0**
Provisions for liabilities		3.6	2.1
Provisions for charges			
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	**3.5**	**3.6**	**2.1**
Bank borrowings (2)		100.2	1.4
Other borrowings and financial liabilities (3)		13.8	29.0
Trade payables		6.2	2.2
Tax and employee-related liabilities		1.4	0.9
Other liabilities		1.0	
LIABILITIES (1)	**3.6**	**122.6**	**33.4**
TOTAL LIABILITIES		**122.6**	**33.4**
Unrealized foreign exchange gains		2.0	1.9
TOTAL EQUITY AND LIABILITIES		**2,033.5**	**1,900.6**
(1) Of which, due in less than one year		*122.6*	*33.4*
(2) Of which short-term bank loans and overdrafts		*0.0*	*1.4*
(3) Current accounts with subsidiaries		*13.8*	*29.0*

Income statement

(in € millions)	Notes	December 31, 2022	December 31, 2021
Sales of services		0.6	
Net sales	**4.1**	**0.6**	
Operating subsidies			
Reversals of depreciation, amortization and provisions, expense transfers		0.5	0.2
Other income		0.8	
TOTAL REVENUE (I)	**4.2**	**1.9**	**0.2**
Other purchases and external charges		(2.5)	(2.2)
Taxes other than on income		(0.4)	(0.1)
Wages and salaries		(1.0)	(0.6)
Social security charges		(0.6)	(0.3)
Other expenses		(1.5)	(0.2)
TOTAL OPERATING EXPENSES (II)		**(6.0)**	**(3.4)**
NET OPERATING INCOME (LOSS) (I-II)	**4.2**	**(4.1)**	**(3.2)**
Other interest income (1)		2.2	0.1
Reversals of provisions and impairment, expense transfers		2.1	
Foreign exchange gains		13.3	0.4
Financial income	**4.2**	**17.6**	**0.5**
TOTAL FINANCIAL INCOME (V)		**17.6**	**0.5**
Depreciation, amortization, impairment and provision expense		(42.9)	(2.1)
Interest and similar expense (2)		(6.1)	(0.1)
Foreign exchange losses		(11.0)	(0.2)
TOTAL FINANCIAL EXPENSES (VI)		**(60.0)**	**(2.4)**
NET FINANCIAL EXPENSE (V-VI)		**(42.4)**	**(1.9)**
RECURRING INCOME/(LOSS) BEFORE TAX (I-II+III-IV+V-VI)		**(46.5)**	**(5.1)**
On corporate actions		0.1	
TOTAL NON-RECURRING INCOME (VII)		**0.1**	
On corporate actions		(0.1)	
TOTAL NON-RECURRING EXPENSES (VIII)		**(0.1)**	
NET NON-RECURRING INCOME (EXPENSE) (VII-VIII)			
Employee-profit-sharing (IX)			
Income tax expense (X)			
TOTAL INCOME (I+III+V+VII)		**19.7**	**0.7**
TOTAL EXPENSES (II-IV+VI+VIII+IX+X)		**(66.2)**	**(5.8)**
NET INCOME/(LOSS)	**4.4**	**(46.5)**	**(5.1)**
(1) Of which income from related-party transactions	*4.3*	*2.1*	*0.1*
(2) Of which expenses on related-party transactions	*4.3*	*(5.8)*	*(0.1)*

Notes to the statutory financial statements as of December 31, 2022

Note 1. Summary of significant accounting policies

The Company's corporate name is EUROAPI.

The balance sheet at December 31, 2022 (before appropriation of earnings), shows total assets of €2,033.5 million. The income statement, presented in list format, shows a loss of €46.5 million.

The financial statements cover the twelve-month period from January 1, 2022 to December 31, 2022.

The notes and tables below are an integral part of the financial statements.

Accounting policies

The financial statements for the year ended December 31, 2022 have been prepared in accordance with the provisions of the French Commercial Code (*Code de commerce*), notably articles L.123-12 to L.123-28, with rule no. 2014-03 of June 5, 2014 issued by the French accounting standards-setter (*Autorité des normes comptables* – ANC) as amended by rule no. 2015-06 of November 23, 2015 and all subsequent rules, and with the opinions issued by the French accounting standard-setter (*Comité de la réglementation comptable* – CRC).

The financial statements have been prepared and presented in accordance with the generally accepted rules applicable in this respect and in compliance with the principle of prudence and the underlying assumptions of going concern, consistency and the accrual basis of accounting.

Assets and liabilities are stated on a historical cost basis.

Only material information has been disclosed and all amounts are expressed in millions of euros, unless otherwise specified.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at (i) acquisition cost for assets purchased for consideration, (ii) production cost for assets produced by the Company, or (iii) fair value for assets acquired without consideration or in exchange for other assets.

Depreciation and amortization

Depreciation and amortization are calculated on a straight-line basis over the expected useful life of the assets.

Depreciation and amortization periods for inseparable assets correspond to their useful lives.

At the reporting date, the Company used available internal and external sources of information to assess whether there were any indications that its assets were materially impaired.

Whenever there is an indication of a loss in value, an impairment test is conducted by comparing the carrying amount of the asset to its present value. If the carrying amount exceeds present value, an impairment loss is recorded to reduce it to present value. However, when present value is not considered to be materially lower than the carrying amount, the latter is maintained in the balance sheet.

The recognition of an impairment loss modifies the future depreciable amount of the asset concerned.

Equity investments and other long-term investments

Investments in subsidiaries and associates are recognized at their cost or transfer value.

They are tested for impairment at each period end, to verify that their carrying amount is not greater than their value in use. Value in use is estimated based on several criteria including the investee's equity and its adjusted net asset value as estimated by the discounted cash flows method or based on observable inputs, when available (share price, expected sale price in the case of subsidiaries held for sale), or based on analyses performed by internal or external experts.

If an investment's value in use is less than its carrying amount, an impairment loss is recognized for the difference (with the exception of treasury shares recorded under long-term investments and held for cancellation). Additions to and reversals of impairment of investments in subsidiaries and associates are recognized in financial income and expense.

The value in use determined by the Group is generally equal to the present value of the future cash flows expected to be derived from the equity investments and based on the following:

- Cash flow projections are taken from the Long-Term Plan prepared each year and reflect changes in volumes, prices, direct costs and investment in the period, determined based on contracts and activities and in line with past data and expected changes over the period covered by the Long-Term Plan;
- This plan covers the year in progress and the next four years. This period is representative of the average duration of the Group's long-term contract portfolio and its short-term activities;
- Terminal values are calculated based on discounted forecast flows for the last year of the long-term plan. These flows are determined for each equity investment based on a perpetual growth rate mainly founded on long-term inflation;
- These terminal values are calculated based on discount rates and perpetual growth rates reflecting the country or the geographic area of the equity investments;
- A discount rate (weighted average cost of capital) is determined corresponding to Consumer Healthcare index : it is equal to the risk-free rate plus a risk premium weighted for country-specific risks. A risk premium is included in the calculation of the weighted average cost of capital of entities located in countries outside the euro zone. The discount rates estimated by management for each equity investment therefore reflect current market assessments of the time value of money and the country specific risks to which the equity investment is exposed, with the other risks reflected in the expected future cash flows from the assets. These rates were updated by an independent expert once a year.

Receivables

Receivables are stated at their nominal value. An impairment loss is recognized when an asset's realizable value falls below its carrying amount.

Provisions

A provision is recognized for any present obligation to a third party arising from a past event that can be measured reliably and that corresponds to an identifiable risk.

Non-recurring income and expenses

Non-recurring income and expenses include one-off items that do not arise from the Company's ordinary activities.

Foreign currency transactions

Assets denominated in a foreign currency are translated using the exchange rate at the recognition date or, where applicable, the hedging rate if the hedge was arranged prior to their acquisition. Any expenses incurred in arranging hedges are also included in the acquisition cost.

Payables, receivables and cash and cash equivalents in foreign currencies are translated at the exchange rate in force at the end of the reporting period. Any resulting foreign exchange gains and losses are recorded in the balance sheet under unrealized foreign exchange gains and losses.

A provision for risks is set aside for the full amount of unrealized foreign exchange losses that are not offset, in accordance with the applicable regulations.

Note 2. Significant events of the year

Listing on Euronext Paris

On May 6, 2022, EUROAPI was listed on Euronext following the admission to trading and direct listing of the 94,026,888 shares comprising its share capital. The purpose of this project is to consolidate EUROAPI's status as a key partner for all pharmaceutical and biotechnology companies.

Sanofi holds 30% of the share capital and voting rights of EUROAPI and is committed to holding its shares for two years. Bpifrance holds 12% and L'Oréal 5.5% of EUROAPI's share capital. These two entities have also undertaken to hold their shares in the Company for two years and one year, respectively.

Change in legal form

On Mai 6, 2022, EUROAPI changed its legal form into a joint stock company (*société anonyme*).

Share capital

In 2022, the following EUROAPI capital increases took place:

- On February 23, 2022, 4,026,888 shares were issued by EUROAPI for a total amount of €83.719 million subscribed in full by Sanofi Aventis Participations and paid up in cash;
- On June 3, 2022, the Board of Directors of EUROAPI approved free share plans for all employees and certain managers and executives in connection with the Company's listing on Euronext, subject to a service condition. On July 21, 2022, 522,600 shares were issued by EUROAPI for a total amount of €5.623 million directly and through the Company's employee share savings plan (FCPE), within the framework of an offer reserved for employees.

The Company's share capital amounted to €94.549 million as of December 31, 2022.

Equity investments

On October 26, 2022, EUROAPI subscribed 338,264 new shares in subsidiary Francopia for a total amount of €29.1 million.

On December 16, 2022, EUROAPI subscribed to capital increases at subsidiaries EUROAPI H1, EUROAPI H2 and EUROAPI H3 for 1,000 shares each (par value €1), i.e., a total amount of €0.003 million.

At December 31, 2022, the gross amount of equity securities held by EUROAPI totaled €1,850.4 million.

Also, the company wrote down the shares of its subsidiary Euroapi Italy Srl by €39.2 million.

Other long-term investments

On June 1, 2022, EUROAPI entered into a liquidity agreement to maintain an orderly market in EUROAPI shares. €0.5 million was initially allocated to the liquidity account, which was increased to €2.0 million on July 19, 2022.

As of December 31, 2022, a total of 87,997 shares were held under the liquidity agreement, with a carrying amount of €1.2 million, representing all of the treasury shares held by EUROAPI. The net cash position under the liquidity agreement was €0.745 million at the reporting date.

Cash and cash equivalents

On February 21, 2022, a cash pooling agreement was set up among the Group's companies, with EUROAPI as the head of the cash pool.

On February 22, 2022, as part of its initial stock market listing, EUROAPI entered into a revolving credit facility with the following characteristics:

- Amount: €451 million;
- Maturity: 5 years;
- Expiration date: February 26, 2027;
- Repayment: at the end of each drawing period;
- Interest rate: Euribor for the period (depending on the duration of the drawdown) plus a margin (depending on the leverage rate);
- Interest payment: at the end of each drawing period.

At December 31, 2022, €100 million had been drawn down on this facility.

The setup costs for the credit facility are being spread over the term of the loan.

The RCF loan agreement includes a covenant starting December 31, 2022 (calculated the June 30, 2022 & December 31, 2022) stipulating that the ratio of total net debt to consolidated core EBITDA may not exceed 4.00. The ratio is largely respected as of December 31, 2022.

Note 3. Notes to the balance sheet

3.1. Non-current financial assets

Changes in non-current financial assets in gross value

(in € millions)	Opening balance	Increase	Decrease	Closing balance
Other long-term investments	1,821.4	29.1		1,850.4
Loans and other non-current financial assets		2.0		2.0
Non-current financial assets	**1,821.4**	**31.1**	**0.0**	**1,852.5**

Equity investments

On October 26, 2022, EUROAPI subscribed 338,264 new shares in subsidiary Francopia for a total amount of €29.1 million.

On December 16, 2022, EUROAPI subscribed to capital increases at subsidiaries EUROAPI H1, EUROAPI H2 and EUROAPI H3 for 1,000 shares each (par value €1), i.e., a total amount of €0.003 million.

At December 31, 2022, net amount of equity securities held by EUROAPI totaled €1,850.4 million in gross value.

Liquidity agreement

On June 1, 2022, EUROAPI entered into a liquidity agreement to maintain an orderly market in EUROAPI shares. €0.5 million was initially allocated to the liquidity account, which was increased to €2 million on July 19, 2022.

As of December 31, 2022, a total of 87,997 shares were held under the liquidity agreement, with a carrying amount of €1.2 million, representing all of the treasury shares held by EUROAPI. The net cash position under the liquidity agreement was €0.7 million at the reporting date.

Subsidiaries and affiliates

Detailed information on each entity.

(in millions €)	Share capital	Equity (excluding share capital)	Interest held	Prior year net income (loss)
EUROAPI UK LTD	0.1	58.1	100 %	8.3
EUROAPI HUNGARY KFT	1.9	673.4	100 %	(22.6)
EUROAPI US INC	11.5	(3.3)	100 %	1.6
EUROAPI ITALY SRL	5.0	32.7	100 %	(36.9)
EUROAPI SHANGHAI LTD	0.0	0.0	100 %	0.0
EURL FRANCOPIA	18.2	92.4	100 %	6.5
SAS EUROAPI France	146.1	293.6	100 %	(3.8)
EUROAPI GERMANY GMBH	1.0	115.2	100 %	(5.2)
EUROAPI JAPAN	0.8	16.1	100 %	(0.1)
EUROAPI H1	0.0		100 %	
EUROAPI H2	0.0		100 %	
EUROAPI H3	0.0		100 %	
TOTAL	**184.6**	**1,278.3**		**(52.2)**

The following table provides aggregate information on all subsidiaries and affiliates

(in € millions)	Gross carrying amount	Net carrying amount	Loans and advances	Guarantees granted	Dividends received
Subsidiaries (more than 50%-owned)	1,850.4	1,811.2			

3.2. Impairment of assets

(in € millions)	Opening balance	Increases	Decreases	Closing balance
Financial assets		(39.3)		(39.3)
Total		**(39.3)**		**(39.3)**

Equity investments

The Company performed impairment tests on each of its investments by comparing their net carrying amount to their value in use. These tests led to the recognition of €39.2 million in net impairment losses against investments in EUROAPI Italy.

Geographic area	Recoverable amount determination amount	Discount rate	Perpetual growth rate
Euro Zone	Value in use	7.1%	2.0%
Italy	Value in use	7.3% (a)	1.5%
UK	Value in use	8.0%	2.0%
Hungary	Value in use	9.0%	2.5%

(a) Including a risk premium of 0,2%

The main assumptions underlying Brindisi valuation, were steaming from projected cash flow, considering a 1.5% of perpetual growth and discounted using a 7.3% WACC including a risk premium of 0.2%.

The sensitivity analyses are as follows:

- The increase in perpetual growth rate by 0.5 bps, to 2% would result in an impairment decrease by €8.6 million;
- The decrease in perpetual growth rate by 0.5 bps would result in an impairment increase by €7.3 million.

3.3. Current assets

Breakdown of receivables by maturity

At December 31, 2022, total receivables amounted to €175.5 million, breaking down as follows by maturity:

(in € millions)	Gross	Due in less than one year	Due in more than one year
Current receivables	**173.5**	**173.5**	
Trade receivables	3.6	3.6	
Accrued income	0.4	0.4	
Current accounts with subsidiaries (a)	169.5	169.5	

(a) In application of cash pool agreement between EUROAPI and its subsidiaries.

3.4. Shareholders' equity

Share capital

At December 31, 2022, the Company's share capital breaks down into 94,549,488 shares with a par value of €1.00.

(in €)	Number	Par value
Number of shares comprising the share capital at January 1	90,000,000	1.00
Shares issued during the year	4,549,488	1.00
Shares redeemed during the year		
Number of shares comprising the share capital at December 31	94,549,488	1.00

Statement of changes in equity

(in € millions)	Opening balance	Appropriation of net income/(loss)	Increases	Decreases	Closing balance
Share capital (a)	90.0		4.5		94.5
Additional paid-in capital (a)	1,778.2		84.2		1,862.4
Retained earnings		(5.1)			(5.1)
Net income/(loss) for the year	(5.1)	5.1	(46.5)		(46.5)
Dividends					
Total shareholders' equity	**1,863.1**	**0.0**	**42.2**	**0.0**	**1905.3**

(a) See Note 2.

3.5. Provisions for liabilities and charges

Schedule of provisions

(in € millions)	Opening provisions	Increases	Reversals	Closing provisions
Litigation				
Fines and penalties				
Unrealized foreign exchange losses	2.1	3.6	(2.1)	3.6
Pension and other benefit obligations				
Other provisions for liabilities and charges				
Total	**2.1**	**3.6**	**(2.1)**	**3.6**

3.6. Liabilities

Breakdown of liabilities by maturity

At December 31, 2022, liabilities totaled €122.6 million, breaking down as follows by maturity:

(in € millions)	Gross	Due in less than one year	Due between one and five years	Due in more than five years
Bank borrowings(*), of which:				
- due within one year at inception (1)	100.2	100.2		
- due beyond one year at inception				
Other borrowings and financial liabilities (2)	13.8	13.8		
Trade payables	6.2	6.2		
Tax and employee-related liabilities	1.4	1.4		
Amounts payable on non-current assets and other				
Other payables	1.0	1.0		
Total	**122.6**	**122.6**	**0.0**	**0.0**
(1) Increase in borrowings during the year	*100.0*			
(2) Current accounts with subsidiaries	*13.8*			

Accrued expenses

(in € millions)	Amount
Invoices not received	0.3
Provision for bonuses	0.5
Provision for social security charges and bonuses	0.3
Other accrued taxes	0.2
Total	**1.3**

Note 4. Notes to the income statement

4.1. Net sales

(in € millions)	Amount
Rebillings	0.6

4.2. Operating and financial income and expenses

Financial income and expenses

(in € millions)	2022	2021
Other interest income	2.2	0.1
Reversals of provisions and expense transfers	2.1	
Foreign exchange gains	13.3	0.4
Total financial income	**17.6**	**0.5**
Financial amortization and provision expense [(a)]	(42.9)	(2.1)
Financial interest and expenses [(b)]	(6.1)	(0.1)
Foreign exchange losses	(11.0)	(0.2)
Total financial expenses	**(60.0)**	**(2.4)**
Net financial expense	**(42.4)**	**(1.8)**

(a) Including the impairment of Euroapi Italy shares of €39.2 million
(b) During fiscal year 2022, EUROAPI granted two financial support packages to its subsidiary EUROAPI Italy:
- *€0.7 million on July 5, 2022; and*
- *€3.6 million on December 16, 2022.*

Transfer of operating expenses

(in € millions)	Amount
Transfer to operating expenses	0.5

4.3. Related parties

The amounts below are presented in absolute values.

(in € millions)	Euroapi Germany GmbH	Euroapi France	Francopia	Euroapi UK Ltd	Euroapi Hungary Kft.	Euroapi Italy s.r.l.	Euroapi Japan	Euroapi US Inc
Equity investments	339.3	426.4	132.5	91.1	758.9	37.9	14.6	10.6
Trade and other receivables	1.6	0.2	0.2	0.1		0.3	0.1	
Other Receivables (a)	49.5	77.1	5.4	5.5		27.0	4.7	
Trade and other payables		0.5			1.3	3.7		0.1
Other payables (a)					11.5			2.8
Management fees (expenses)		(0.2)						
Financial expenses (b)					(1.3)	(43.6)		(0.1)
Financial income	0.5	0.9	0.3	0.1		0.2		

(a) Including current accounts with subsidiaries
(b) Of which €39.2 million of impairment of Euroapi Italy shares and €4.3 million of financial support granted to this same subsidiary

4.4. Net income and income tax

Changes in the future tax liability

The underlying tax position, based on a corporate income tax rate of 25%, shows a future tax receivable of €0.5 million (excluding the payment of any social charges on profits).

(in € millions)	Amount
Deferred tax liabilities	
Unrealized foreign exchange gains at December 31, 2022	3.6
A. Total deferred tax liability	**3.6**
Deferred tax assets	
Related to other items	3.6
Unrealized foreign exchange losses at December 31, 2022	1.9
B. Total deferred tax assets	**5.6**
C. Tax loss carryforwards	
D. Long-term capital losses	
Estimated amount of the future receivable	**0.5**

Income tax – Tax consolidation

EUROAPI SA ceased to be part of the Sanofi SA tax consolidation group with effect from fiscal year 2022. In accordance with Articles 223 A *et seq.* of the French Tax Code, and further to the Company's stock market listing, the holding conditions were no longer met, and the Company left the scope of the Sanofi group with effect from January 1, 2022.
Accordingly, the tax consolidation agreements were no longer applicable as of the fiscal year beginning on January 1, 2022, and EUROAPI SA is solely liable for its income tax charge.

Note 5. Other information

5.1. Subsequent events

In 2023, EUROAPI intends to form a new tax consolidation group of which it will be the head, and to which all the French companies in the EUROAPI Group will be party.

5.2. Headcount

Average headcount: 1 management employee (*cadre*).

5.3. Compensation of members of the Board of Directors

During fiscal year 2022, EUROAPI paid a gross total amount of €1.036 million to the members of the Board of Directors.

5.4. Share based payment and stock options

EUROAPI employee share plan

On June 3, 2022, EUROAPI's Board of Directors approved a share ownership plan offering employees the opportunity to subscribe to reserved share issues at a discount to the reference market price and including up to 25 matching shares per employee.

EUROAPI free share plans

On June 3, 2022, EUROAPI's Board of Directors approved free share plans for all employees and certain executives and managers (the Employee free share plan and the Special Management Incentive share plan) in the context of the listing on Euronext. These plans are subject to a service condition.

On May 30, 2022 and June 3, 2022, EUROAPI's Board of Directors approved free share plans for key executives and the Chief Executive Officer (Executive Committee matching performance share plan and CEO matching performance share plan) in the context of the listing on Euronext. These plans are subject to performance and service (See section 2.3 of Universal Registration Document).

EUROAPI performance share and stock option plans

On June 3, 2022 EUROAPI's Board of Directors approved the implementation of a long-term incentive plan for the Group's key executives and managers, including the Chief Executive Officer, through free share and stock option plans subject to performance and service conditions.

The principal features of the plans granted in May and June 2022 are set out below:

	Employee share plan matching free shares	Employee free share plan	Special Management Incentive share plan	Executive Committee matching performance share plan [c]	CEO matching performance share plan	Performance share plan	Stock option plan
Date granted by the Board	June 3, 2022 [b]	June 3, 2022	June 3, 2022	May 30, 2022	June 3, 2022	June 3, 2022	June 3, 2022
Total number of shares granted (in thousand)	55.6	1,007.5	122.3	461.2	181.2	216.3	327.1
Vesting period France	—	1 year	2 years	3 years	3 years	3 years	4 years
Vesting period International	—	2 years	2 years	3 years	—	3 years	4 years
Exercise period							June 3, 2026 to June 3, 2031
Exercise price							13.91
Shares delivered or cancelled	55.6	54.6	16.5	63.0	—	6.5	21.0
Outstanding shares at December 31, 2022	—	952.9	105.8	398.2	181.2	209.8	306.1
Share price at grant date [a]	14.60	14.20	14.20	13.45	14.20	14.20	14.20

(a) Quoted market price per share at the grant date.
(b) Employee share plan approved by the Board of Directors on June 3, 2022, subscription closed to employees on June 24, 2022.
(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%.

5.5. Pension obligations

EUROAPI's executive corporate officer is the beneficiary of a defined contribution pension (an Article 82 "top hat" plan). He does not however receive a retirement indemnity.

5.6. Off-balance sheet commitments

The RCF Loan Agreement, drawable in euros, maturing on February 26, 2027, is composed as follows:

At December 31, 2022 *(in € millions)*	Initial amount	Drawn amount	Net amount
RCF Loan	451.0	100.0	351.0

4.7.2 Auditors' report on the statutory financial statements

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Euroapi,

Opinion

In compliance with the engagement entrusted to us by decision of the sole shareholder, we have audited the accompanying financial statements of Euroapi for the year ended 31 December 2022.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2022 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code *(Code de commerce)* and the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)* for the period from January 1st, 2022 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of investments in subsidiaries

Risk identified	Our response
See note "Equity investments and other long-term investments" of the section "Note 1. Summary of significant accounting policies" and note "3.2. Impairment of assets" of the notes to the annual financial statements.	
As at 31 December 2022, the net carrying amount of investments in subsidiaries is recorded on the balance sheet of for a total amount of €1,811 million, i.e. more than 89% of total assets. Investments in subsidiaries are impaired when their value in use, estimated in accordance with the methods described under "Equity investments and other long-term investments" in the "Summary of significant accounting policies" note,and under "3.2. Impairment of assets",is lower than their carrying amount. We considered that the valuation of investments in subsidiaries constitutes a key audit matter due to the materiality of these assets in the balance sheet of Euroapi, Management's use of estimates and assumptions on which the determination of value in use is based, and the sensitivity of the valuation to certain assumptions.	We assessed the compliance of the methodology implemented by Management with the accounting standards in force. We also examined the estimates used by Management for the determination of the values in use. To do so, we analyzed the assumptions underlying the value in use determined based on discounted future cash flows, in particular: • the consistency of cash flow projections with the medium-term budgets and business plans prepared by Management. We also assessed these projections based on the historical performance of the entity concerned and the economic context in which it operates, • the methods and parameters used to determine the discount rates applied to estimated cash flows. With the assistance of our valuation specialists included in our audit team, we recalculated these discount rates, and compared them with the amounts used by main financial analysts and with our internal databases, We also examined the sensitivity scenarios used by Management. Finally, we verified the arithmetical accuracy of the valuations produced by Management and assessed the appropriateness of the information disclosed in the notes to the financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code (*Code de commerce*).

We attest that the non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the management report, it being specified that, in accordance with Article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code *(Code de commerce)* relating to the remuneration and benefits received by, or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled thereby, included in the consolidation scope. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Format of preparation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditor regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018.

On the basis of our work, we conclude that the preparation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (*Autorité des marchés financiers)* agree with those on which we have performed our work.

Appointment of the Statutory Auditor

We were appointed as statutory auditor of Euroapi by decision of the sole shareholder dated 18 March 2022 for BDO Paris and 1 October 2021 for ERNST & YOUNG Audit.

As at 31 December 2022, BDO Paris was in the first year of total uninterrupted engagement and ERNST & YOUNG Audit was in the second year of total uninterrupted engagement (including one year since the securities of the Company were admitted to trading on a Regulated Market).

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditor's Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements.
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)*. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris and Paris-La Défense, March 15, 2023

The Statutory Auditors
French original signed by

BDO Paris	ERNST & YOUNG Audit
Eric Picarle	Pierre Chassagne

Euroapi - Vertolaye (France)

5

CORPORATE SOCIAL RESPONSIBILITY

5.1 EUROAPI, A NEW GROUP WITH A NEW CSR STRATEGY

The Group believes that sustainable growth and performance go hand in hand with the deployment of an ambitious Environmental Social and Governance (ESG) strategy embedded in its vision and mission.

ESG is about integrating stakeholder expectations into the Group's strategy, which facilitates identifying growth opportunities and positioning ourselves competitively, and improve risk management.

The Group's ESG strategy supports its business purpose, and is aligned with its vision, strategy, and culture.

Building on its experience as part of Sanofi group, the Group has marked the start of a fresh ESG strategy, specific to its core business and geographic footprint in 2021.

As a key player in the pharmaceutical value chain, the Group's business activities impact a wide array of stakeholders. After setting out its business model, vision and mission, and identifying its stakeholders globally and at site level, it conducted a materiality analysis by consulting broadly with stakeholders. The materiality matrix then enabled the Group to identify and prioritize expectations.

The Group's ESG strategy combines the results of its materiality and risk analysis, and its dialogue with the Group's executives and representatives from the business lines and support functions.

The Group places non-financial performance at the heart of its development strategy and its corporate culture.

The Group's ESG strategy is aligned with the 17 United Nations Sustainable Development Goals (SDGs). More specifically, drawing on the Group's added value and its business model, the Group contributes to five of the key SDGs.

The Group has developed a robust ESG organization and governance arrangements, and, in line with its ESG reporting framework, its performance will be reported on each year in its Statement of Non-financial Performance that will be audited by an independent third party.

5.1.1 The Group's business model

As a key player in the pharmaceutical medicine value chain, the Group's business model illustrates the resources it is using, the added value provided by its technology and its know-how, as well as the impact of its business activities on society at large.

Great care and thought was put into the development of the Group's vision and mission, in the process of creating and promoting its new identity.

Once these key elements were established, the next step was to define what values and behaviors would be essential to enable the Group to fulfill its vision and mission.

Our business model

Our resources

People

~3,450 employees from 45 different nationalities

~330 scientists incl. 45% PhDs or engineers

99% of our employees are based in 5 European countries (France, Germany, Hungary, Italy, UK)

15 years of seniority on average

80+ countries covered by our commercial teams based in 11 countries and a network of agents

Products & Services

EUROAPI offers a large portfolio of **approximately 200 APIs** and **CDMO services** covering a wide range of therapeutic areas:

- Anti-infectives
- Prostaglandins
- Corticoids and hormones
- Vitamin B12
- Controlled substances
- Oligonucleotides and peptides
- Particle engineering
- Microbial fermentation
- Drug delivery solutions

Energy and raw materials

We consume energy and natural resources such as water, oxygen, and other raw materials like minerals and solvents. They are key for the manufacture and the delivery of our products.

We continuously keep on optimizing our processes and closely monitor their use in accordance with environmental regulations and health authorities.

Robust partnerships base

20+ years of relationship

Most of our 500+ clients are pharmaceutical and biotech companies with a client loyalty of more than 20 years of collaboration.

59%

Of our raw material spent is sourced in Europe

Our Supplier Code of Conduct ensures their compliance to our ethics, human rights and environmental principles.

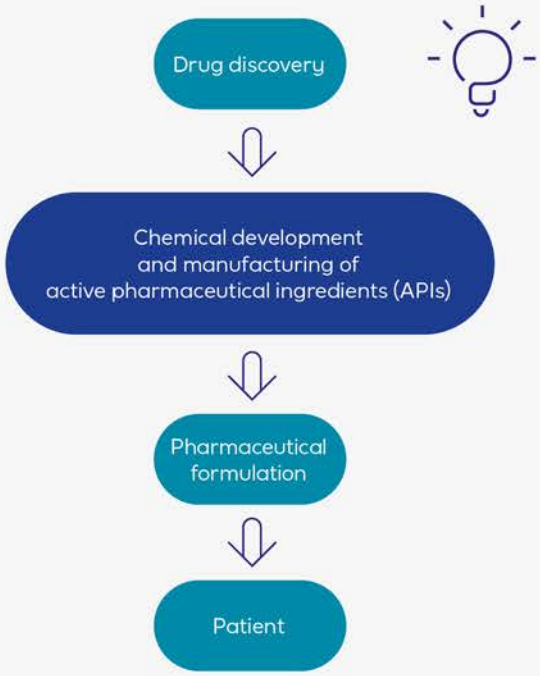
Financials

Strong financials sustaining future innovation and growth

- **€976.6 million** in revenue and 12.3% core EBITDA margin in 2022
- **79** CDMO projects (at December 31, 2022)
- **€510 million** in planned investments at our 6 plants (between 2022 and 2025)
- Strong balance sheet
- Independent company with a stable and diversified shareholder base
- Two major shareholders: Sanofi and Bpifrance

Our positioning

Healthcare value chain



Mission

Our core business is to develop, manufacture and supply active-ingredient solutions for our healthcare partners around the world. We combine our scientific excellence with industrial expertise and a wide range of technologies to deliver solutions that meet the highest quality, social and environmental standards.

Culture & values

At EUROAPI, how we do things is as important as what we do

- Taking ownership
- Caring for all
- Achieving together
- Driven by our clients

Strategy

A historical leader in the small molecules APIs market, EUROAPI wants to accelerate its development in more complex molecule segments and CDMO activities.

#oligonucleotides #peptides #HighlyPotentAPI #lipids #enzymes

Our assets

Technology platforms & fundamentals

Our know-how in mastering technology platforms

- Complex chemistry
- Highly potent API
- Particle engineering
- Solid chemistry
- Oligonucleotides and peptides
- Microbial fermentation
- Flow chemistry
- Process development
- Pilot scale
- Drug delivery solution
- Unit operational design

Our fundamentals

- Safety of our people
- Business continuity
- Innovation
- Sustainability
- Reliability
- Agility
- Quality and safe products
- Premium customer service

Our impacts

Society, people, healthcare, employees

High therapeutic value

Our API catalog covers multiple therapeutic areas addressing a wide variety of patients' needs.

~55% of the Group's sales come from APIs included in the WHO list of essential medicines.

Contributing to EU Health sovereignty

Candidate to several public repatriation initiatives, we have an established dialogue with national authorities and trade associations.

Responsible economic & social development

14 weeks — Our employees can benefit from 14-week parental leave.

67% of employees participated in the 2022 employee shareholding plan.

We target **diversity and gender-balanced** representation and opportunities. We aim to have 30% of leadership positions held by women by 2025.

We ensure our **employees' safety** with a Company-wide commitment to a zero-accident goal.

Local communities and the planet

Local communities

We have 14 partnerships with universities and schools in 3 countries. All our industrial sites maintain regular dialogue and collaboration with local stakeholders.

Mitigated impact on the planet

We perform continuous improvement programs by reducing water, solvent and energy consumption to mitigate our environmental impact across the entire value chain. We promote **green chemistry**, eco-designed and the circular economy in our production processes.

5 Sustainable Development Goals driving our actions

We support the United Nations Sustainable Development Goals.

-30% CO_2 emissions (Scopes 1 and 2)

We aim to decrease our CO_2 emissions by 30% by 2030 compared to 2020.

100% of our sites

will be certified ISO 14001 and 50001 by 2023 and will use electricity from renewable sources by 2025.

5.1.2 Bring the Group's corporate culture to life through its four core values

Defining the Group's values was a collaborative process, first initiated in 2021, involving an internal team comprising members representing the Group's various countries and job functions. Workshops were held to brainstorm and gather different points of view, and ultimately define a list of values that are both meaningful and specific to the Group.

As a result of this process, four core values were defined:

Taking ownership

The Group believes that by taking ownership, its employees are accountable for their work and for always acting with the the Group's interest in mind.

Driven by our clients

The Group believes that being client-driven, it creates value by putting its clients at the heart of its activities.

Achieving together

The Group believes that by achieving together, it empowers its people for greater positive impact.

Caring for all

The Group believes that caring for all means valuing and respecting its stakeholders, people, clients and patients, its partners and the planet.

These values have been communicated internally and externally, and define how the Group's employees interact together and with stakeholders, make decisions and drive its business.

Led by EUROAPI's Chief Executive Officer and championed by the members of the Executive Committee, these four core values have been instilled throughout the Group with the support of a network of ambassadors.

The Group's employees' behavior towards their stakeholders, and how they conduct business, is determined by these four core values.

The Group's Code of Ethics, inspired by its values and principles, is available on its website.

The Group's policies and standards are also aligned with the values and the culture it wishes to promote.

5.1.3 Dialogue with the Group's stakeholders

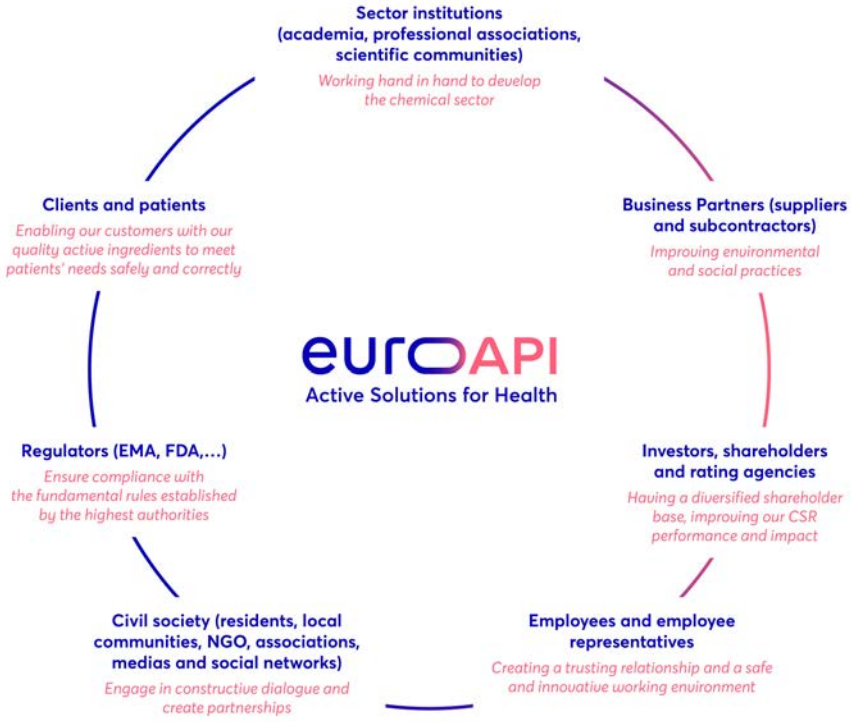
The act of mapping stakeholders adds genuine value because it forces the Group to ask the right questions: What is the impact of the Group's activities on this stakeholder? What expectations does this stakeholder have of the Group's activities? What are the risks and opportunities of these expectations for the Group?

The Group started its ESG strategy construction phase in 2021 by sending a survey to its different internal and external stakeholders through an outside agency, in order to obtain a robust materiality analysis.

The survey was sent to all categories of external stakeholders: clients, suppliers, civil society and industry key opinion leaders, and financial partners.

As for internal stakeholders, in addition to conducting assessment interviews with strategists, the Group's consulted employees and employee representative bodies.

The stakeholder map below shows the specific concerns associated with its stakeholders and the different ways the Group can engage with them.



In 2022, the Group continued to invest heavily in dialogue with its stakeholders, as it was important for its stakeholders to learn more about the Group as a new stand-alone entity.

The Group pays special attention to maintaining dialogue with its clients, conducting regular client surveys and general inquiries, and systematically obtaining feedback after sales visits. The Group collects data on several indicators such as satisfaction rate and net promoter score, and takes corrective action where needed in a spirit of continuous improvement.

The table below illustrates the number and type of interactions the Group has with its stakeholders.

Stakeholders	Topic addressed	Actions in 2022	Examples
Industry institutions (academia, professional associations, scientific communities)	Technological innovations, development of trainees Economic and environmental framework and specific topics for the Group	The Group has partnerships with more than 30 industry associations and scientific universities. The Group's employees were contributors at several scientific events such as the International Symposium on Green Chemistry (La Rochelle, France) and the RNA Leaders World Congress (Basel, Switzerland).	MEDEF Paris SICOS - Synthetic Organic Chemistry and Biochemistry industry France-Chimie Chimie Paris Tech University
Business partners (suppliers and subcontractors)	Quality, order security, innovation, cost, risks and compliance with the Code of Ethics and its ESG roadmap	The Group has a supplier portal, allowing timely interactions with all its suppliers and sharing of updated information. In addition, The Group's procurement team organizes regular business reviews, suppliers premise visits and, for important events, sends direct letters from the CPO. The Group's quality and supply chain teams are also key contacts for suppliers, with quality audits and registration documentation updated on an ongoing basis. The Group is also open to suppliers visiting its own premises. Special attention is given to new and high risk suppliers in the context of the Group's Sustainable & Responsible Procurement Program. An internal supplier evaluation system is under construction.	Procurement teams attended CPhI WW Frankfurt, where they met hundreds of suppliers, and had almost 60 face-to-face meetings during business reviews and visits (internal and external).
Investors, shareholders and ratings agencies	Results, business models/product range, news	The Company's Executive Committee members participated in broker conferences and regular investor roadshows. The Group's investor relations department organized two semi-annual financial and non-financial results conference calls for investors, and interacts with numerous ESG ratings agencies and banks.	The information is available on the Company's website.
Employees and employee representatives	Working conditions, business reviews, safety and environmental protection	The Group launched its first employee survey with a participation rate of 68%. The Group has widely used internal communication channels (Yammer with 3,500 followers from several communities (corporate, countries and internal programs)). Several health and safety campaigns including vaccination and awareness days were organized during the year. Constructive social dialogue generated through 11 workshops since the Company's stock market listing, and the creation of a European Works Council for employee representatives of all Group sites (see Section 5.4.3 "Create a constructive social dialogue").	The group offers opportunities for employees to learn about or have access to health services. For example, numerous sites ran flu vaccination campaigns for employees, provided sessions on mental health and ran breast cancer awareness campaigns. In 2022, strong emphasis was placed on environmental awareness with more than 250 employees spending at least one hour on the topic, throught participation in energy-saving programs and workshops of the origin and consequences of climate change.

Stakeholders	Topic addressed	Actions in 2022	Examples
Civil society (residents, local communities, NGOs, non-profits, media and social networks)	Jobs, safety and environmental protection	The Group organized site visits for local schools, employees' families and local non-profits. The Group's employees participated in local non-profit events such as fundraising sports events. The Company's CEO and Executive Committee Members participated in an estimated 10 events with journalists, and the Group published 12 press releases, resulting in articles in the international press. 7,500 followers have followed the Group's LinkedIn account since May 2022.	In Vertolaye, regular surveys are carried out by external associations regarding potential disturbances on local communities caused by the site. At the Group's Frankfurt site, regular tree and species inventories, inspection and replanting have been organized since 2009 and 2008, respectively. In Brindisi, the site organizes solidarity lunches, open-air cinema sessions with patient associations and local NGOs.
Regulators (EMA, FDA, etc.)	Compliance, safety and environmental protection	The European Medicines Agency (EMA) audited the Group's Haverhill site in 2022 (details on audits are disclosed in Section 5.2.1 "Ensure product quality"). Three Pharmaceutical Supply Chain Initiative (PSCI) audits were carried out at the Group's sites (see Section 5.2.4 "Implement responsible purchasing").	NR
Clients and patients	Product offering, technology innovation, supply, quality of products, sustainability, regulatory services, pricing, etc.	The Group's sales teams attended more than 16 trade fairs and scientific events in Europe and North America. The Group conduct regular client surveys (most recently in 2021), ad hoc pulse surveys and request feedback after sales visits/calls. Clients and prospective clients regularly audit the Group's sites, as is standard in its industry (details on audits are provided in Section 5.2.1 "Ensure product quality").	The Group's sales teams attended CPhI WW Frankfurt, ChemOutsourcing in North America, etc.

5.1.4 Selection of material risks

As part of its work to lay the foundations of its ESG strategy, the Group conducted a survey in March 2021, collecting over 1,200 responses from a broad array of internal and external stakeholders: clients, suppliers, employees and subcontractors, scientific partners, financial partners and influential members of civil society, including NGOs, public institutions, and journalists.

The survey gathered answers from 30 countries, and 19 face-to-face interviews were conducted with senior management and employee representatives.

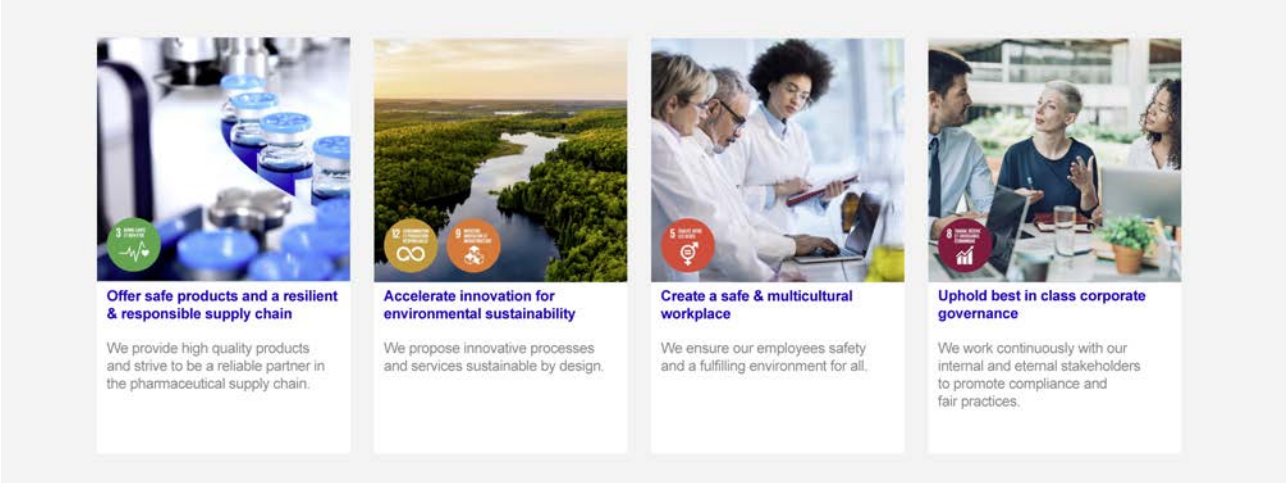
The 17 material topics given below are ranked by relative importance (or materiality) and round out the risks presented in section 3.2. “Risk Factors”.

5.1.5 The Group's ESG Strategy

The Group used its materiality matrix, supplemented by the analysis of its strategic risk mapping, to construct its ESG strategy.

As a result, the ESG strategy meets stakeholder expectations, contributes to the Group's performance, and helps mitigate a number of risks categories.

The Group's ESG strategy is based on four commitments:



In order to ensure its non-financial performance, the Group's ESG roadmap is executed through purpose-oriented dedicated programs that are sponsored by Executive Committee members. Most of the programs are managed by a dedicated Program Head with objectives and performance indicators (see Sections 5.2, 5.3 and 5.4 for further details). A few of them are still under finalization due to the new creation of the Group.

To support the teams and provide access to additional know-how and resources, external commitments with relevant ESG partners have been made on specific topics.

For example, in 2022, the Group became a signatory to the United Nations Global Compact (see Section 5.1.7 "Contribution of EUROAPI to the United Nations Sustainable Development Goals") and the Global Responsible Care® Charter (see 5.4.2 "Ensure the health and safety of employees and subcontractors").

Employee mobilization and engagement with the Group's ESG roadmap are supported by the internal communications department.

In order to ensure that the Group roadmap remains relevant, regular dialogue with stakeholders throughout the year is organized (see Section 5.1.3 "Dialogue with the Group's stakeholders").

When communicating externally, the Group aims at adopting best practices for the disclosure of relevant performance indicators.

The table below illustrates the link between the Group's ESG strategic pillars, the coverage of material topics and its qualitative commitments and quantitative objectives.

The "Shared value and stakeholder engagement" topic is dealt with in the introductory part of Chapter 5 because it is cross-functional and one of the foundations of the entire Group strategy. This explains why only 16 material topics are presented vs. 17 announced in the introductory paragraph of 5.1.4.

Commitments	Objectives (Statement of Non-financial Performance)	Material Topics (stakeholder survey)	Programs	Targets	Contribution to SDGs
Offer safe products and a resilient & responsible supply chain	Ensure product quality	▪ Highest product quality, safety and traceability ▪ Positive impact on society	Supply Chain Resilience Sustainable and Responsible Procurement	N/A	Goal 3: Ensure healthy lives and promote well-being for all at all ages
	Secure continuity of supply	▪ Supply chain resilience			
	Ensure data and information system security	▪ Data security			
	Implement responsible purchasing	▪ Responsible procurement			
Accelerate innovation for environmental sustainability	Towards responsible innovation	▪ Responsible innovation	Responsible Innovation Environment Footprint and Waste Reduction	• -30% CO_2 emissions (vs. 2020) by 2030 (scope 1 & 2) • 2050: Net zero emissions target • 100% sites electricity from renewable sources by 2025 • 100% sites ISO14001 / 50001 certification by 2023	Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation Goal 12: Ensure sustainable consumption and production patterns
	Minimize the Group's environmental impact	▪ Fight against climate change ▪ Environmental footprint of production ▪ Responsible waste management			
Create a safe & multicultural workplace	Ensure the health and safety of employees and subcontractors	▪ Occupational health and safety	Safety and Well-being Internal Development Program Diversity & Equal Opportunity	• LTI (Lost Time Injury) to 1.5 per 1,000,000 hours worked by 2025 • TRI (Total Recordable Injury) to 2.5 per 1,000,000 hours worked by 2025 • 30% women in leadership position by 2025	Goal 5: Achieve gender equality and empower all women and girls
	Create a constructive social dialogue	▪ Social dialogue			
	Promote talent management and personal development	▪ Talent management and personal development			
	Foster diversity and equal opportunity	▪ Diversity and equal opportunity			
	Ensure fair employee compensation and benefits	▪ Quality of work life and compensation			
Uphold best in class corporate governance	Put ethics and compliance at the heart of the Group's business relationships	▪ Corporate ethics and compliance ▪ Responsible governance, transparency and shared CSR culture	Compliance and Business Ethics	• 100% completion rate for Code of Ethics and compliance training in 2022 • United Nations Global Compact commitment in 2022	Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
	Ensure respect for human rights				
	Promote data protection				

5.1.6 The Group's ESG governance

ESG governance is integrated at all levels of the Group. It ensures that the strategy is deployed fully via programs on specific topics and dedicated objectives.

To further reflect the importance of ESG strategy performance for the Group's roadmap, in 2022, a specific ESG collective performance criterion was one of the criteria of the annual variable compensation package of the short-term incentive plan of the Extended Leadership Team (ELT), which includes the Executive Committee. This is expected to be maintained in 2023.

The Board of Director's ESG Committee

- Reviews and monitors the Group's corporate social responsibility commitments and orientations, and assists the Board in its decision-making.
- Ensures that ESG issues are taken into account when developing and implementing the corporate strategy.

ESG Steering Committee with Executive Committee members

- Validates the strategy, sponsors the programs deploying the strategy and assigns Program Heads.
- Allocates resources and influences strategy based on performance assessments.

Head of ESG

- Proposes the strategy, and supports the Program Heads deploying the strategy.
- Presents performance monitoring updates to the ESG Steering Committee and consolidates key performance indicators.
- Is responsible for ESG disclosure and interactions ratings agencies, external partnerships and ratings, and ESG audits.

Corporate Affairs network on sites

- Creates and deploys mobilization plans to drive ESG program performance and reinforce employees' sense of belonging.

As a newly listed company with a new ESG strategy, it is worth mentioning that the main activities of the ESG Committee in 2022 were the following:

- Examining the Group's ESG commitments and the extent to which those commitments meet stakeholders expectations;
- Approving the new ESG organization to ensure the implementation of the key programs supporting the ESG roadmap
- Monitoring the rollout of ESG roadmap and its integration in the Group's strategy; and
- Examining draft company reports on governance and ESG matters (all information required by current legislation has been properly prepared).

5.1.7 Contribution to the United Nations Sustainable Development Goals

The Group is keenly aware of the challenges the world is facing and recognizes its share of responsibility in contributing to a better and more sustainable future and in demonstrating its positive contribution to society.

That is why one of the first external commitments taken by the Group was to become signatory to the 10 principles of the United Nations Global Compact initiative (UNGC) in 2022.

WE SUPPORT
UN GLOBAL COMPACT

The United Nations Global Compact is the largest voluntary leadership platform for the development, implementation and disclosure of responsible business practices.

The Group has decided to join forces with thousands of companies worldwide, which are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption, and to contribute to the UN targets embodied in the Sustainable Development Goals (SDGs).

The Group sees the SDGs as a common and consistent framework that will help to achieve future sustainability ambitions.

The Group's ESG roadmap supports the United Nations' 17 SDGs. As a key player in the pharmaceutical medicine value chain, its contribution is especially impactful on the selected five key SDGs described below:

Ensuring healthy lives and promoting global well-being for all age groups

The quality of medicines and the resilience of the pharmaceutical supply chain are key factors for public health. This became more visible with the Covid-19 crisis as it halted or reversed progress in healthcare, especially in the supply of essential medicines.

With a portfolio of more than 200 APIs, the Group addresses a broad range of medical needs, covering each of the 14 anatomical therapeutic classifications defined by the World Health Organization. An estimated 55% of the Group's revenue in 2022 is derived from APIs that are included in the list of essential medicines or medicines with major therapeutic interest.

Located exclusively in highly regulated markets, the Group's industrial sites are certified by the EMA[1], FDA[2] and PMDA[3] and the Group operates in compliance with Good Manufacturing Practices (GMP) standards. One of the Group's main priorities is to maintain the highest quality standards for its large-scale assets, production capacity, and range of innovative technologies.

The Group strives constantly to be a reliable supplier. The Group has a mono-sourcing exit program in order to ensure that it has a diversified raw material purchasing strategy, focusing on critical intermediate availability and product shelf life. The Group has a Responsible Purchasing program to ensure sustainable supply and a sound Business Continuity Plan to address unforeseeable events and adapt its stock to regulatory requirements.

Notably thanks to its Contract Development Manufacturing Organizations (CDMOs), the Group supplies its clients with APIs during their clinical trial phases, and the Group guarantees supply once the patent has been obtained, facilitating patient access to innovation.

[1] European Medicines Agency – except the Haverhill site which is certified by the MHRA (Medicines & Healthcare products Regulatory Agency).
[2] US Food and Drug Administration.
[3] Pharmaceuticals and Medical Devices Agency – except the Saint-Aubin-Lès-Elbeuf site which has not yet been inspected.

Achieving gender equality and empowering women and girls

As part of its ESG policy, the Group is committed to diversity and intends to create an inclusive workplace for all its employees. The objective is to improve the representation of diversity within the Group's HQ and local workforce, both at the hiring stage and in developing professional careers.

The Group also intends to encourage a balanced representation of women and men at all levels of seniority within the hierarchy, as well as to promote equal opportunities for underrepresented employees.

The Group's objective is to promote diversity and a balanced representation of women and men in its extended leadership team (ELT), including the Executive Committee and managers in key positions, with the aim of achieving a 30% representation of women by 2025.

One of the Group's first actions in 2022 was to introduce a global standard for inclusive and equal parental leave that has been implemented worldwide. Since January 1, 2022, 14 weeks of paid parental leave is granted to all employees welcoming a new child, providing the employee is recognized as the child's parent on the basis of local legislation or practice.

Also, regarding the Group's governance and irrespective of the two employee representatives, the Board of Directors is composed of 11 members including six women as at December 31, 2022, which conforms to the combined provisions of Articles L. 225-18-1 and L. 22-10-3 of the French Commercial Code providing for a balanced representation of women and men on the Board of Directors.

Promoting sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

The safety of the Group's employees and subcontractors comes first:
- The Group has a safety prevention program including Management Safety Visits and mandatory training sessions on all of its sites. This is why by 2025, the Group is committed to reaching a lost-time injury frequency rate (LTI[1]) of 1.5 or less and a total occupational injury frequency rate (TRI[2]) of 2.5 or less.
- The Group also promotes its employees' health and well-being through its Wellness4All programs. In order to monitor the quality of its employees' work life and their engagement rate, an employee survey was conducted in 2022 by an independent external provider.

By becoming a signatory of the United Nations Global Compact initiatives in 2022, the Group has committed to support and respect the protection of internationally proclaimed human rights and make sure that it is not complicit in human rights abuses.

Consequently, the Group collaborates continuously with its external stakeholders to promote decent work for all. The Group's suppliers are expected to comply with its Supplier Code of Conduct (the "Supplier's Code of Conduct") with respect to child labor, forced labor, violence and harm, discrimination, and health and safety. The Group's suppliers must build a management system and train their people in order to:
- implement and comply with the Group's Supplier Code of Conduct;
- ensure compliance with local and national laws and regulations.

By respecting the Group's Code of Conduct, suppliers determine both the onboarding and continuing commercial relationship with the Group.

The Group and their suppliers must comply with regulatory human rights obligations, in particular international standards such as United Nations Guiding Principles on Business and Human Rights. The Group's human rights fact sheet can be found on the corporate website.

[1] For EUROAPI employees per 1,000,000 hours worked.
[2] For EUROAPI employees per 1,000,000 hours worked.

Building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation

The Group is the largest Europe-based small molecules API producer, with more than 150 years of experience in API production. Its six production sites operate in compliance with GMP standards and are certified by health authorities
- France, in Vertolaye since 1939 and Saint-Aubin-Lès-Elbeuf since 1946;
- Germany, in Frankfurt since 1863;
- Hungary, in Budapest since 1910;
- Italy, in Brindisi since 1996;
- United Kingdom, in Haverhill since 1981.

These sites offer a wide variety of state-of-the-art technologies in Europe, and have strong track records, including:
- spray drying;
- micronization;
- solid phase chemistry (peptides and oligonucleotides);
- large-scale fermentation and downstream processing;
- flow chemistry;
- complex organic synthesis;
- high potency product manufacturing;
- development center: from kilo-lab to large pilot industrial.

This expertise, along with its very broad industrial footprint, allows the Group, for example, to be the sole Western manufacturer of vitamin B12 and the world's leading supplier of prostaglandins for large-scale commercial pharmaceutical production. The Group offers the largest corticoid portfolio on the market and a comprehensive suite of anti-infective APIs. The Group is also able to supply approximately 60 small- and complex-molecule API references that span a highly diverse range of therapeutic uses for both humans and animals.

Most of these technologies are unique in Europe, so in order to maintain its technological advantage and expand its production capacity to meet clients' needs, the Group has decided to invest €500 million in its six European sites between 2022 and 2025.

Due to this industrial investment, coupled with an efficiency lifecycle assessment, the Group will benefit from efficient production sites respecting high environmental and sanitary standards. The Group expects all its sites to be compliant with ISO 14001 (Environment management systems) and ISO 50001 (Energy management systems) by the end of 2023.

Responsible consumption and production:

The Group recognizes its role in addressing climate change and is committed to minimizing the environmental footprint of its activities by conserving water and energy, and to lessening its residual impact by reducing emissions, effluents and waste. Its environmental goals include:
- 100% of sites with electricity from renewable sources by 2025;
- a 30% reduction in Scope 1 and 2 carbon emissions by 2030 (vs. the 2020 baseline);
- carbon neutrality of its operations by 2050.

The Group seeks to reduce its CO_2 emissions through the decarbonization of its energy supply. It began its transition to renewable energies in 2022 with the initiation of a project to install a 17 MW biomass boiler at its industrial site in Saint-Aubin-lès-Elbeuf.

The Group also implements innovative technologies to reduce its overall environmental footprint. Some examples include:
- micropollutants by a charcoal unit in Vertolaye;
- a Volatile Organic Compound burner in Frankfurt;
- production of one of the largest marketed APIs with continuous process and all solvents replaced by water (Sevelamer on Haverhill site).

To reinforce this trend and improve chemical process efficiency, a Responsible Innovation Program is in the process of being set up to develop existing projects and boost the number of green chemistry projects.

In line with regulations, all substances used and produced by the Group presenting an environmental risk are identified, labeled, stored, handled, and shipped in a manner that prevents and mitigates accidental spills or releases into the environment. Prevention and emergency preparedness plans are in place to treat any chronic or accidental event presenting an environmental risk (air, soil, water, and groundwater) on- or off-site.

5.2 COMMITMENT No.1: OFFER SAFE PRODUCTS AND A RESILIENT AND RESPONSIBLE SUPPLY CHAIN

Raw material mono-sourcing exit program for over 30 APIs

An estimated 55% of sales in 2022 from APIs used in medicines with acknowledged therapeutic interest*

4 EMA inspections in 2022 and more than 110 successful client audits since 2020

OFFER SAFE PRODUCTS AND A RESILIENT AND RESPONSIBLE SUPPLY CHAIN

Ensuring medicine supply is becoming increasingly complex in many parts of the world with a geopolitical context that interferes with raw material availability and prices. With an estimated 55% of its sales from APIs with acknowledged therapeutic interest* and a portfolio of more than 200 APIs addressing a large range of medical needs, the Group has several initiatives in place to be a reliable partner in the pharmaceutical value and medicine supply chain.

With an excellent track record in quality and regulatory management, the Group's portfolio consists largely of molecules that are integrated into long-established standard of care treatment protocols. Through its CDMO capabilities, the Group plays an active role in allowing patients access to innovative medicines. Its service offering covers the production of active pharmaceutical ingredients which allows for clinical trials of medicines prior to their commercialization.

** As compiled by the WHO (Sept 2021), the ANSM (March 2021) and the BfArM (Oct 2021).*

Contribution to SDG 3: Ensure healthy lives and promote well-being for all at all ages

↳ Sustainable Procurement Factsheet
↳ Supplier Relationships Charter
↳ Supplier Code of Conduct

5.2.1 Ensure product quality

Product safety is key to being a reliable API supplier, contributing to the improvement of patients' health and well-being.

In the healthcare industry, product quality is non-negotiable, forming the backbone of the Group's production processes, which are aligned with the most stringent standards. The Group has world class quality levels, with its extensive experience of supplying highly regulated countries, a strong track record in dialogue with health and quality authorities, and six manufacturing sites located exclusively in Europe.

In order to improve access to markets of its clients' medicines, the Group also provides clients with support on regulatory affairs as well as drug regulatory filing services in all countries, thereby facilitating the submission of drug product registrations by its clients.

Quality governance

In order to ensure the quality of its products and guarantee compliance with the regulations in force, Heads of Quality support the quality manager network at each site and in each sales team in disseminating and managing the implementation of the Group's quality management system principles, as well as ensuring they are correctly implemented. 15% of the Group's employees are working in the quality function. The Heads of Quality report to the Chief Quality Officer.

The quality management system is designed flexibly to include the standards specific to each family of products in the Group's portfolio, as well as the clients' expectations. It is frequently updated to anticipate regulatory changes. Good Manufacturing Practices (GMP) regulations, regulatory affairs, pharmacopoeia, etc. are monitored on an ongoing basis to ensure that quality, regulatory compliance and standards are always up to date.

Quality Management System

As an API producer for pharmaceutical medicines, the Group is subject to quality regulations designed to protect consumer and employee health.

The Group's quality management system is fully aligned with international guidelines:

- good practice regulations including the GMP, GLP and GDP;
- guidance published by the relevant health authorities, including the FDA, MHRA, EMA and EDQM;
- guidelines of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH), for the authorities and pharmaceutical industry associations of America (FDA and PhRMA), Europe (EC and EFPIA), and Japan (MHLW/PMDA and JPMA) as initiators, as well as the authorities (regulatory members) of Switzerland, Japan, China, Brazil and Mexico, who define standards in the pharmaceutical industry; and
- WHO guidelines.

Internal policies

The Group has developed its own good practices documentation to ensure quality standards are applied across all operations.

The documentation is aligned with good practice guidelines (GxP) and regulations applicable to its production activities.

These internal standards are grouped in accordance with quality processes covering GxP regulated activities as well as other health-related regulations. The following chart illustrates the hierarchy of the Group's quality management system documentation:

The process to establish, review, approve and distribute internal standards as well as any supporting documents is detailed in a dedicated corporate procedure.

Quality documents are written for each type of GxP and public health-related regulation, as well as for research and laboratory studies, manufacturing and distribution activities, sales activities and information systems.

GxP documents used by the Group are subject to a specific internal management procedure and are available for inspection by regulatory authorities.

At the top of the pyramid, the Group has defined its own quality policy which is the cornerstone of the Group's commitment to regulatory compliance and its clients. This policy describes the overall intentions and direction of the Group with respect to quality. The quality policy is endorsed by the Group's Chief Quality Officer and by the Chief Executive Officer. It is communicated to employees at all levels of the Group.

Regular inspections and audits

The Group's sites are regularly audited internally as well as by external stakeholders, as is customary in the pharmaceutical and biotechnology industry. External stakeholders may be health authorities carrying out official inspections or clients and suppliers conducting audits. Where appropriate, corrective and preventive actions (CAPAs) are implemented.

The outcomes of these inspections and audits generally fall under two main categories:

- critical, which includes high or very high-risk observations that require immediate action to protect human life, employees' health or the environment and require immediate CAPAs; and
- other, which includes major or minor findings and require that CAPAs be implemented by the supplier within an appropriate period of time.

Central to these audits is transparent and continuous collaboration with authorities, clients and suppliers. The following table illustrates audit and inspection outcomes for the Group's manufacturing sites as of December 2022, attesting to the Group's high quality standards. In 2022, a total of 56 client inspections took place at the Group's sites.

	Last FDA inspection[1]		Last EMA[2] inspection		Clients audits	
	Date	# of critical findings	Date	# of critical findings	# of audits 2020-2022	% success[3]
Vertolaye	2019	No warning letter No 483 form (no observations)	2022	0	**34**	100%
St Aubin-lès-Elbeuf	2016	No warning letter No 483 form (no observations)	2021	0	**15**	100%
Frankfurt	2019	No warning letter No 483 form (1 observation, closed)	2022	0	**15**	100%
Budapest	2019	No warning letter No 483 form (no observations)	2021	0	**29**	100%
Brindisi	2014	No warning letter No 483 form (no observations)	2022	0	**10**	100%
Haverhill	2017	No warning letter 483 form (2 observations, closed)	2022[4]	0	**8**	100%

1. Since 2019, Mutual Recognition Agreement applies between FDA and Local European Health Authority
2. EMA inspections are performed by local agencies (ANSM, AIFA, RP Darmstadt, OGYEI & NEBIH)
3. A client audit is considered a success if it did not lead to client loss
4. MHRA for UK

Note All sites have a Japan FMA accreditation

The Group did not receive in 2022 information from its clients, marketing authorization holders, on drug product recalls from the patient market related to its activities.

API manufacturing processes are now subject to increased monitoring by health authorities with regard to the potential presence of mutagenic impurities.

In order to limit the potential carcinogenic risk of selected APIs, the Group has assessed the potential risk of nitrosamines (classified as cohort of concern impurities) for all its APIs and is now developing a multi-year program to proactively assess the mutagenic impurities risk of its key APIs in accordance with the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) guideline M7(R1) on assessment and control of DNA reactive (mutagenic) impurities in pharmaceuticals.

The Group received confirmation of the absence of patient risks for several APIs in 2022. For other APIs, where a risk might exist, the Group is developing remediation plans in line with health authorities' expectations.

Animal welfare

No animals are used in the Group's API industrial processes.

The Group does not carry out clinical trials and does not therefore conduct any animal testing.

Likewise, none of the tests that the Group performs on its APIs to guarantee their quality or properties require the use of animals, in accordance with regulatory and health authorities.

Proactive batch pause for certain prostaglandin products

During an internal assessment, the Group identified certain deviations from good documentation practices at its Budapest, Hungary manufacturing facility related to the production batch dossiers for certain prostaglandins manufactured in a dedicated unit at the Budapest site.

After identification, as a precautionary measure, the Group proactively decided on November 30, 2022 to suspend the release of batches and, secondly, to temporarily stop the production of prostaglandins. The Group also immediately put into place the necessary corrective action plans for remediation and to date these are on track.

Subsequently, the Group announced it has gradually restarted the production of prostaglandins at its Budapest site on January 19, 2023. As the restart is by nature gradual, the Group predicts that a majority of prostaglandin production will resume by mid-April 2023.

5.2.2 Secure continuity of supply

The Group was created during a global health crisis which highlighted the strategic importance of API production for public health. Reliability is one of the Group's main contributions to society, in helping its clients to improve patients' health and well-being.

Going forward the Group expects this commitment to be increasingly challenging, based on its experience in 2022 and current forecasts, with the energy crisis and geopolitical tensions having an impact on raw material availability and transportation.

That is why, on top of strict quality standards addressing product safety (see Section 5.2.1 "Ensure product quality") and sustainable procurement (see Section 5.2.4 "Implement responsible purchasing"), the Group's industrial and sales operations deploy initiatives that contribute to its resilience as an API provider.

These include:

1) A repatriation and backward integration program aimed at relocating the production of initial or 'starting' raw materials, intermediates and APIs to increase its production resilience. Although the Group's vertical integration of API production is more extensive than its main European competitors, feasibility studies and technology suitability assessments are also being carried out on 10 strategic raw materials, intermediates and APIs that might result in their production reintegration from 2023 onwards.
2) A mono-sourcing exit program to reduce single sourcing of raw materials for a selection of critical APIs and APIs used in the composition of essential medicines or medicines of vital importance. This covers more than 500 raw materials entering in the composition of more than 30 APIs.
3) The reinforcement of the Group's Business Continuity Plans at all its sites to address a wide range of scenarios of unplanned business disruption in a timely and optimized manner.

In view of the current global geopolitical tensions and environmental impacts affecting its supply chain, the Group has decided to reinforce its competencies and resources with respect to the management and optimization of transportation and distribution in 2023.

The objective is to meet business requirements and develop scenarios to determine optimized delivery plans in the most secure and environmentally friendly way.

Once the appropriate dedicated resources have been recruited, we will conduct in-depth risk mapping analysis, draft action plans and define key performance indicators.

In 2022, no shortages interfered with the Group's delivery commitments.

5.2.3 Ensure data and information system security

The Group has put a reference technical framework in place to protect its IT systems and mitigate the increasingly sophisticated cyberattacks that target healthcare-related companies. The Group is also implementing a program for the governance and monitoring of the security of its IT systems, which includes crisis management plans.

The Group's cybersecurity strategy is built on five pillars:

- protection of the Group's IT assets, with resources such as antivirus and endpoint detection and response (EDR) solutions;
- monitoring of Company terminals using daily compliance indicators;
- detection of threats, using a security operations center (SOC) which relies on the various security tools deployed to detect and qualify security alerts and take appropriate action;
- accountability, which is based on several services available to end users and companies; and
- crisis management preparedness, including data backup and restoration capabilities.

Under the responsibility of the Chief Information/Digital Officer, the IT Cybersecurity Department is overseen by the Head of Cybersecurity who ensures the effective implementation and management of the IT Cybersecurity roadmap. A central team oversees the cybersecurity roadmap and the deployment of the cybersecurity strategy at global level, with local teams at each manufacturing facility ensuring site-level compliance with the roadmap and strategy.

The IT Cybersecurity Department has a set of standards and procedures defining the security rules to be observed by all users when using the Group's IT systems, and by IT system operation teams when implementing IT solutions on workstations, servers and databases.

In addition, to ensure that the Group's IT policies and standards are known and applied at all levels, the IT Cybersecurity Department is in charge of promoting cybersecurity awareness (including training), publishing an intranet site (where employees can find relevant policies and standards as well as guidance), and conducting simulated phishing campaigns to raise awareness among end users and familiarize them with concepts such as ransomware.

The IT Cybersecurity Department is also setting up an audit program and tools to control vulnerabilities at application and infrastructure levels, to identify threats at the Group's sites.

These activities are carried out alongside other sovereign cybersecurity activities such as integrating security into projects and contracts, evaluating third parties and controlling information flows.

5.2.4 Implement responsible purchasing

The Group considers health, safety, respect of business ethics principles and human rights, as well as the protection of the environment in the conception of its products and over their entire lifespan. This approach involves all actors in the product chain, including raw materials suppliers.

For this reason, supplier selection and cooperation play a decisive role in the sustainability of the Group's business and its ability to be a reliable partner in the pharmaceutical medicine value chain. Accordingly, there is a dedicated Sustainable Procurement Program in the process of being finalized in the Procurement Department under the responsibility of the Chief Procurement Officer.

The Procurement Department consists of purchasing teams located at each of the Group's sites. The procurement teams are responsible for conducting the necessary supplier due diligence and ensuring suppliers have signed all relevant policies. Responsible purchasing metrics and performance are regularly reported to and reviewed by the Executive Committee's ESG Steering Committee. See Section 5.1.6 "The Group's ESG governance" for further details.

The Group's broad portfolio of APIs requires a large and varied number of suppliers. To be able to maintain its production activities, the Group works with an estimated 3,000 suppliers grouped into two categories: raw material (solvents, organic intermediates, natural products, mineral products, acids and bases, etc.) and non-raw material (IT, professional services, scientifics, CAPEX, maintenance repair operations, etc.).

Due to their impact on manufacturing processes and prices, raw material suppliers are under particular scrutiny.

In 2022:

- More than 71% of the Group's total raw material expenditure was in Europe, with 23% in China and India.
- The Group's top 10 raw material suppliers accounted for approximately 32% of its total raw material expenditure, 42% of which was from dual or multiple sources.

Despite the geopolitical tensions and raw material availability constraints in 2022, the Group managed to accelerate the mono-sourcing exit program for raw materials, designed to secure business continuity and prevent operating shutdowns.

After the lessons learned at the start of the Covid-19 pandemic, the Group was also able to be proactive in anticipating deliveries of strategic intermediates arriving from overseas.

Despite several challenges related to raw material and energy price increases, shortages and freight issues, the Group managed to maintain business continuity.

The Group has a Supplier Code of Conduct (available on its website) that outlines its expectations of its suppliers in terms of observing and complying with fundamental principles relating to human rights, working conditions, environmental protection and the prevention of corruption.

Respecting this policy is essential for onboarding new suppliers and their continuing commercial relationship with the Group.

The Group also has a Supplier Relationships Charter (available on its website) which defines the rules of conduct that must be respected by all employees of the Group in their relationships and exchanges with suppliers.

The purpose of the Charter is to raise awareness about, and discourage, any conduct that could conflict with the Group's ethics and compliance rules as well as to promote respectful relationships with all its suppliers.

In addition to these global policies, the Procurement Department has developed and uploaded onto its digital procurement platform a set of ESG-related questionnaires that are sent to the suppliers that have the higher risk in terms of ESG in order to assess their level of compliance with its expectations.

Qualification process

The supplier qualification process involves several departments including the Procurement, Quality, Development and Finance departments.

The Procurement Department leads the Procurement Risk Management (PRM) process, the aim of which is to identify risks and to minimize both the probability of occurrence and their impact.

This specific process relies on a questionnaire and is based on five criteria:

1) Ethics
2) Finance
3) Corporate Social Responsibility (CSR)
4) Health, Safety & Environment (HSE)
5) Cybersecurity

This process has been created to incorporate HSE programs and requirements, as well as ESG pillars and goals. It provides the Group with a unique set of tools capable of classifying the Group's suppliers and guiding the remediation process in cases where a supplier might not comply with its required standards.

Responsible procurement program

The Group is committed to respecting human rights, employees health and safety and environmental standards in its own operations and throughout its supply chain, and considers cooperation with its suppliers as an opportunity to integrate sustainability into the entire value creation process.

To ensure alignment with its commitment, the Group is in the process of establishing a responsible purchasing approach structured around the raw material suppliers:

1) suppliers risk mapping;
2) prioritization (surveillance) of suppliers by risk profile;
3) online signature process for the Supplier Code of Conduct for all suppliers;
4) online questionnaires about ESG commitments for high risk suppliers (35.5% of raw material suppliers);
5) remediation plan based on ESG questionnaire assessments.

Once the Procurement Department has identified a potential supplier, the Quality Department uses a scientific approach based on the critical matters of the "compound" in question. The additional tools at the Group's disposal to strengthen the qualification process are: audits, certificates and GMP verifications, where appropriate. The ultimate goal of these processes is to assess the sustainability of the potential supplier.

In 2022, the Group focused on the creation of the ESG questionnaire, the supplier risk map and setting up the interactive supplier platform.

In 2023, signing the Supplier Code of Conduct will be mandatory for all new suppliers and the ESG questionnaire will be sent to 100% of suppliers characterized as "higher risk". The approach will gradually be rolled out to other suppliers classified as "lower risk" as the Group advances with the program and remediation plans.

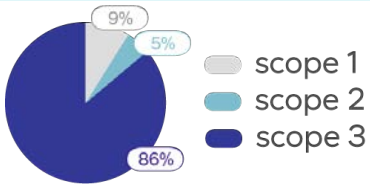
As part of its commitment to implementing responsible purchasing, the Group is seeking to take part in relevant initiatives together with its industry peers, in order to take collaborative action with regard to shared suppliers.

In January 2023, the Group launched the process for joining the Pharmaceutical Supply Chain Initiative (PSCI). This non-profit business membership organization brings together pharmaceutical companies and API producers to promote responsible supply chain practices and share supplier audits.

PSCI PHARMACEUTICAL SUPPLY CHAIN INITIATIVE
Building responsible supply chains

In 2022, in order to address client requests, three of the Group's sites were audited according to PSCI principles. Audits can be shared with the Group's clients on request.

5.3 COMMITMENT No.2: ACCELERATE INNOVATION FOR ENVIRONMENTAL SUSTAINABILITY



EUROAPI CO_2 emissions in 2022

33% of sites are "zero waste to landfill"

-14% water consumption in 2022 vs 2020

68% solvent recycling rate in 2022

ACCELERATE INNOVATION FOR ENVIRONMENTAL SUSTAINABILITY

Aware of the environmental challenges that society is facing, the Group has established, on the one hand, programs that are incrementally improving existing processes in terms of water consumption, CO_2 emissions, energy consumption and waste management, and on the other hand, a program and partnerships that are significantly changing the process of producing APIs. This twofold approach allows for both a mid-term and long-term vision and will allow sustainable growth for the Group as environmental, physical and transformation risks are addressed.

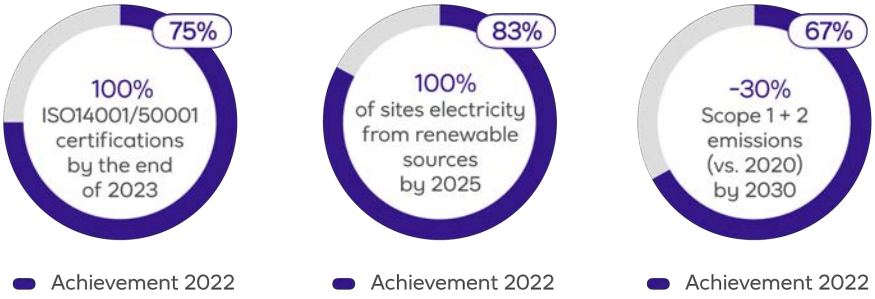
All of the Group's sites are certified ISO 14001 (environmental management) and will be certified ISO 50001 (energy management) by the end of 2023.

The Group intends to reduce its scope 1 and 2 CO_2 emissions in absolute value by 30% by 2030 (compared to 2020) and the Group started to work on reducing scope 3 emissions with its suppliers and clients. Further external partnerships and assessments will support the Group's environmental strategy and the decarbonization of its activities to reach the goal of Net Zero by 2050.

Contribution to SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Contribution to SDG 12: Ensure sustainable consumption and production patterns

OUR OBJECTIVES



↳ Environmental Factsheet

↳ HSE EUROAPI Policy

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

5.3.1 Towards responsible innovation

The Group's ability to provide clients and patients with adapted active-ingredient health solutions is driven by its capacity for innovation. The Group believes that responsible innovation will be critical going forward, leading to sustainable growth and allowing the Group to achieve its environmental commitments, including on carbon emissions, natural resource consumption and waste management.

Sustainable innovation at the Group is focused on making research, development and industrial chemical processes safer and cleaner, and on giving more consideration to energy consumption while continuing to generate economic benefits. It is driven by improved chemical-process efficiency and economics, based on the 12 well-defined "principles of green chemistry"[60].

[60] *12 Principles of Green Chemistry - ACS Green Chemistry Institute®: http://www.acs.org/content/acs/en/greenchemistry/what-is-green-chemistry/principles/12- principles-of-green-chemistry.html*

With a long history in active ingredient manufacturing, the Group's R&D department, led by the Chief Research and Development Officer, is committed to improving its manufacturing processes in order to minimize the Group's impact on the environment. Governance arrangements for the Responsible Innovation program are to be set up in 2023.

This will involve two main approaches:

- A continuous process improvement program for its commercial products: the purpose of this annual program is to assess and improve the environmental impact and sustainability of API manufacturing processes. New technologies such as data science and online process analytical technology (PAT) support these improvements by allowing faster and more efficient data acquisition, improving yield and shortening the development lead time of processes, contributing to a better environmental impact. The program involves around 12% of the R&D team.
- The Group's dedicated innovation projects specifically target improving the sustainability of its technologies and developing new sustainable technologies that are applicable to its market. These projects involve around 6% of the R&D team. On-site examples include:
  - Flow chemistry (continuous chemistry) at the Haverhill site that produces the largest marketed API with continuous chemistry. It is more energy efficient and reinforces real time analysis for pollution prevention. Flow chemistry reduces hazardous waste generation and designs benign chemistry with utilization of benign solvents and reagents.
  - Biochemistry intensification at two of its fermentation sites (Brindisi and Saint Aubin-les-Elbeuf). Biotechnology requires fewer chemical steps thanks to processes based on fermentation with micro-organisms for the synthesis of active molecules. For example, the Group is actively working on vitamin B12 process improvement to drastically boost fermentation productivity, halve water consumption and slash the number of technical operations. The Group is making a major investment of €40 million in this project (see its press release on the subject available on its website for further details).
  - Development of biocatalysis to reduce environmental impact and improve the economics of small molecules synthesis at the Group's Budapest site.
  - The Group has several ongoing productivity intensification projects designed to reduce the environmental impact of its processes, and the Group is targeting topics that will benefit from major advances. One of these topical areas is the solid phase peptide synthesis, on which the Group is using a combination of a better understanding of the chemistry, improved engineering and PAT advances to drastically improve the environmental footprint.

Next steps

The Group will start measuring PMI (Process Mass Intensity) for new projects, in order to track its environmental performance upstream and implement these criteria on a routine basis. These metrics will allow us to demonstrate and document its commitment to reducing the environmental impact of its products.

The Group also collaborates with external scientists in the search for breakthrough technologies to improve its environmental footprint via more effective and greener processes, including synthetic biology, state-of-the-art separation processes, catalysis, process intensification and new modes of generating solid-form active ingredients, etc.

5.3.2 Minimize the Group's environmental impact

Given its sector of activity and operations, the Group is stepping up efforts to drive constant improvement in industrial practices, using all available means to limit direct and indirect impacts of its activities on the environment.

The manufacture of active pharmaceutical ingredients is energy intensive and involves numerous stages that often require extremely low or high temperatures and products of a petrochemical or mineral nature. Different raw materials required in production phases must be sourced and delivered to the Group's manufacturing facilities in Europe.

The Group operates in a restrictive legislative and regulatory environment with respect to environmental protection, public health and safety.

For example, provisions have been recognized by the Group to cover soil pollution prevention and remediation, amounting to €45.4 million as of December 31, 2022 (see Section 3.3.2 "Risk coverage policy – Group risk management" of the Universal Registration Document). A provision of €29.3 million has also been recognized to address potential restoration costs for leased buildings.

As part of its responsible industrial commitment, the Group is aiming to improve its practices so as to optimize energy and water consumption and reduce waste and emissions. The Group has, therefore, defined short-term (2025-2030) and long-term (2050) objectives with associated action plans.

A dedicated structure exists within the HSE Department to coordinate energy, water, waste and emissions management and responsible consumption programs and initiatives across all operations.These initiatives form an integral part of the Group's global HSE Policy and its Environmental Factsheet which are available on the Company's website.

Under the responsibility of the Chief Operating Officer, the HSE Department is overseen by the Head of HSE who is in charge of the Group's environmental strategy, and whose role is to oversee the implementation and management of the associated programs. The measurement and monitoring of environmental indicators is managed at site level by HSE Site Managers.

Environmental metrics and performance are reported and reviewed regularly by the Board of Directors' ESG Committee (see Section 5.1.6 "The Group's ESG governance" for further details).

The Group's environmental objectives and associated strategies form an integral part of a global HSE Policy available on the Company's website. The HSE Policy establishes the framework for HSE management across all operations and covers the Group's environmental commitments regarding energy, water, waste, and emissions.

As a first step towards optimizing energy and water consumption and reducing waste and emissions, the Group is pursuing both ISO 14001 (environmental management systems) and ISO 50001 (energy management systems) certification for each of its manufacturing sites. This will ensure that best practices are in place for the management of energy, water, waste and emissions.

During the year under review, the Group site at Haverhill was ISO 14001-certified, bringing the Group total of such facilities to six. With ISO 50001 certification in progress for the Haverhill, Vertolaye and Brindisi facilities, the Group is on track to meeting its target of 100% of sites certified ISO 14001 and ISO 50001 by end-2023.

		ISO 14001 Environmental Management	ISO 50001 Energy Management
Vertolaye	Seveso	Since 2000	By 2023
Elbeuf	Seveso	Since 2022	Since 2017
Frankfurt	Seveso	Since 1999	Since 2012
Budapest	Seveso	Since 2006	Since 2016
Brindisi	Seveso	Since 1999	By 2023
Haverhill		Since 2022	By 2023

Seveso site annually inspected by local authorities

Fighting climate change

The Group believes that companies have a crucial role to play in the face of the current climate emergency and that it has a responsibility to take immediate action. A strategy designed to meet the objectives of the 2015 Paris Agreement is in the process of being defined to reduce the Group's carbon footprint. The Group has also set a new strategic environmental objective to reduce greenhouse gas emissions from its business operations, with several programs to reduce CO_2 emissions at selected sites.

The Group has set itself an ambitious target of reducing direct CO_2 emissions from owned or controlled operations (Scope 1) and indirect CO_2 emissions from the generation of purchased or acquired energy such as electricity, steam, heating and cooling, consumed by the Group (Scope 2) by 30% by 2030.

The Group's objective is to achieve carbon neutrality (Scopes 1, 2 and 3) by 2050. Carbon neutrality means having a balance between emitting carbon and absorbing carbon from the atmosphere in carbon sinks.

In addition to its global policies, the HSE Department has developed a set of internal standards outlining the procedures for monitoring, measuring and reporting environmental indicators required to calculate Scope 1, 2 and 3 emissions. The standards are regularly reviewed and updated where necessary to ensure compliance with applicable laws and regulations, as well as to incorporate any specific risks associated with EUROAPI's activities.

With respect to Scope 1 emissions, the Group has the objective of having only electric and hybrid vehicles in its vehicle fleet by 2025, and electric vehicles only by 2035.

With respect to Scope 2 emissions, in 2022 the Group stepped up its efforts to procure a greater share of its electricity from renewable sources, with the ultimate objective of having 100% of its electricity consumption derived from renewable sources by 2025.

In 2022 the Group worked to address the main contributors to its Scope 3 emissions.

- with purchased goods representing almost 50% of Scope 3 emissions, the Group implemented programs focused on solvents, acids, bases, and biotechnology yield;
- with waste representing almost 20% of Scope 3 emissions, the Group rolled out programs focused on waste reduction.

The Group measures and monitors its GHG emissions and reports them in line with the GHG Protocol methodology. Headquarters activities and representative and commercial offices are not included in Scope 1 and 2 calculations, as they are considered negligible in relation to the Group's total emissions. Since 2020, Scope 1 and 2 emissions have decreased by almost 20%.

- Scope 1 emissions were reduced in 2022 thanks to better management and maintenance of cooling facilities as well as the replacement of compressors at the Brindisi site.
- Scope 2 emissions were lower than the baseline year, with a minor increase in 2022 compared to 2021 due to an improvement in the Group's calculation method. These emissions now include purchases of cooling water, chilled water and compressed air for its Frankfurt site, which were previously not accounted for.

These positive results indicate that the Group is on the right track to meet its 30% reduction target by 2030.

Scopes 1 & 2 emissions (in metric tons of CO_2e)	2022	2021	2020	Change vs 2020 (%)
Scope 1 GHG emissions	61,317	73,582	74,043	-17.2%
Scope 2 GHG emissions	30,061	27,371	40,003	-24.9%
Total Scopes 1 & 2 GHG emissions	**91,378**	**100,953**	**114,046**	**-19.9%**

Scope 3 emissions are calculated for each category outlined in the GHG Protocol.

Scope 3 GHG emissions (in metric tons of CO_2e)	2022	2021	Change vs 2021 (%)
1. Purchased goods and services	280,661	313,117	-10.4%
2. Capital goods	24,355	22,219	+9.6%
3. Fuel and energy-related activities	24,698	23,650	+4.4%
4. Upstream transportation and distribution	22,906	22,906	—%
5. Waste generated in operations	128,621	132,665	-3.0%
6. Business travel	1,159	2,000	-42.1%
7. Employee commuting	5,445	4,873	+11.7%
8. Upstream leased assets	N/A	N/A	N/A
9. Downstream transportation and distribution	N/A	N/A	N/A
10. Processing of sold products	78,138	117,448	-33.5%
11. Use of sold products	N/A	N/A	N/A
12. End-of-life treatment of sold products	6,885	6,554	+5.1%
13. Downstream leased assets	N/A	N/A	N/A
14. Franchises	N/A	N/A	N/A
15. Investments	N/A	N/A	N/A
Total Scope 3 GHG emissions	**572,868**	**645,432**	**-11.2%**

Scope 3 emissions were in 2022 11% lower than in 2021, a decrease that is attributable to the Group's environmental drive as well as to improvements in data quality and methodology, further to modeling work and support from an external consultant.

According to the GHG protocol, certain Scope 3 categories are not applicable to the Group's business activity or are accounted for under other emissions categories (see Section 5.7.1 "Methodology note on non-financial reporting").

Improving energy efficiency and increasing use of renewable energies

To address the challenges of diminishing fossil fuel resources and climate change, the Group has adopted an approach that combines energy efficiency (consume less and consume smarter) with the decarbonization of energy supplies (consume differently).

Within the framework of its ESG Policy, the Group has developed a strategy for improving energy efficiency across its operations and increasing its use of energy derived from renewable sources. The strategy is centered around the following elements:

- integrating energy efficiency in the design and choice of energy consuming equipment;
- choosing carbon-neutral designs for all new buildings;
- implementing energy recovery processes;
- producing renewable energy on company sites (self-generation); and
- increasing purchases of electricity from renewable sources.

In addition to its global policies, the HSE Department has developed a set of internal standards which outline the procedures for monitoring, measuring and reporting environmental indicators including energy consumption and usage. The standards are regularly reviewed and updated if necessary to ensure compliance with applicable laws and regulations as well as to incorporate any specific risks associated with the Group's activities.

For all new buildings, a carbon neutral design is applied, prohibiting the use of fossil fuels for heating purposes (natural gas, fuel oil, etc.) and requiring that buildings be heated using recovered energy, heat pumps and renewable electricity. In line with this strategy, in 2022 a project was approved for the construction of a new building at the Vertolaye industrial facility in France for the production of hormones.

The Group actively seeks opportunities to purchase renewable electricity wherever possible through long-term contracts such as Power Purchase Agreements (PPAs) and certificates such as Guarantee of Origin (GO) and Renewable Energy Certificates (RECs). In 2022, 87% of the electricity purchased by the Group was derived from renewable sources.

During the year under review, a new project was initiated for the installation of a 17 MW biomass boiler at the industrial facility at Saint-Aubin-lès-Elbeuf (France). This boiler will replace an existing gas-powered boiler and is estimated to reduce CO_2 equivalent (CO_2e) emissions by nearly 76%. The new boiler, powered with wood waste (Grade B), will be operational in 2026.

Solar photovoltaic panels are scheduled to be installed at the Haverhill industrial site (United Kingdom) in 2023. The Group has also identified other potential projects to bring it closer to its goal of reducing natural gas consumption, including the installation of a biomass boiler system at its industrial site in Vertolaye (France).

The Group's efforts to improve energy efficiency continue to prove effective, as demonstrated by the further 9.2% year-on-year reduction in its total energy consumption versus 2020.

The Group achieved positive results again in 2022 with respect to its objective of reducing consumption of energy from non-renewable sources. In particular, the Group was able to maintain its reduced consumption of natural gas versus 2020. Important maintenance work was completed on the gas turbine at the Haverhill site in 2021. In 2022, the reduction can be attributed to the decreased use of natural gas for heating buildings at all facilities and for the treatment of Volatile Organic Compounds (VOCs) at the Frankfurt site, for which the Group has been successful in reducing emissions in parallel.
In 2022, 87% of the electricity consumed in the Group's industrial facilities was derived from renewable sources. Five out of its six sites are using 100% electricity coming from renewable sources.

Overall, the Group has continued to make progress towards its objective of using 100% electricity derived from renewable sources at all of its industrial facilities by 2025.

However, in 2022, the amount of renewable electricity generated on site through solar photovoltaic systems was less than in previous years, following temporary equipment failure at the Budapest site.

Energy consumption by source (MWh)		2022	2021	2020	Change vs 2020 (%)
Renewable	Renewable electricity (purchased)	143,646	163,553	51,765	+177.5%
	Renewable electricity (generated on-site)	8	12	11	-27.3%
	Total renewable energy consumption	143,654	163,566	51,776	+177.5%
Non-renewable	Non-renewable electricity	21,392	3,734	126,914	-83.1%
	Natural gas	332,470	327,047	378,252	-12.1%
	Waste-to-energy	6,775	5,809	5,530	+22.5%
	Other non-renewable energies (steam, chilled water, compressed air, etc.)	97,646	98,764	100,281	-2.6%
	Total non-renewable energy consumption	458,283	435,354	610,978	-25.0%
	Total energy consumption	**601,937**	**598,920**	**662,754**	**-9.2%**

Optimizing water management

The Group is committed to the responsible management of water in order to have environmentally sustainable and socially equitable usage of this essential resource. The Group's industrial activity requires the use of water which is an essential element in the production of APIs and necessary for the operation of industrial sites and equipment.

There are three types of water usage in the Group's industrial operations: direct use in the synthesis of APIs, thermal use in manufacturing processes (heating or cooling) and sanitary use in the cleaning of equipment and production vessels.

Mindful of the water-dependent nature of API production and in line with its Environmental Factsheet, the Group has developed a water management strategy based on the following elements:

- implementation of a water efficiency program at each industrial site, adapted to site-specific requirements;
- prioritization of industrial sites presenting higher water-related risks;
- continuous assessment of water-related risks; and
- consideration of water use at product level (product water footprint).

In addition to its global policies, the HSE Department has developed a set of internal standards which outline the procedures for monitoring, measuring and reporting environmental indicators including water withdrawal and usage.

Annual action plans aimed at managing water use and reducing water consumption are established and implemented at each manufacturing site. According to the Group's industrial site requirements, plans may include equipment upgrades or the installation of new equipment allowing for greater water conservation.

All sites are encouraged to recycle water in local applications. Different methods are employed such as the implementation of closed water cooling systems with multiple loops.

The prioritization of industrial sites presenting higher water-related risks allows the Group to direct resources where they are most needed and can have the most impact.

The Group's water efficiency program is expected to further reduce water consumption even with a planned increase in production capacity.

Water conservation efforts at individual sites were maintained in 2022 and the Group's total water consumption continues to follow a downward trend.

Water withdrawal by source (in thousand m^3)	2022	2021	2020	Change vs 2020 (%)
Public supply	1,411	1,235	1,377	2.4%
Other supplier	19	19	31	-36.7%
Surface water	4,216	4,572	4,903	-14.0%
Groundwater	11,915	11,912	14,692	-18.9%
Total water withdrawal	**17,561**	**17,737**	**21,004**	**-16.4%**

The quantity of water recycled or reused at the Group's sites is expected to increase due to its water efficiency program. On average, over the three years presented, an estimated 25% of the water consumed on the Group's sites has been recycled or reused.

Water consumption (in thousand m^3)	2022	2021	2020	Change vs 2020 (%)
Water recycled / reused on site	4,885	4,809	6,049	-19.2%
Total water consumption	**18,352**	**16,806**	**21,256**	**-13.7%**

The difference between total water consumption and total water withdrawal is explained in the methodology note (see Section 5.7.1 "Methodology note on non-financial reporting").

Improving waste management and promote responsible consumption

The synthesis of APIs is dependent on chemical processes that generate waste as a by-product. The Group generates, through its industrial activity, hazardous and non-hazardous waste that is classified according to the legislation in force.

The reduction of waste arising from its operations, in particular through greener chemistry, is one of the Group's environmental sustainability priorities. Emissions related to waste account for approximately 20% of the Group's total Scope 3 emissions.

The management of raw materials is also a priority, as purchased goods carry an associated environmental impact. Almost half of the environmental impact of purchased goods is related to three categories of raw materials: solvents, acids-bases and raw materials used in the manufacture of biotechnology products. The Group is therefore implementing programs focused on solvent recovery as well as biotechnology yield that can significantly decrease the environmental impact of these raw materials.

Within the framework of its ESG Policy, the Group has a strategy in place for waste management and responsible consumption, centered around the following elements:

- implementing sustainable chemistry practices and improving manufacturing processes through a continuous process improvement program (see Section 5.3.1 "Towards responsible innovation");
- optimizing consumption of non-renewable raw materials used in manufacturing processes through programs focused on solvents, acids, bases, and biotechnology yield;
- a waste management policy based on reducing the generation of waste at source, reusing and recycling, and using landfill only when necessary;
- prioritization of industrial sites producing greater quantities of hazardous waste; and
- continuous assessment of risks related to raw material consumption and waste production.

In addition to its global policies, the HSE Department has developed a set of internal standards which outline the procedures for monitoring, measuring and reporting environmental indicators related to waste production and raw material consumption.

The Group has identified three industrial sites to prioritize based on the greater quantities of hazardous waste produced related to their respective activities and production processes.

A program for 2023 and 2024 has been developed for these three priority sites:

- the Frankfurt site will have an increased solvent recycling capacity in 2023 with the use of a distillation column that will be able to regenerate 800 tons of toluene per year;
- the Vertolaye facility will conduct a study in 2023 to validate the potential to increase the site's solvent distillation capacity by 3,000 tons and will also implement a project in 2024 to recycle 400 tons of solvent at the site;

- the Budapest site will have new equipment to boost solvent recycling capacity, allowing for the distillation of 240 tons of acetone per year.

Total waste produced in 2022 at the Group's industrial sites fell by 3% versus 2020.

Waste produced (in metric tons)	2022	2021	2020	Change vs 2020 (%)
Hazardous waste	55,307	53,414	57,259	-3.4%
Non-hazardous waste	43,361	42,780	44,410	-2.4%
Total waste produced	**98,668**	**96,194**	**101,669**	**-3.0%**

The difference between hazardous and non-hazardous waste is explained in the methodology note (see Section 5.7.1 "Methodology note on non-financial reporting").

The rate of material recovery (quantity of waste recycled as a percentage of total waste produced) achieved has been relatively stable over the three years presented. In 2022, a project at the Frankfurt site allowed for an increased recycling rate of hazardous waste. Over 100 tons of solvents were recycled further to the optimization of the waste logistics platform, reducing total waste produced at the site and avoiding approximately 200 tons of CO_2e emissions.

Waste recycled (in metric tons)	2022	2021	2020	Change vs 2020 (%)
Hazardous waste	7,883	7,924	11,263	-30.0%
Non-hazardous waste	26,180	25,794	24,573	+6.5%
Total waste recycled	**34,063**	**33,718**	**35,836**	**-4.9%**
Rate of material recovery	34.5%	35.1%	35.2%	-0.7%

The total amount of waste sent to landfill by the Group's industrial sites was almost 30% lower than in 2020. Progress in 2022 can be attributed in part to a project implemented at the Brindisi site to reduce the quantity of sludge produced at the site's wastewater treatment plant. The sludge dryer's improved performance drove a significant reduction in the amount of non-hazardous waste sent to landfill by the site.

In line with its waste management strategy, the Group has continued to make progress towards its goal of reducing its landfill disposal rate. As of 2022, two of its six industrial sites have achieved "zero waste to landfill".

Waste sent to authorized landfills (in metric tons)	2022	2021	2020	Change vs 2020 (%)
Hazardous waste	1,539	1,359	1,845	-16.6%
Non-hazardous waste	3,656	5,035	5,548	-34.1%
Total waste to landfill	**5,195**	**6,394**	**7,393**	**-29.7%**
Rate of landfill disposal	5.3%	6.6%	7.3%	-2.0%

The rate of energy recovery (quantity of waste incinerated with energy recovery as a percentage of total waste produced) for all of the Group's industrial sites has been relatively stable over the three years presented.

Waste incinerated with energy recovery (in metric tons)	2022	2021	2020	Change vs 2020 (%)
Hazardous waste	19,085	16,613	17,030	+12.1%
Non-hazardous waste	2,118	2,450	1,593	+33.0%
Total waste incinerated with energy recovery	**21,203**	**19,063**	**18,623**	**13.9%**
Rate of energy recovery	21.5%	19.8%	18.3%	+3.2%

Other waste treatment methods are used at the Group's industrial sites depending on the specific nature of the waste to be treated and the most appropriate method available. Total waste treated with other methods as a percentage of total waste produced has been relatively stable over the three years presented.

Waste treated with other methods (in metric tons)	2022	2021	2020	Change vs 2020 (%)
Hazardous waste [(1)]	26,801	27,518	27,121	-1.2%
Non-hazardous waste [(2)]	11,407	9,500	12,696	-10.2%
Total waste treated with other methods	**38,208**	**37,019**	**39,817**	**-4.0%**
% total waste	38.7%	38.5%	39.2%	-0.5%

(1) Includes the treatment of water containing chemical agents via incineration.
(2) Includes the off-site treatment of brine water.

The rate of solvent recycling (quantity of solvents recycled as a percentage of total solvents consumed) achieved has been relatively stable over the last two years. The decrease in the solvent recycling rate versus 2020 can be explained by three events that occurred at the Frankfurt site between 2020 and 2022.

1) In early 2021, a legacy process for producing the antihistamine fexofenadine at the Frankfurt site was phased out and a new process was implemented. The new process currently does not allow for the same quantities of toluene, a solvent required for the process, to be reprocessed and reused compared to the legacy process.

2) The quantity of the analgetic metamizole produced at the site decreased by approximately 30% between 2020 and 2022. The production process for this API has a solvent recycling rate of approximately 95% which contributed to a higher recycling rate in previous years and subsequent decline in the rate due to the decreased volumes produced.

3) An increase in the demand for certain products led to greater quantities produced and subsequently, higher demand for solvents. The site does not currently have the ability to reprocess the quantities of solvent required for the production of these products.

In 2022, a project to improve the recovery rate of acetonitrile was implemented at the Group's Budapest site. The project allowed for the regeneration of approximately 54 metric tons of the solvent and reduced hazardous waste produced at the site by 68 metric tons.

Solvent consumption (in metric tons)	2022	2021	2020	Change vs 2020 (%)
Solvents consumed	83,275	79,117	107,500	-22.5%
Solvents regenerated	56,213	50,581	78,624	-28.5%
Rate of solvent recycling	67.5%	63.9%	73.1%	-5.6%

Reducing emissions into air, water, soil and subsoil

Solvents are required for API production and are highly regulated due to their volatile nature and associated emissions factor. Solvents used by the Group are either purchased or regenerated on site, and they are used in compliance with the recommendations for proper use established at the Group level. The Group promotes the optimization of processes, and regeneration, where possible, in order to reduce the quantity of solvents consumed (see in particular Section 3.2.2 (b) "Risks related to supply difficulties, raw material and energy costs, and relationships with certain suppliers and subcontractors" of the Universal Registration Document).

The Group aims to reduce emissions of volatile organic compounds (VOCs) resulting from the synthesis of APIs. To achieve this objective, it promotes an integrated approach at each stage of product development, from research to production, which is designed to:

- limit the use of solvents by substituting biological processes for chemical ones;
- promote the recycling of solvents;
- select the least toxic solvents;
- reduce emissions at source by adapting manufacturing processes accordingly and implementing maximum containment of solvent use; and
- capture and appropriately treat any residual VOC emissions through the implementation of abatement technologies such as cryogenic capture, gas scrubbers, thermal oxidizers or activated carbon.

The Group is also committed to controlling wastewater discharge at its industrial sites. It proactively pursues programs that are designed to:

- monitor and control water discharged into the environment according to requirements defined by local permits;
- reduce the quantities of wastewater discharged at source; and
- employ advanced treatment methods at site level, such as ozone or activated carbon, where appropriate.

With respect to soil and subsoil, the Group has implemented a systematic multi-year program of monitoring and studying soil and shallow and deep aquifer water at its sites. The detailed assessments carried out as part of this program can lead to remediation work should it be necessary. The Group continuously reviews any necessary remediation work and implements appropriate rehabilitation work in collaboration with national and local authorities.
In addition to its global policies, the HSE Department has developed a set of internal standards which outline the procedures for monitoring, measuring and reporting environmental indicators related to VOC emissions and other releases into the air, water, soil or subsoil at each site.

In line with its solvent recovery program, the Group has an internal standard for banned solvents which is adhered to by all industrial facilities.

Environmental analysis of the Group's sites is carried out periodically to identify any actual or potential impact on the environment, and to define priorities in terms of environmental protection action plans and monitor progress.

At its Saint-Aubin-lès-Elbeuf site in France, the Group has initiated a new vitamin B12 fermentation process under the name Project ELLA. The objective is to improve the vitamin B12 manufacturing process and reduce at source the quantity of wastewater discharged into the Seine river.

In addition, wastewater from the site will be treated by ozonation at the site's wastewater treatment plant, in order to ensure water quality and suitability for discharge.

At the Vertolaye site, improvements to environmental emissions management are ongoing. To reduce quantities of VOCs discharged into the atmosphere, an incineration system has been installed with collection points at all discharge channels. The Group has also made improvements to the wastewater treatment plant in order to improve the quality of wastewater discharge and reduce the quantity of effluent.

The Group continued to make progress towards reducing its air emissions during the year under review. VOC emissions continued to decrease thanks to initiatives at the Group's sites. In particular, VOC emissions at the Vertolaye site decreased by 67% (127 metric tons versus 381 metric tons in 2020) further to investments in the incineration system; and VOC emissions at the Brindisi site decreased by over 50% (473 metric tons versus 976 metric tons in 2020) further to improvements in measurement techniques. The Group also achieved a significant reduction in Ozone Depleting Substance (ODS) emissions in 2022, attributable to new equipment (cooling compressors) installed at the Brindisi facility.

Air emissions	2022	2021	2020	Change vs 2020 (%)
VOC emissions (in metric tons)	1,413	1,338	2,092	-32.5%
ODS emissions (in kilograms)	261	545	1,696	-84.6%

The Group pressed ahead with programs in 2022 to reduce quantities of wastewater discharged at source at its industrial facilities, which have been cut by 14.5% versus 2021.

Wastewater discharged (in thousand m^3)	2022	2021	2020	Change vs 2020 (%)
	21,786	25,492	22,101	-1.4%

Due to the sanitary authorities different requirements for each of its sites, the Group does not report indicators related to the quality of water discharge. However, water quality parameters, notably chemical oxygen demand (COD), are tracked at site level and follow the limits applicable by the local permits.

Mobilizing employees for environmental protection

In order to continuously improve its environmental performance, as well as act as a responsible employer, the Group promotes environmental awareness and mobilization among its employees.

In 2022, more than 250 employees participated in environmental awareness events. Energy saving campaigns took place at almost all the Group's premises, and environmentally friendly soft mobility and commuting were promoted.

Thanks to the on-site HSE network, the Group intends to press ahead with and amplify these efforts by cascading them throughout the organization.

Climate Fresk workshop with the Senior Leadership Team at the Group's Brindisi site.

Protecting biodiversity

The Group is well aware that biodiversity is vital to maintaining the balance of life on the planet and that the world's natural ecosystems are deteriorating at a rate unprecedented in human history.

The Group has rolled out several initiatives to protect and preserve biodiversity at its sites. These include regular flora and fauna inspection and species protection. These initiatives will be structured and organized going forward.

Four of the Group's industrial facilities manage beehives with governance and processes which involve volunteers. In 2022, 180 kg of honey was produced and sold to employees, with the related income donated to charity or reinvested in the initiative.

5.4 COMMITMENT No.3: CREATE A SAFE AND MULTICULTURAL WORKPLACE

68% participation rate for first employee survey

28% women in workforce

67% employees took part in capital offer in July 2022

CREATE A SAFE AND MULTICULTURAL WORKPLACE

The Group's most valuable asset is its nearly 3,500 highly qualified employees based in eleven countries. It is committed to ensuring their health and safety and to providing an inclusive and fulfilling workplace. A good track record in health and safety will be further emphasized through the Group's commitment to decrease the Lost Time Injury frequency rate to 1.5* and the Total Recordable Injury frequency rate to 2.5* for EUROAPI employees at all sites by 2025. Regular social dialogue and employee surveys have laid the groundwork for addressing the challenge of engagement and development in 2023.

The new programs and tools in the pipeline will allow the Group to better recruit and retain employees and to offer more opportunities for professional development.

With the target of 30% women in its Extended Leadership Team (ELT) by 2025 reached in 2022, the Group will continue to promote gender equality and diversity across its operations.

** Per 1,000,000 hours worked.*

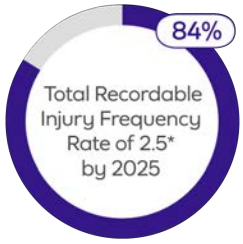
Contribution to SDG 5: Achieve gender equality and empower all women and girls

OUR OBJECTIVES

Achievement 2022

Achievement 2022

* per 1,000,000 hours worked



Achievement 2022

* per 1,000,000 hours worked

Diversity, Equity & Inclusion Factsheet
Human Rights Factsheet

5.4.1 Human capital, a key asset for the Group

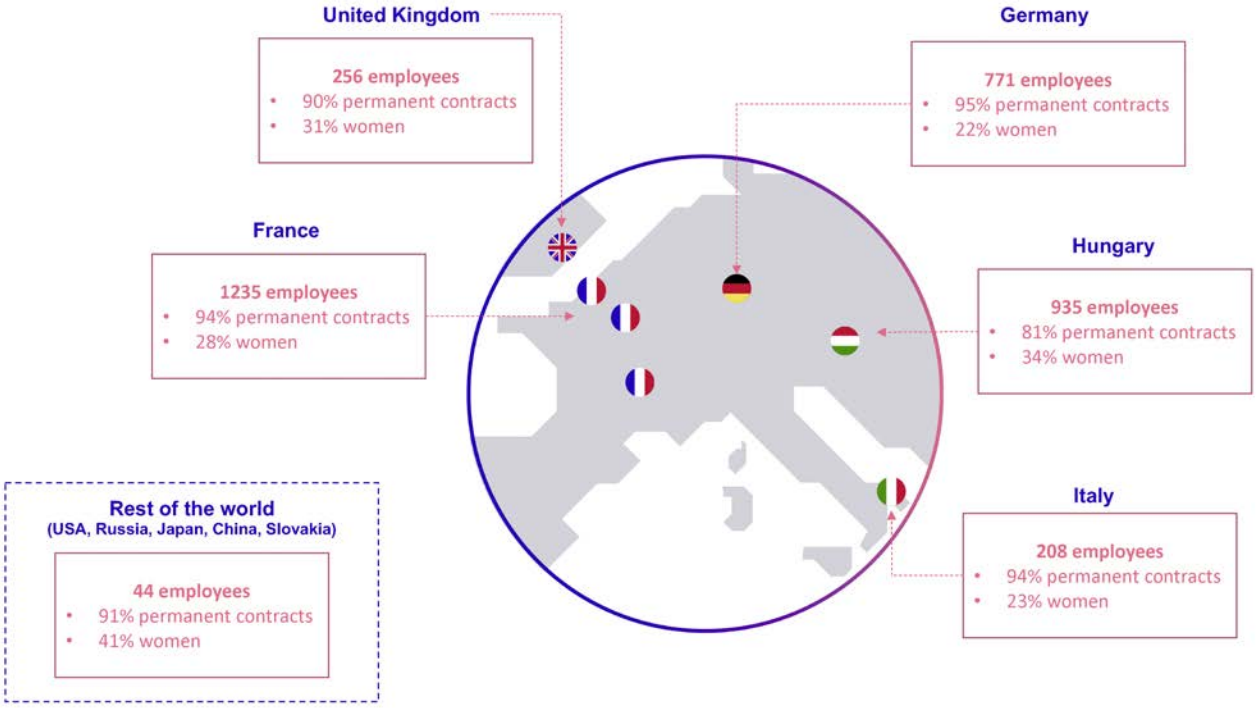
Working conditions and human resources policy

The Group attaches special importance to social issues including health and safety at work, employee engagement and quality of life, the quality of workplace dialogue and promoting diversity and integration into the local social fabric. These themes are an integral part of the Group's ESG strategy, rolled out to each function and production site.

The organization of working hours aims to meet the needs of the Group's clients taking into account the production capacity of its industrial sites. Employees are working in shifts in the production area. In France, some collective agreements about the working time organization are in place. The Group plans to review these agreements with the Works Council to simplify, harmonize and make the working time organization more flexible.

Number and distribution of employees

As of December 31, 2022, the Group had a headcount of approximately 3,450, including approximately 1,235 in France (excluding temporary workers).



The following table shows the change over the three years presented in the Group's headcount by country:

	Employees at December 31		
Country	**2022**	**2021**	**2020**
France	1,235	1,175	1,139
Hungary	935	919	794
Germany	771	735	582
United Kingdom	256	245	194
Italy	208	228	214
Other	44	40	43
Total	**3,449**	**3,342**	**2,966**

The following table shows changes in the breakdown of headcount by type of employment contract over the past three financial years:

	Employees at December 31		
Breakdown of the workforce by type of contract	**2022**	**2021**	**2020**
Permanent contracts	90%	88%	91%
Fixed-term contracts	10%	12%	9%
Total	**100%**	**100%**	**100%**

The following table presents the percentage of the headcount by country and by type of employment contract:

	Employees at December 31, 2022		
Country	**Employees**	**Permanent (%)**	**Fixed-term (%)**
France	1,235	33.5%	2.3%
Hungary	935	21.8%	5.3%
Germany	771	21.2%	1.2%
United Kingdom	256	6.7%	0.8%
Italy	208	5.7%	0.4%
Other	44	1.2%	0.1%
Total	**3,449**	**90.0%**	**10.0%**

The following table shows the age breakdown of the Group's salaried workforce over the past three financial years:

	Employees at December 31		
Age distribution	**2022**	**2021**	**2020**
<25	4.8%	5.2 %	4.4 %
25 to 40	35.2%	33.4 %	32.0 %
41 to 55	42.3%	43.7 %	44.4 %
56 to 60	13.5%	13.4 %	14.8 %
>60	4.2%	4.3 %	4.4 %
Total	**100%**	**100%**	**100%**

The following table shows the breakdown of the Group's headcount by business function:

	Employees at December 31, 2022	
Business function	**Employees**	**%**
Sales	94	2.7%
Production	2,726	79.0%
R&D	358	10.4%
Support functions	271	7.9%
Total	**3,449**	**100.00%**

The absenteeism rate of the Group cannot be disclosed this year as the company is newly created and the tools are not in place to consolidate the data.

5.4.2 Ensure the health and safety of employees and subcontractors

The Group knows that its employees are the drivers of its performance, and accordingly, that caring for their health and safety is paramount. Furthermore, as a chemical company with several SEVESO-classified sites, accident prevention is foremost among the Group's priorities. By limiting the occurrence of disease and injuries, health and safety rules have a critical impact on productivity and costs, preventing interruptions to production, repeated absences, medical expenses and insurance premiums.

HSE departments are responsible for implementing robust occupational health and safety programs designed to meet or exceed the latest health and safety regulatory expectations. Working in close proximity to shop-floor staff, in order to maintain good knowledge of all potential exposure to agents that are hazardous for employees' health, the Group's HSE specialists' network of 50 full-time on-site employees monitor on an ongoing basis the effectiveness of risk control at the factory premises.

Monthly updates are provided to Executive Committee members and senior leadership teams, in order to analyze health and safety results, set and update objectives, react in a timely manner when necessary and share HSE learning experiences.

Policies and audits

As stated in its HSE policy, validated by the Group's senior management and signed by the Chief Executive Officer (available on its website), the Group uses solid management systems that focus on eliminating or reducing occupational health, safety and environmental risks. These systems promote improved HSE conditions and are audited regularly.

The Group is subject to Regulation (EC) 1907/2006 of the European Parliament and of the Council of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH Regulation") that imposes a series of obligations on all industrial sectors, including the chemical industry. It requires the registration, use and restriction of chemical substances used in production processes as well as their potential impacts on both human health and the environment. This is used for the setting up of risk minimization methods that can include minimizing exposure to chemicals.

The Group is a member of the industry association France Chimie. In line with its values, one of the Group's first commitments in 2022 was to become a signatory of the Responsible Care® charter (News available on the website) that includes its six voluntarily imposed regulations (more details on their website).

This illustrates the Group's support for the safe management of chemicals throughout their lifecycles. Commitments include continuously improving environmental, health, safety and security knowledge and the performance of the Group's technologies, processes and products to avoid harm to people.

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

Two of the Group's sites, Brindisi and Budapest, are certified ISO 45001 (occupational health and safety standard). Certification is updated each year, illustrating the high standards of employee safety, reducing workplace risks and creating better, safer working conditions.

Authorities, insurance companies (such as AXA) and customers regularly inspect the Group's sites. These audits test whether the Group meets various requirements with regard to operational safety and fire protection.

In addition, facilities operating on the SEVESO sites are inspected regularly by national authorities.

Actions

In order to achieve the Group's goal of zero accidents across its sites, the Group's HSE experts and management strive every day to reduce workplace accidents and injuries, increase safety awareness and promote healthy lifestyles to all employees and subcontractors.

Reduce workplace accidents and injuries

The Group's safety approach is based on effective risk identification and prevention carried out using a risk-based safety management system. This system is reviewed regularly during site-level Health and Safety committees and whenever any changes to the business occurs.

The approach involves a number of steps:

a. identifying jobs, activities, and occupational hazards;

b. assessing workplace prevention practices and regulations;

c. characterizing residual risk; and

d. defining risk minimization methods in all situations, for all processes and projects.

In order to better target the types of actions to be implemented, potential events are classified based on international standards according to their severity. Using this classification, potentially serious events (PSE) are targeted as a priority, and human and organizational factors are factored into the in-depth analysis.

Risk minimization methods can include minimizing exposure to chemicals, radiation and biological agents, as well as physical and ergonomic constraints.

Occupational hygiene programs are also run by HSE departments in order to maintain good knowledge of all potential exposure to agents hazardous for employees' health.

Health and safety scenarios are included in its Business Continuity Plans and crisis management framework (see Section 5.2.2 "Ensure continuity of supply"). This allows operations to promptly return to business as usual in the event of business disruption.

Regarding business travel protection, it is worth noting that the Group's business travel assistance program provides expanded protection covering all travel, medical and security needs that may arise around the world. Doctors, security experts and assistance coordinators are available to provide advice in the user's preferred language, and to support in case of emergency.

Increase safety awareness

Training aims to promote the HSE safety culture among all employees, together with the Human Resources Department and managers. Safety is the responsibility of each and every employee and awareness and training programs on prevention and protection are organized on a regular basis.

Mandatory legal training is routinely provided to all where required, and refresher training is provided in line with the legal framework. A total of 30 modules are available online.

Managers at all levels of the organization are responsible for ensuring that safety is promoted through relevant framework conditions and specific measures. To encourage the inclusion of safety topics in routine exchanges with managers, the MSV (Managerial Safety Visits) program is mandatory for most managers. All managers trained must have at least eight MSV per year. The trend improved in 2022, with the average completion rate rising from 54% in the first quarter to 61% in the third.

The quality and frequency of the reporting of weak signals are key to injury prevention. Thanks to the safety culture programs in place, all sites increased their number of reports in 2022 compared to 2021.

In order to learn from experience and reap the rewards of continuous improvement, HSE investigations are held when potential serious events occur. The people involved analyze the events, what went wrong and what can be learned for further improvement. The root cause and action plans are shared between sites during quarterly HSE Forums in the event of any serious or potentially serious events.

Each new employee receives initial health and safety training appropriate for their job profile so that they can perform their work in strict compliance with the rules.

Regular awareness initiatives are held throughout the year. On June 24, 2022 for example, more than 85% of employees participated in the "One Hour Stop for Safety" program in which all the Group's sites suspended their activity to devote time to individual reflection on safety, including individual changes to prevent accidents from occurring and actions to take to help prevent others from having accidents.

Promote healthy lifestyles

Continuous medical surveillance is made available to all employees at the Group sites by a designated clinician or physician. All personnel are monitored under medical surveillance programs that are based on the results of occupational risk assessments linked to their duties. Designated clinicians or physicians also evaluate occupational injuries or illnesses.

In 2022, vaccination campaigns were run at sites, for the flu, for example, as well as for Covid-19 where it was possible for the Group to obtain them.

A well-being program was launched in 2022, called wellness4all, across all sites including headquarters and sales sites. Its objective is to prevent chronic disease and promote mental health. Examples of activities carried out in 2022 include health food deliveries, breast cancer awareness, health screenings, walking challenges, mental health day and psychosocial risk assessment.

wellness4all

MOVE WELL
PHYSICAL ACTIVITY
Promotion of physical activities. These are small lifestyle changes to be more active, enjoy the outdoors and socialise with others.

KEEP WELL
PREVENTION
Promotion of actions that can be taken to reduce the likelihood of lifestyle related diseases such as lung cancer through smoking or type 2 diabetes.

FEEL WELL
FEEL WELL
Promotion of actions that can be taken for positive mental health and advice on how to protect work-life-balance.

EAT WELL
NUTRITION
Promotion of healthy choices to include vitamin rich foods in a normal eating lifestyle.

To promote fitness, on some sites employees have access to the Group's own sports clubs or shared sports facilities on site.

Indicators for 2022

The Group aims to move toward zero accidents, and therefore plans to maintain the frequency rate of accidents resulting in lost time for its employees and contractors (Lost Time Injury – LTI) at a level less than or equal to 1.5 per 1,000,000 hours worked, and the rate of recordable work accidents (Total Recordable Injury – TRI) at a level less than or equal to 2.5 per 1,000,000 hours worked by 2025.

In 2022, the Group had a 1.8 LTI rate, (in line with its 2022 target to be under 2), and a 2.9 TRI rate (in line with its 2022 target to be under 3.5).

All sites continued to track and report Covid-19 cases and the impact of the pandemic. Data were gathered centrally and reported to the Executive Committee monthly. In 2022, no occupational illnesses or work-related deaths were recorded.

The main focus going forward will be on operational activities with high potential for harm, with the introduction of the Group's Lifesaving Rules in 2023.

In 2022, all sites were asked to identify lifesaving rules that are specific to their activities. From 2023, the focus will be on rolling out these rules; each year, an independent auditor will assess the impact of the program at the Group's facilities.

In parallel, in 2023, emphasis will be put on each site to increase the number of reports of Potentially Serious Events (PSEs) and analyzing how to improve its safety culture and guarantee a consistent level of safety across all sites and throughout the Group's activities.

Per 1,000,000 hours worked		2022
Lost Time Injury frequency rate	Group's personnel	1.6
	Subcontractors	2.2
	Temporary workers	2.9
	Total personnel	1.8
Total Recordable Injury frequency rate	Group's personnel	2.5
	Subcontractors	3.3
	Temporary workers	5.7
	Total personnel	2.9

Per 1,000 hours worked		2022
Accident severity rate	Group's personnel	0.1
	Subcontractors	0.1
	Temporary workers	0.5
	Total personnel	0.1

5.4.3 Create a constructive social dialogue

The Group aims to uphold local legislation at all times in every country where the Group operates, and to develop the best internal labor standards for its employees.

The Code of Ethics remains the Group's shared standard that applies to employees worldwide. This Code of Ethics is inspired by the 10 principles of the UN Global Compact, the Universal Declaration of Human Rights and international labor standards, especially those concerning forced and child labor.

Social dialogue is managed at country level by local and human resources managers working alongside employee representative bodies and labor unions. At the transnational level, the European Works Council covers most of the Group's sites.

In France, 2022 was marked by very intense social events punctuated by 11 Works Councils meetings, half of which were devoted to the Company's share carried out on May 6, 2022.

In the context of the spin-off from Sanofi to the Group, 89 collective agreements entered into the institutions representing the employees (Group, Chemicals and establishments) were also transferred with a predetermined duration.

These agreements will subsequently be upheld in full, partially or canceled entirely.

The management objective is to allow employees to benefit from social conventions that are in line with what existed at Sanofi, adapted to the size, scope and financial capacity of the Group.

EUROAPI France has negotiated several agreements, each having a strong social impact, in the following areas:

a. employee savings;

b. health and provident insurance coverage;

c. annual salary negotiations for 2023 (signed unanimously);

d. method agreements; and

e. establishment of the Special Negotiation Group, which gave rise to the European Economic Committee (two agreements signed).

The year under review was marked by the quality of social dialogue at the Group, which is helping to build the foundations of a solid and socially minded Group.

The first European Works Council meeting was held on December 1, 2022. Three members of the Executive Board were elected (the Secretary, the deputy and a third member). Accordingly, the Executive Board comprises members from France, Germany and Hungary. The first meeting was mainly focused on the Group's strategic vision, its financial, Human Resources and social situation, and its ESG policy.

The European Works Council is dedicated to sharing information, exchanging views and opinions, and discussing labor issues at the European level. It serves as a veritable transnational entity, with a role that is separate from but complementary to that of the national representative entities and with its own specific prerogatives.

Ordinary plenary meetings are held twice a year and the European Works Council is informed, and if necessary consulted, on all cross-border issues that have an impact on Group employees.

5.4.4 Promote talent management and personal development

Recruitment

The Group's employees represent an essential pillar of its success. The Group must be able to rely on the best teams around the world to maintain a competitive edge, anticipate future trends, remain agile and invest in innovation.

The Group is therefore committed to:

- promoting diversity and inclusion: the Group is convinced that employee commitment and the promotion of diversity are major drivers of performance, representing considerable competitive advantages for the Group;
- developing the employability of its employees throughout their professional lives through learning, mobility, and training;
- attracting and developing talent; and
- supporting employee engagement with local communities.

In 2022 the Group recorded 494 permanent and fixed-term contract hires. The site teams worked intensively to attract the best candidates in a context of tight labor markets in most countries.

The Group plans to reinforce its employer branding to ensure the Group's name is well known, professionalize its approach on the topic and boost its use of social networks to attract candidates. Different events will also be organized to boost recruitment of young graduates in all countries.

	New hires in 2022		
	Permanent	Fixed-term	%
France	125	52	35.8%
Hungary	29	114	28.9%
Germany	63	30	18.8%
United Kingdom	28	22	10.1%
Italy	7	11	3.6%
Other	12	1	2.6%
Total	**264**	**230**	**100.0%**

Sponsorship and patronage

The Group encourages sponsorship and patronage, especially with targeted schools and universities. For example, in 2021, the Group decided to sponsor "Promotion 2024" of Chimie Paris Tech school and in 2022 a partnership was created with the Petrik High School (Chemistry faculty) in Budapest and the Ecole Ingénieurs SIGMA from Clermont-Ferrand. Through strong exchanges on study themes, courses given by the Group's leaders, the sponsorship also includes student visits to the Group's sites, career advice, project management skills reinforcement and interview skills development for future employment research.

Culture and values

As a newly-listed entity, the Group wants to develop a new corporate culture centered on entrepreneurship, agility, empowerment, and customer focus. To start this journey, in 2022, the Group defined its core values: Taking Ownership, Achieving Together, Driven by its Clients, and Caring for All. These values have been shared with all employees across various communication campaigns, and have been promoted at site level through several workshops. The Group's values have been broken down into behaviors enabling it to reinforce the organization's new culture.

Training materials and sessions will be drafted and organized to support managers in their role and ensure behaviors are in line with expectations.

Employee engagement survey

In October and November 2022, the Group conducted "EUROAPI&me" – its first annual engagement survey of all employees. This survey measures and collects employees' feedback from several perspectives, including: their overall perceptions of the Group, their understanding and buy-in to the Group's strategy and values, the quality of their relationship with their direct manager and the Group, their perception of their ability to do their job and thrive, and their confidence in the future.

The survey covered many topics: safety, client focus, empowerment, work life balance, direct manager relationship, corporate culture, strategy, collaboration, sustainable engagement, career and development and compensation. The results were analyzed at Group, country and plant level. Specific action plans are designed at each of these levels, based on the needs expressed by the survey.

Based on this survey, the Group measured the level of employee engagement through a global index of several criteria:

- whether respondents would recommend the Group as a good place to work;
- whether respondents have the means to do their jobs effectively;
- respondents' level of energy;
- respondents' sense of personal accomplishment.

The participation rate in 2022 was 68%, which is good for a first year of implementation, and the engagement rate was 63%, which shows some room for improvement. It should be noted that the results for 2022 came in the wake of the year that was especially intense for all.

A new engagement survey is planned in 2023 for all employees, allowing the Group to measure and identify trends.

Learning organization

The Group is committed to supporting its employees in their learning and development. As in most scientific and pharmaceutical industries, the success of the Group relies on having committed, highly qualified employees.

The Group will ensure that employees acquire new skills through challenging positions and development. The Group's development policy is based on the 70/20/10 approach (70% on-the-job, 20% informal learning, 10% learning) where employees drive their own development with the support of both the Human Resources Department and their line manager.

Training policy

In the context of a rapid and ambitious transformation, the training policy aims to support the Group's strategy, anticipate and support the need for jobs and skills, and to support the development of employees and managers.

In the field, managers are responsible for identifying the needs of their teams, informing them and implementing their training plans with the support of the Group's human resources network.

The training offering is managed at both Group and country level.

Support the training strategy

Training serves to implement the Group's strategic orientations. It also supports changes in organizational methods and operating principles in force within the Group. Changes induced by its new culture and values will be gradually integrated into the Group's training programs.

Following the results of the employee survey and in line with the Group Strategic Plan, the Group has prioritized the training goal of improving managers' skills – especially in the area of change management – and developing a more customer-focused culture while developing women and high-potential individuals within the organization.

Support the development and employability of employees

Training supports employee development and employability at all levels of responsibility. In conjunction with career management, it is an important factor in terms of employee engagement. Accordingly, the Group prioritizes increasing the professionalization of its employees, promoting career development, strengthening employability, developing managerial skills in a continuously changing environment, and increasing customer focus.

In 2023, the Group's digital training system "iLearn" will be extended to all employees in 2023, with an offer around professional skills, leadership skills and diversity. Its library represents 8,500 courses in the Group's five main languages.

In addition, local and global training sessions will be offered (digital, face-to-face or blended).

These different approaches aim at providing employees, and especially managers, with the skills that are vital to the Group's transformation:

- successfully adopting its new values and culture;
- developing new skills;
- developing managerial and leadership skills.

The Group has set itself the goal of ensuring that each permanent employee receives seven hours' training in 2024.

The total number of hours of training cannot be disclosed this year as the company is newly created and the tools are not in place to consolidate the data.

Talent management

The Group's talent management policy consists of supporting employees in their development and as of their recruitment, offering them professional opportunities. This mission is carried out in collaboration with managers and the dedicated human resources network.

Talent retention and acquisition

In 2022, the Group hired 264 permanent contracts and 230 fixed-term contracts.

The Group wants to make sure the Company is attractive and able to retain the talent of tomorrow. Particular efforts will be undertaken in 2023 to define the Group's policies for international volunteers, apprentices and interns, and step up its capacity to welcome and develop them from 2024.

Coordinated at Group level, the recruitment teams in each country will implement local recruitment programs for young graduates and early-career professionals.

Onboarding new employees

In 2023, a global onboarding program will be defined allowing all new employees to follow a specific onboarding program to learn about the Group, its values, strategy and organization, and to familiarize themselves with its culture and operational systems. In some countries, sites have their own onboarding procedures.

Managerial skills model

Aligned with the Group's transformation strategy, its managerial skills model will be developed in 2023 to encourage the development of agile, inspiring and inclusive leadership.

This model will highlight the essential skills that a leader must acquire within the organization. It encourages everyone to develop their own leadership potential and will serve as a reference for employees to build their individual development plan.

Annual performance appraisal

Each year, the Group launches a campaign to assess the performance of employees. The purpose of the annual appraisal between manager and employee is to assess the achievement of individual objectives over the year, as well as managerial skills and behaviors in relation to the Group's values. It is also a key moment to discuss the coming year and jointly define the related individual objectives.

In 2022, 99% of managers were assessed during performance appraisals.

Anticipate and support employment and skills needs

With regard to its strategy, the Group supports the development needs of each employee, with a particular focus on their expected potential over the coming years.

- Once a year, the Executive Committee reviews the Group's high-potential individuals with a particular focus on potential executive managers.
- The Group conducts an annual review of the teams ("People Review") at all levels: sites, functions and Group. This is used to identify high-potential individuals, define succession plans for key positions and discuss career opportunities for them.
- Once a year, the Group's succession plan is presented to the Board of Directors.

The Group is willing to anticipate the development of new skill sets to support its business plan and plan to conduct Strategic Workforce Planning analysis in some areas such as CDMO, Sales, R&D and Supply Chain. Based on the needs identified, additional training will be offered.

Coaching and mentoring

The Group offers coaching and mentoring opportunities to its high-potential talent.

In 2022, the Group initiated a mentoring program at Group level and proposed a consistent approach on the topic across all HR sites. The Group takes particular care to ensure that these programs benefit female talent in order to ensure visibility and accelerate their career. The Group also intends to offer its mentors unconscious bias training concerning diversity.

Career opportunities

The Group's internal promotion policy is to offer career opportunities to successful managers and employees with demonstrated potential. It is based on:

- annual performance reviews;
- annual talent and succession reviews; and
- personal development plans.

While the Group remains a young company, it plans to offer diverse career paths to its employees, including inter-function and inter-site mobility, project assignments and short-term missions, and international opportunities and projects. The aim is to take talents outside their comfort zone and enable them to develop their skills.

Lastly, the Group plans to build a specific career management policy for its experts. The Group recognizes and values expertise in new technology and innovation, which is required in order to strengthen product-line business skills and to boost future R&D efforts.

Talent retention

Development of leadership career opportunities, but also training, coaching and mentoring, help to retain high-potential talent. Retention is also increased by developing the Group's leaders' skills and their capacity to develop and engage their teams.

In 2022, the turnover rate of the Group was at 12.9%, including permanent and fixed-term contracts. The table below show the turnover rate per country.

Country	Turnover in 2022
France	12.4 %
Hungary	14.5 %
Germany	9.9 %
United Kingdom	18.9 %
Italy	9.2 %
Other	26.2 %
TOTAL	**12.9 %**

	Departures in 2022		
	Permanent contract	Fixed Term contract	%
France	71	43	32.0%
Hungary	73	46	33.4%
Germany	41	11	14.6%
United Kingdom	23	19	11.8%
Italy	12	8	5.6%
Other	7	2	2.5%
Total	**227**	**129**	**100.0%**

	Departures in 2022
Voluntary resignation (fixed-term contracts)	38
Voluntary resignation (permanent contracts)	102
Mutual agreement	48
Involuntary dismissal	19
Expiration of fixed-term contracts	76
Retirement	43
Other	30
Total departures	**356**

Employment

The table below shows the Group employment trends over the past two financial years:

Employment	2022	2021
Hiring rate (2)	14.3%	14.4%
Percentage of employees with disabilities/average workforce (1)	6.9%	6.9%

(1) Data are presented for France only. Given the applicable legislation in other countries in which the Group operates, the corresponding data are not available or are calculated using different methods. The Group considers that France, which represents its largest pool of employees, constitutes a homogeneous and reliable basis for the presentation of this data.

(2)Hiring rate is calculated taking all employees in permanent contracts or Fixed-term contracts in 2022 divided by the number of employees at 31 December of the report year.

5.4.5 Foster diversity and equal opportunity

Diversity and inclusion

Diversity is one of the Group's strengths and convictions. It is both a source of motivation for employees and a source of innovation.

It has a positive impact on the Group's performance and on the development of its employees.

The Group has employees of 45 different nationalities in 11 countries.

The Group is committed to promoting diversity as a strength and asset, to acting for inclusion, and to combating all forms of discrimination. Within the Human Resources team, the head of talent management coordinates the diversity and inclusion policy, reporting to the Vice-President in charge of Human Resources, an executive officer of the Group. They define, lead and coordinate initiatives and implement training and awareness-raising actions at the Group level.

All the Group's diversity policies and initiatives are validated, sponsored and monitored by both the Board of Directors and the Executive Committee.

An internal diversity and inclusion ambassador network will be created in 2023 to promote diversity in their businesses, countries and sites. The Group also plans to draft and publish a Group diversity charter.

The Group plans to have all its Executive Committee, Extended Leadership team and senior leaders trained on unconscious bias by 2024 as well to raise manager awareness of inclusive culture.

Gender equality

The Group is committed to gender equality. Since 2022, the Group has been a signatory of the United Nations Global Compact for the elimination of discrimination.

One of the Group's first actions in 2022 was to introduce a global standard for inclusive and equal parental leave that has been implemented worldwide. Since January 1, 2022, 14 weeks of paid parental leave is granted to all employees welcoming a new child, providing the employee is recognized as the child's parent on the basis of local legislation or practice.

	Employees at December 31		
Proportion of women	**2022**	**2021**	**2020**
Proportion of women in the Group's salaried workforce	28.2%	27.1%	24.3%

The Group has set itself the goal of boosting the recruitment and internal promotion of women in order to increase their presence at all levels of the Group.

For the Extended Leadership Team (ELT), the Group has met in 2022 its initial objective of 30% of women by 2025, as a result of the determined promotion and recruitment of women to executive positions.

At Executive Committee level, the representation of women in the workforce increased from 9% in 2021 to 15% in 2022.

	Total	% women
Board of Directors	13	53.8%
Executive Committee	13	15.4%
Extended Leadership Team	30	30.0%
Senior leadership position	165	33.9%

New initiatives will be launched in 2023 around gender and diversity. In addition to existing processes aimed at ensuring that women are promoted within its organization, the Group intends to launch women's networking initiatives at site level to facilitate communication and experience sharing. The Group also intends to organize presentations around the Group's female leadership role models in order to inspire and discuss how to overcome possible obstacles.

The Group encourages the recruitment of talented women. The Group proactively works towards making it more attractive, particularly to female engineering students, by regular attendance at school and college events.

The Group encourages its partner recruitment agencies and recruitment managers on the issue of gender diversity to ensure there is at least 50% of women among its shortlisted candidates.

	New hires in 2022	%
Women	195	39.6%
Men	297	60.4%
Total	**492**	**100.0%**

In 2022, the result of the index for professional equality between females and males in France (Index Pénicaud) is 76/100. To improve the results in 2023, the Group will make a dedicated focus on salary gaps.

Support women in leadership development

In 2023 the Group will roll out a training offer to strengthen female leadership for both "young talent" and "experienced" groups. Delivered by diversity experts, these training courses are aimed at women who have the potential and the ambition to grow within the Group.

The Group will be particularly attentive to the implementation of coaching and mentoring for female talent, and will support a women's network designed to connect women when they arrive within the Company, to encourage communication and co-development, and to guide them in their career journey within the Group. The network coordinates three Group-wide initiatives: local exchanges, large-scale digital events around inspiring women's career paths, and small group discussions with a leader role model.

Disability

Thanks to its non discrimination approach in recruitment, the Group has been able to maintain a stable percentage of recruitments of disabled people in 2022.

At most of the Group's sites, employees with disability are supported by several internal and external professionals to ensure job suitability and adaptions to the work environment when necessary.

All actions towards this specific population is followed at site level by designated Disability Committees.

Awareness campaigns are done for all employees at all site levels to ensure people with disability are well integrated and successful in their job function.

5.4.6 Ensure fair employee compensation and benefits

The main underlying goals of the Group's compensation policy are to strengthen employee engagement, reward skills acquisition and encourage individual and collective performance.

Compensation policy

The Group's compensation policy is driven by the principles of competitiveness in local markets, fairness within the organization and differentiating compensation based on performance to attract, motivate and develop the skills of its employees. By regularly consulting compensation surveys and taking into account the Group's financial resources and local market trends in each country concerned, the policy aims to ensure that the Group's entities offer fair and competitive compensation packages and effectively define salary increases. The policy is adapted in every country where the Group operates, in line with local legislation (collective bargaining, application of industry-wide collective agreements on compensation, etc.).

The Group has chosen a grading methodology from international standard methodology (Global Grading System from WTW).

Initiated in 2022, this system is currently in the process of being deployed.

In accordance with the Group's policy, the compensation structure may include fixed and variable components.

The Group has implemented short-term variable compensation (for managerial and specialist staff). The amount paid is calculated by reference to the achievement of both individual and Group objectives. See section 2.3. *"Remuneration and benefits"* of the Universal Registration Document.
Individual salary raises of fixed compensation are granted based on the set budget as well as each employee's pay positioning by reference to both the market and in-house practices. They also take into account assessments of employees' actual and potential performance as well as the skills they have acquired and demonstrated.
Information on the Group's total payroll and changes in payroll is available in the statutory financial statements (wages and salaries) presented in Section 4.7 "Statutory financial statements" of the Universal Registration Document.

The Group's long-term compensation policy is aligned with its three-year strategic objectives. This policy is based on the attribution of performance shares, the vesting and payment of which are contingent on the Group's share performance and financial performance and on the implementation of free share and/or stock option plans, the characteristics of which are determined by the shareholders' meeting and by the Board of Directors of the Company. In this context, the Company has granted, on the occasion of the admission of its shares to trading on the regulated market of Euronext Paris, in the form of an exceptional allocation, free shares of the Company and is planning to establish recurring performance share plans. See section 2.3. "*Remuneration and benefits"* of the Universal Registration Document.

Employee benefits

Employee benefits are an essential component of the Group's compensation system and reflect the different needs of its employees.

Employee benefit plans can vary significantly from one country to the next, as the Group tailors its employee benefits programs to each country to take into account the different levels of legal and tax regulations.
All compensation and employee benefit policies comply with local regulations and collective agreements. They also include employee savings plans (see "Group savings plans and similar plans" hereafter).

Profit-sharing plans

In France, the Group plans to set up a profit-sharing agreement to collectively associate eligible employees with the results of the Group. The profit-sharing agreement will be calculated on the basis of performance indicators (related to the employees' activities), under the conditions provided for by law or negotiated between employees and management in 2022.

Group and other savings plans

Under an agreement dated February 25, 2022, the Group set up in France a Group Savings Plan (*plan d'épargne groupe* or PEG) allowing eligible employees to participate, if necessary with the help of the Company or its participating subsidiaries, in the constitution of a collective portfolio of securities benefiting from tax and social advantages attached to this form of collective savings, in return for the temporary unavailability of the amounts invested. This scheme also allows eligible employees to participate in any employee stock ownership opportunities offered by the Company. The Group's foreign subsidiaries may also participate, under the conditions provided for by the Group Savings Plan (PEG).

In France, the Group plans to set up:

- a time savings account;
- a collective retirement savings plan (*plan d'épargne retraite d'entreprise collectif*, or PERCOL), which allows eligible employees to invest, including through payments from the equity-interest agreement and the incentive agreement for their retirement. This scheme offers eligible employees the option of benefiting from certain tax and social advantages in return for a lock-up period ending at retirement.

Employee stock ownership plans

On June 3, 2022, the Group launched two different plans:

- a restricted share plan for all eligible employees of the Group, (i) in France for 446 shares per beneficiary, subject to a continuous service condition over a one-year vesting period, followed by a one-year holding period, and (ii) in certain countries outside France for 223 shares per beneficiary, subject to a continuous service condition over a two-year vesting period, with no holding period;
- a capital increase reserved for employees of the Group, in France and in certain countries outside France, for which the main terms and conditions were as follows:
  - the possibility to subscribe to the capital increase offered within the framework of the Group Savings Plan (PEG);
  - the capital increase was opened to all employees of the Company and of its participating subsidiaries who had an employment contract on the last day of the subscription period and who met a seniority condition;
  - the subscription price of the shares was equal to the average of the daily volume-weighted average prices of the Company's shares over a period of 20 days from May 6, 2022, less a 20% discount;
  - individual payments by eligible employees could not exceed a ceiling in shares or the limit of 25% of their estimated gross annual compensation for 2022;
  - eligible employees could receive a contribution in the form of shares, which will be capped; and
  - the consideration received in the context of the transaction is subject to a five-year lock-up period, except in the event of early withdrawal.

After these initiatives, at December 31, 67% of eligible employees owned shares in the Company, representing 0.63% of the share capital at that date.

5.5 COMMITMENT No.4: UPHOLD BEST IN CLASS CORPORATE GOVERNANCE

95% of employees trained on alert management in 2022

95% of employees trained on GDPR personal data protection in 2022

Alert management system implemented ↳

UPHOLD BEST IN CLASS CORPORATE GOVERNANCE

Ethical values are embedded into the Group's day-to-day activities in order to set robust standards, protect its employees, preserve the trust of its stakeholders, and safeguard its image and reputation.

The Group is committed to respecting the highest standards of ethics and integrity in its business conduct, internally and with its business partners, and has implemented a dedicated program to ensure risks related to compliance and business integrity are properly managed. The program includes corruption risk identification and mitigation, due diligence, an alert system, policies such as a Code of Ethics and Supplier Code of Conduct as well as mandatory training for all employees.

While navigating its first year as an independent entity and having a high recruitment rate, the Group provided to 95% of its employees training on the Code of Ethics, the alert management system and personal data protection (GDPR). The Group's ambition is to provide this training to 100% of its employees.

Contribution to SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

OUR OBJECTIVES

Achievement 2022

Achievement 2022

WE SUPPORT UN GLOBAL COMPACT

- ↳ Code of Ethics
- ↳ Ethics and Business
- ↳ Integrity Factsheet
- ↳ Human Rights Factsheet
- ↳ Supplier Code of Conduct
- ↳ Supplier Relationships Charter
- ↳ EUROAPI Ethics Lines

5.5.1 Put ethics and compliance at the heart of the Group's business relationships

The Group is committed to upholding the highest standards of ethics and integrity in its business dealings. The Group understands that ethical values must be embedded in its day-to-day activities, thereby setting robust standards, preserving the trust of its stakeholders, safeguarding its image and reputation, and protecting its employees.

To ensure alignment with this commitment, the Group developed and implemented a comprehensive Ethics and Compliance program. In line with Sapin II law expectations, it is structured around the following pillars:

- dedicated organizational structure, including a compliance network;
- Code of Ethics, policies, and standards;
- education and training;
- active monitoring;
- dedicated whistleblowing system ("Ethics Line") to collect and manage alerts; and
- internal investigation, corrective or disciplinary sanctions.

Governance

The Ethics and Compliance Department's core mission is to promote business integrity at every level of the corporate culture. Its role is to partner with the functional teams and all employees to support the achievement of business objectives while ensuring compliance with laws, regulations and industry codes, as well as with the ethics, values and policies of the Group. The Ethics and Compliance Department also provides the internal support required to identify, assess and mitigate risks that might impact the Group's activities.

The Ethics and Compliance Department leads a global network of local coordinators – "Compliance Champions" – that supports all functions including corporate teams, sales sites and manufacturing facilities. Led by the Chief Legal, Compliance and IP Officer, the department is overseen by the Head of Ethics and Compliance, who provides strategic compliance input to the Executive Committee and to the Board of Directors, and ensures the effective implementation and management of the Ethics and Compliance program.

Several divisions work alongside the Ethics and Compliance Department to implement the Group's business integrity culture and policies. These include the Global Quality Organization, the HSE Department, the Internal Control Department, Risk Management, the Internal Audit Department and the Procurement Department. All of these departments contribute to the success of the Ethics and Compliance program.

Policies and standards

The rules of conduct and compliance with the Group's values and principles are set out in the Group's Code of Ethics, which serves as a guide for taking appropriate decisions that help establish trusting relations and achieve sustainable growth. The different topics covered by the Code of Ethics, such as corruption, discrimination and harassment, as well as antitrust, treatment of confidential information and prohibition of insider trading, provide guidelines for acting appropriately in all circumstances.

The Code of Ethics applies to all employees and contractors of the Group and anyone conducting business on the Group's behalf. In addition to the Code of Ethics, the Ethics and Compliance Department has developed a comprehensive set of procedures and policies which are designed to provide guidance on a range of situations specific to the Group's industry. The procedures and policies address key business ethics subjects including anti-bribery, entertainment of third parties, contribution to third party events, conflicts of interest, gifts and invitations, donations and contributions to organizations, responsible lobbying and alert management.

These policies and standards are continuously reviewed, updated and supplemented if necessary, in order to ensure alignment with applicable laws and regulations, as well as with the risks associated with the Group's activities. They are not intended to be exhaustive: if a particular situation is not covered or if the provisions of the policies and standards are not clear to an employee of the Group, the latter must consult their manager or the Ethics and Compliance Department.

The Group is committed to fostering a culture of integrity throughout the organization and clearly communicating expectations to reduce the risk of violation of the rules set out in the Code of Ethics. The Group's policies and standards define clear rules that must be complied with by all employees and, when applicable, by third parties. The Group also takes steps to prevent corruption in its interactions with third parties and may be required to carry out preliminary checks to avoid or to mitigate the risk of third-party misconduct.

To reinforce the effectiveness of the Group's policies and standards and to ensure their application, the Ethics and Compliance Department runs a dedicated training program. The Group's employees are required to complete mandatory training sessions that address fundamental topics in the areas of compliance and business integrity.

In 2022, a risk mapping intended to identify, assess and prioritize the corruption risks to which the Group is exposed was carried out. It took into account the specificities of the Group and the existing company Risk Management Framework.

Corresponding remediation plans were defined according to the level of exposure of the different functions within the Group.

Alert management

The Group has established a alert management system to ensure employees understand when and how to raise a concern. If employees have a concern or believe in good faith that a law, a regulation, an industry code of conduct, a Group policy or standard or one of the principles in the Group's Code of Ethics has been or is about to be violated, they have the duty to raise the concern through one of the channels available to them.

Employees who raise concerns will not be subject to disciplinary action or discrimination, provided they act in good faith and without malicious intent, even if the facts reported turn out to be inaccurate and no further action is taken. The procedure for raising a concern and the protection that is assured to anyone raising an alert are detailed in the Group's Code of Ethics which is received by all its employees and contractors as well as anyone conducting business on the Group's behalf. Employees can also consult the Group's global alert management procedure that describes the steps to be followed to submit an alert.

The Group's Ethics Line, a secure helpline system, is available 24/7 with a dedicated web page and toll-free numbers available in all languages spoken by the Group's employees. The helpline system allows users to raise concerns anonymously should they choose to do so. An access link to the Group's Ethics Line is available on its intranet site. External stakeholders are equally encouraged to report any information that could constitute a violation of the Code of Ethics or of applicable rules or regulations. The EUROAPI Ethics Line and telephone numbers (USA: (800) 461-9330) can be accessed via the Company website.

All reported allegations are investigated by the Ethics and Compliance Department with support from other departments or external forensic investigators when necessary. Should an investigation confirm a reported allegation, the Group will address the violation with corrective or disciplinary action, and if appropriate, legal proceedings.

All relevant metrics such as the number of alerts, alert types, time-to-close for each docket are collected from the external provider. As the system was launched at the time of the stock market listing, these indicators are not representative for 2022 and accordingly, the Group has elected not to disclose them. More extensive disclosure is planned for 2023.

In its first year as a new stand-alone entity, the Group successfully established an Ethics and Compliance program that is aligned with its commitment to uphold best in class corporate governance as well as with the eight pillars of the Sapin II law applicable in France.

With ethics and business integrity being core components to long-term success, the Group set the objective of training all its current employees as well as all new employees on fundamental ethics and business integrity subjects.

95% of employees had completed the training on the Code of Ethics and Alert Management System (whistleblowing protocol) by year-end 2022. Although below the 100% level targeted, the Group considers it is a successful rate when considering the recent establishment of the Company and that the sessions were only launched in September 2022. Further actions will be deployed in 2023 to ensure the remaining employees and all new employees continue to receive the training.

Other global training programs addressing key compliance subjects, notably anti-corruption measures and anti-bribery due diligence, were launched in 2022 and are ongoing.

Fight against tax evasion

As a multinational entity, the Group must apply the laws and regulations in force in the countries where it operates and pay the amounts of tax therein in accordance with them. Its primary responsibility is to pay its taxes and file the corresponding tax returns within the time limits set with the various tax authorities, in compliance with laws and regulations.

The Tax Team reports to the Group CFO on tax strategy and provides regular updates to the Audit Committee on the Group's effective tax rate, tax provisions, key tax matters and compliance with its tax principles. Internal controls and processes have been developed to ensure that the tax policy is effectively implemented and that decisions are taken at the appropriate level. Training programs have been developed in 2022 and are implemented on a on-going basis to the Tax Team.

The Group applies professional care and judgment to ensure decisions are well-considered and documented. It ensures proper compliance with all taxes and ensure all returns are reported accurately and on time.

The Group complies with both the letter and spirit of tax law in a responsible manner and align the tax strategy with the business strategy. The Group carefully aligns its obligation to comply with tax laws in a responsible manner with the need to support competitive business growth. The Group uses business structures that are driven by commercial considerations, aligned with business strategy and have genuine substance. The Group does not engage in or become involved in aggressive tax arrangements, and does not have any companies in countries identified as tax havens on the EU list of non-cooperative jurisdictions.

5.5.2 Ensure respect for human rights

As a new multinational entity, the Group is committed to respecting the principles of the United Nations Global Compact and other international standards concerning human rights. With employees on several continents and relationships with suppliers and subcontractors across the globe, the Group understands and assumes its duty to respect the rights of employees in its own operations and supply chain.

The Group respects and promotes the five principles and rights outlined in the 2022 International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. These include freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labor, effective abolition of child labor, elimination of discrimination in respect of employment and occupation, and a safe and healthy working environment.

To ensure human rights are respected throughout its operations, the Group has taken a structured approach which includes:

- global policies and dedicated internal policies;
- due diligence processes;
- grievance mechanisms;
- monitoring of policy implementation; and
- education and training.

Governance

The Group ensures that adequate resources are available to meet its commitments concerning respect for human rights. Various internal departments have a role in ensuring the proper implementation of its human rights policies and the respect for human rights within the Company, as well as with its suppliers (Section 5.2.4 “Implement responsible purchasing”)

The Human Resources Department coordinates the implementation of the global and internal policies and ensures that all human resources policies, processes, and practices respect provisions for these global policies. The HSE Department establishes procedures and processes to ensure a safe and healthy working environment for the Group’s employees and subcontractors. The Procurement Department establishes processes to ensure that suppliers respect the Group’s commitments outlined in the global policies. Lastly, the Environmental, Social, and Governance (ESG) Department provides support to operational teams, promotes best practices, and consolidates data for regulatory and voluntary reporting purposes.

Policies

For the Group, it is essential that the policies that govern its activities and its business relationships factor in its commitment to respect human rights. Accordingly, the principles of the Group’s commitment to respect human rights are found in the Code of Ethics and Supplier Code of Conduct. The Group’s human rights commitments are publicly available and communicated internally and externally to all of its employees, business partners, suppliers and other relevant stakeholders.

These policies present human rights as a core element of the Group's values and help embed human rights principles into its corporate culture. They also set out expectations for the Group’s stakeholders to fulfill their responsibility to respect human rights by explicitly stating that the criteria listed in the policies are to be considered as the minimum applicable standard in cases where local regulations are less stringent in any of the countries where the Group has operations. For further information on the Group’s human rights commitments and monitoring processes, please refer to the Group’s Human Rights Policy available on the Company’s website.

The Group has also adopted three internal policies on freedom of association and collective bargaining, prohibition of forced and compulsory labor and prohibition of child labor. Based on the UN Guiding Principles, these policies define the Group's commitments to respect ILO standards and describe operational due diligence processes and grievance mechanisms to be established. These policies complement the existing diversity policy to create a comprehensive framework on human rights in the workplace, both for the Group and for its suppliers.

The Group has implemented a global due diligence process to ensure that its policies concerning freedom of association and collective bargaining, prohibition of child labor and prohibition of forced or compulsory labor are respected at every level. The process includes reinforced vigilance in dealings with countries where the risk of non-respect is considered high, having adequate internal control measures in place to ensure respect of the policies, and a procurement risk management model to assess suppliers on their compliance with human rights regulations.

For more information on procedures and actions taken to provide a safe and healthy working environment and to eliminate discrimination in the workplace, please see 5.4.2 "Ensure the health and safety of employees and subcontractors" and 5.4.5 "Foster diversity and equal opportunity", respectively.

As mentioned, grievance mechanisms are also in place, notably the Group’s Ethics Line, a secure compliance helpline system, available 24/7 with a dedicated web page (here) accessible from the Company’s website and intranet with toll-free numbers available in several languages. The compliance helpline system is equipped to manage human rights concerns, including those related to preserving health and safety (including discrimination, harassment and violence), freedom of association and collective bargaining, the prohibition of child labor and forced or compulsory labor, and respect for human rights and the 10 principles of the Global Compact. The compliance helpline system is available to all of the Group’s employees and external stakeholders should they have concerns related to any human rights issues.

Implementation of the global and internal policies is monitored by various departments including the Human Resources Department, the HSE Department, the Procurement Department and the ESG Department. These departments ensure the proper implementation of the global and internal policies and the respect for human rights within the Group as well as with its suppliers.

In order to fulfill its commitment to respecting human rights across its operations, the Group has run awareness raising initiatives and dedicated human rights training for its employees. Online training modules have been developed to promote a better understanding of human rights concerns in all business activities and to promote the respect for human rights as an integral part of doing business.

5.5.3 Promote data protection

Protecting the privacy and personal data of employees, clients, and business partners is of paramount importance for the Group. Privacy and personal data protection is a fundamental right and ensuring the protection and the compliant use of data across all its operations is critical for maintaining the trust of its stakeholders.

The Group has a data protection program in place to ensure that any personal data processed complies with the applicable regulations (notably the General Data Protection Regulation). The program consists of the following elements:

- a designated organizational structure including a data protection team;
- policies and standards;
- education and training;
- a dedicated intranet site with employee resources;
- a detailed process for handling questions and complaints; and
- corrective actions as necessary.

The Group has a designated Data Protection Team whose role is to support employees and functional teams in understanding and applying corporate policies related to data protection and to ensure compliance with all data protection regulations applicable to the the Group.

The Data Protection Team is led by the Data Protection Officer who ensures the compliance and efficiency of the data protection program and oversees a global network of local coordinators who support local teams in the understanding and application of data protection laws and regulations applicable in their given jurisdiction.

The Data Protection Officer and the local coordinators are responsible for handling questions and complaints concerning the processing of personal data by the Group. They may be assisted, as necessary, by the Legal Department, the IT Department or any other relevant department of the Group, in the evaluation and management of any incident concerning personal data.

The Group has implemented a Global Data Privacy Policy which represents the minimum standards that the Company and its subsidiaries have defined with respect to data privacy to ensure that any personal data that is collected, used, stored or disclosed is done so in a fair, transparent and secure way.

The Global Data Privacy Policy defines the minimum standards required for the processing of personal data in accordance with applicable data protection laws, notably the European General Data Protection Regulation (GDPR). As certain of the Company's subsidiaries are located in countries outside Europe and are subject to different privacy and data protection rules, the Global Data Privacy Policy may be supplemented as appropriate to comply with applicable laws and regulations.

The Group's commitment to protect privacy and personal data and the rules and procedures that should be applied by every employee, every contractor and anyone conducting business on behalf of the Group are detailed in the Code of Ethics.

With the steady development of information and communication technologies, data privacy regulations are increasing and becoming an important factor to consider in the Group's day-to-day business activities. To ensure that all applicable standards and rules are easily accessible, a dedicated intranet site has been created where employees can find relevant corporate resources to familiarize themselves with data privacy rules that apply to the Group as well as related procedures to follow in case of any data privacy concerns.

To promote data privacy awareness and access to the dedicated intranet site, communications are addressed to the Group's employees via email and on its internal communications platform. In addition, a training program covering the principles of the European General Data Protection Regulation (GDPR) was created and assigned to all employees in Europe via the Group's online learning platform.

Concerning the protection of third-party data, the Privacy and Cookies Policies on the Company's website are updated to provide the Group's clients and any visitors with greater choice and security in full compliance with applicable standards. Moreover, the Group makes sure that the personal data of its commercial partners are collected and processed in compliance with the applicable standards, in full transparency in order to build a sustainable trust.

Among the global training programs addressing key compliance subjects launched during the year was a training program on Personal Data Protection (GDPR compliance). The session was assigned to all of the Group's employees in Europe and had a completion rate of 95% by the end of 2022.

5.6 EU TAXONOMY

Regulation 2020/852 of June 18, 2020 (the "Taxonomy" Regulation) published by the European Union (EU) establishes a framework to facilitate sustainable investment in the EU[61]. To date, sustainable activities are described in light of the first two climate objectives of mitigation and adaptation (Annexes I and II of the Climate Delegated Acts[62]). This will be extended to cover the other four environmental objectives in 2023, and these will be included in the report on 2024 operations.

Annexes I and II provide a definition of eligible activities, including the corresponding Nomenclature of Economic Activities (NACE) codes, as well as the technical screening criteria for qualifying these activities as sustainable. Accordingly, activities that do not meet these definitions are considered not to be defined in the framework (or "non eligible").

The 2022 reporting requirements for climate-related key performance indicators (KPIs) in this first year address "eligibility" as well as "alignment".

The Group is required to publish indicators highlighting the proportion of its Taxonomy-eligible and Taxonomy-aligned revenue, capital expenditure (CapEX) and operating expenditure (OpEx) resulting from products and/or services associated with environmentally sustainable economic activities, as defined in Annexes I and II of the Climate Delegated Acts[63] [64].

The Company has analyzed the technical screening criteria for determining whether its Taxonomy-eligible activities are Taxonomy-aligned. For the time being, the scope of its eligible activities primarily concerns the activities described in Section 7.

In the context of this first alignment exercise, the Group's approach may need to evolve as regulations stabilize and data becomes more widely available, particularly in terms of technical screening criteria.

Assessment and methodology

Within the framework of the first two objectives (climate change mitigation and climate change adaptation) applicable from 2021 onwards, the European Commission has prioritized those sectors with the most greenhouse gas emissions in the European Union.

The Group's activities essentially concern the development, manufacture, marketing and sale of active pharmaceutical ingredients. These activities are not currently considered as substantially contributing to the two climate objectives defined by the Taxonomy. A detailed analysis of industrial raw material production activities did not reveal any link between the Group's activities and the economic activity "3.14 Manufacture of organic basic chemicals" covered by the Taxonomy.

In addition to the disclosure requirements introduced by the European Taxonomy Regulation, the Group has defined a policy to limit the direct and indirect impacts of its activities on the environment.

In light of the regulatory framework described above, the Group did not identify any Taxonomy-eligible revenue, CapEx or OpEx related to its activity of manufacturing active pharmaceutical ingredients.

However, the Group identified CapEx and OpEx related to "individual measures," corresponding to purchases and capital expenditure related to other eligible activities – mainly real estate activities described in section 7 of the Annex to the climate change mitigation objective – as defined in the Taxonomy Regulation.

The scope of eligible activities in 2022 thereby concerns the following activities:

- 7.3 Installation, maintenance and repair of energy efficiency equipment;
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings);
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings;
- 7.6 Installation, maintenance and repair of renewable energy technologies.

Based on these definitions, the Group identified the different Taxonomy-eligible activities in light of the two environmental objectives in force (climate change mitigation and adaptation). CapEx and OpEx amounts were selected for the corresponding project codes.

[61] *European Regulation 2020/852 of June 18, 2020. Available at: https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32020R0852&from=F*
[62] *EU Climate Delegated Act of 4 June 2021 and its annexes supplementing Regulation (EU) 2020/852 by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C(2021)2800*
[63] *Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council in*
[64] *Annex I of the Delegated Act on the climate change mitigation objective. Available at: https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf*

Besides the “substantial contribution criteria”, to determine whether economic activities are Taxonomy-aligned, the activities’ impact on each of the five other environmental objectives (circular economy; pollution; water and marine resources; biodiversity and ecosystems) also needs to be analyzed. Economic activities should also demonstrate compliance with OECD and UN guidelines and principles on human rights, anti-corruption, taxation and competition

In the context of this first statement of non-financial performance and in view of the Company’s recent creation, no analysis was performed in 2022 to determine the Taxonomy-alignment of activities, capital expenditure and operating expenses. This will change in future reporting periods.

The financial data used for the eligibility and alignment indicators are taken from the Group’s information systems used to track the Group's capital expenditure and consolidate the Group's figures at the end of the 2022 financial year.

The data were analyzed and verified by both local and central teams to ensure that they were consistent with consolidated revenue, CapEx and OpEx for the 2022 financial year and to avoid any double counting of eligible activities in the numerator for Taxonomy key performance indicators.

Efforts are underway to fine-tune the reporting system so that it can better capture the individual measures aligned with the European Taxonomy in future reporting periods.

Revenue key performance indicators

Consolidated revenue used as the denominator for Taxonomy key performance indicators amounts to €976.6 million (Section 4.2.1 “Group income statement analysis”).

As the Taxonomy does not at this stage cover the manufacture of active pharmaceutical ingredients, the Group does not present Taxonomy-eligible revenue for the first two climate objectives.

CapEx key performance indicators

In accordance with the Taxonomy Regulation, the CapEx denominator includes the acquisition of property, plant and equipment (IAS 16) and intangible assets (IAS 38), the acquisition of right-of-use assets (in accordance with IFRS 16, with right-of-use assets recognized at the inception of a lease)).

In 2022, the denominator for the CapEx key performance indicators amounted to €120.9 million, as detailed

Investments related to	Amount (in millions of euros) [a]
Property, plant and equipment (IAS 16)	106.3
Intangible assets (IAS 38)	7.4
Rights of use (IFRS 16)	7.2
Total CAPEX Denominator	**120.9**

In 2022, the numerator for the CapEx key performance indicators amounted to €1.8 million, as detailed below.

Scope of eligible activities	2022 CAPEX M€s
7.3 Installation, maintenance and repair of energy efficiency equipment	1.4
7.4 Installation, maintenance and repair of charging stations for electric vehicles inside buildings (and in parking lots attached to buildings)	0.0
7.5. Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings	0.2
7.6 Installation, maintenance and repair of renewable energy technologies	0.1
Grand total	**1.8**

OpEx key performance indicators

In accordance with the Taxonomy Regulation, the OpEx denominator covers direct non-capitalizable costs, which include equipment maintenance and upkeep costs, building renovation costs, repair costs, rents reported in the income statement and any other expenses related to the day-to-day upkeep of assets.

The OpEx denominator represents an amount of €85.8 million in absolute value terms (see details below).

Operating expenses related to	Amount (in millions of euros)
R&D expenses	21.8
Maintenance & reparations	61.9
Uncapitalized rents	2.1
Total OPEX Denominator	**-85.8**

In 2022, the OpEx numerator amounted to €0.85 millions in absolute value terms (see details below).

Scope of eligible activities	2022 OPEX M€s
7.3 Installation, maintenance and repair of energy efficiency equipment	0.79
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings	0.06
Grand total	**0.85**

Eligibility and alignment results for 2022

The results of the Taxonomy KPIs for 2022 are summarized below. More details can be found in the Taxonomy tables at the end of the sections.

In 2022, Taxonomy-eligible CapEx amounted to €1.771 million, or 1% of total CapEx in the denominator. However, as a precautionary measure and given the fairly recent creation of the Group and its stock exchange listing, as well as the difficulty of demonstrating the "substantial contribution" criteria, the Group prefers to submit a 0% alignment for 2022.

Investments related to	2022 M€s
Eligible and aligned investments	uninvestigated alignment
Share of aligned investments in TOTAL CAPEX	uninvestigated alignment
Share of investments aligned with eligible investments	0 %
Eligible and non-aligned investments	1.8
Eligible investments	1.8
Share of eligible investments	1 %
Non-eligible investments	119.1
Total CAPEX Denominator	**120.9**

Taxonomy-eligible OpEx amounted to €84.6 thousand. The Group's analysis showed that the OpEx ratio was not significant for the Group as a whole (less than 10% of total Group OpEx). This will change as needed going forward.

Operating expenses related to	2022 K€s
Taxonomy-eligible and Taxonomy-aligned OpEx	OpEx not analyzed for alignment
Taxonomy-aligned OpEx as a proportion of total OpEx	OpEx not analyzed for alignment
Taxonomy-aligned OpEx as a proportion of Taxonomy-eligible OpEx	OpEx not analyzed for alignment
Taxonomy-eligible but not Taxonomy-aligned OpEx	85.8
Taxonomy-eligible OpEx	0.9
Proportion of Taxonomy-eligible OpEx	1 %
Taxonomy non-eligible OpEx	84.9
Total OPEX Denominator	**85.8**

Regulatory Tables

				Substantial contribution criteria						DNSH criteria										
Economic activities	Codes	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover year N	Taxonomy-aligned proportion of turnover year N-1	Category (enabling)	Category (transitional)**
		M€'s	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T	
A. Taxonomy eligible activities																				
A.1. Taxonomy aligned																				
Turnover of taxonomy aligned activities (A.1.)		0	0%	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
A.2. Taxonomy eligible but not taxonomy aligned activities																				
Turnover of taxonomy eligible but not taxonomy aligned activities (A.2.)		0	0%																	
Total A (A.1. + A.2.)		**0**	**0%**														**0%**	**0%**		
B. Taxonomy non-eligible activities																				
Turnover of taxonomy non eligible activities (B)		0	0%																	
Total A + B		**976.6**	**100%**																	

				Critères de contribution substantielle							Critères d'absence de préjudice important										
	Codes	Chiffre CapEx	Part du Capex	Atténuation du changement climatique	Adaptation au changement climatique	Ressources aquatiques et marines	Économie circulaire	Pollution	Biodiversité et écosystèmes	Atténuation du changement climatique	Adaptation au changement climatique	Ressources aquatiques et marines	Économie circulaire	Pollution	Biodiversité et écosystèmes	Garanties minimales	Part des CapEx alignée sur la taxonomie année 2022	Part des CapEx alignée sur la taxonomie, année 2021	Catégorie (activité habilitante)	Catégorie (activité transitoire)
		en millions d'euros	%	%	%	%	%	%	%	O/N	O/N	O/N	O/N	O/N	O/N	O/N	%	%	E/T	
A. Taxonomy eligible activities																				
A.1. Taxonomy aligned																				
Installation, maintenance and repair of equipment promoting energy efficiency	7.3	–	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
Installation, maintenance and repair of charging stations for electric vehicles inside buildings (and in car parks attached to buildings)	7.4	–	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings	7.5	–	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
Installation, maintenance and repair of renewable energy technologies	7.6	–	0%		0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
CapEx of taxonomy aligned activities (A.1)	N/A	–	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
A.2. Taxonomy eligible but not taxonomy aligned activities																				
Installation, maintenance and repair of equipment promoting energy efficiency	7.3	1.38	1%																	
Installation, maintenance and repair of charging stations for electric vehicles inside buildings (and in car parks attached to buildings)	7.4	0.04	0%																	
Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings	7.5	0.24	0%																	
Installation, maintenance and repair of renewable energy technologies	7.6	0.11	0%																	
CapEx of taxonomy eligible but not taxonomy aligned activities (A.2.)	N/A	1.77	1%																	
Total A (A.1. + A.2.)	**N/A**	**1.77**	**1%**														**0%**	**0%**		
B. Taxonomy non-eligible activities																				
CapEx of taxonomy non eligible activities (B)	N/A	119.1	99%																	
Total A + B	**N/A**	**120.9**	**100%**																	

				Substantial contribution criteria						DNSH criteria									
Economic activities	Codes	Absolute Opex	Proportion of Opex	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of Opex year N	Taxonomy-aligned proportion of Opex year N-1	Category (enabling)	Category (transitional)**
		K€s	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T	
A. Taxonomy eligible activities																				
A.1. Taxonomy aligned																				
Installation, maintenance and repair of equipment promoting energy efficiency	7.3	0.0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings	7.5	0.0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
OpEx of taxonomy aligned activities (A.1.)	N/A	0.0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
A.2. Taxonomy eligible but not taxonomy aligned activities																				
Installation, maintenance and repair of equipment promoting energy efficiency	7.3	0.8	1%																	
Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings	7.5	0.1	0%																	
OpEx of taxonomy eligible but not taxonomy aligned activities (A.2.)	N/A	0.9	1%																	
Total A (A.1. + A.2.)	**N/A**	**0.9**	**1%**														**0%**	**0%**		
B. Taxonomy non-eligible activities																				
OpEx of taxonomy non eligible activities (B)		84.9	1.0																	
Total A + B		**85.8**	**1.0**																	

5.7 METHODOLOGY NOTE AND THIRD-PARTY VERIFICATION

The Group's ESG performance will be closely monitored and assessed, both internally and externally. It follows a detailed reporting framework that is available to all contributors.

The reporting framework and key performance indicators used in this statement are governed by the following regulations:

- European Directive 2014/95/EU on the disclosure of non-financial and diversity information (the "Non-financial Reporting Directive" (NFRD)) and the upcoming Corporate Sustainability Reporting Directive (CSRD), which amends the existing reporting requirements of the NFRD;
- French Ordinance 2017-1180 of July 19, 2017 and Decree 2017-1265 of August 9, 2017, implementing European Directive 2014/95/EU in France, and requiring companies to set out a Statement of Non-financial Performance, incorporating criteria on climate change;
- Regulation (EU) 2020/852 (the "Taxonomy Regulation") of July 12, 2020 that standardizes definitions and processes to be used when determining whether an activity is environmentally sustainable for disclosure under the NFRD;
- Article 173 of Act 2015-992 of August 17, 2015, on energy transition for green growth; and
- Law 2021-1774 of December 24, 2021, concerning the annual publication of differences in gender representation among senior executives, and members of governing bodies.

The Group Global Operating Procedure describes the different indicators that must be reported and the related deadlines.

These frameworks specify the methods to be used for reporting indicators throughout the Group, including definitions, methodological principles, calculation formulae, and emission factors. The resulting indicators provide:

- a comprehensive overview of the different reporting indicators associated with environmental, social and governance criteria that are measured and monitored by the Group; and
- a basis for reporting key performance indicators (KPIs), and the related trends, to executive management and to external stakeholders.

These various indicators are published in the Statement of Non-financial Performance prior to the Company's Annual General Meeting, and can be used by external rating agencies and stakeholders.

As the disclosure of these main indicators is mandatory, the supporting data are audited by an independent third party. The list of key performance indicators reported may evolve over time in line with new laws and regulations.

5.7.1 Methodology note on non-financial reporting

This Universal Registration Document includes all elements of the statement of non-financial performance as listed in Articles R. 225-102-1 and R. 225-105 of the French Commercial Code.

LEGISLATION	REQUIRED ITEMS	SECTION
DECREE NO. 2017-1265 FOR THE TRANSPOSITION OF EUROPEAN DIRECTIVE 2014/95/EU	Consequences of the Group's activity on climate change and the use of the goods and services it produces	See Section 5.3.1 "Towards responsible innovation" and Section 5.3.2 "Minimize the Group's environmental impact"
	Circular economy commitments	
	Societal commitments in favor of sustainable development	See Section 5.1.5 "The Group's ESG Strategy"
	Commitments to combat food waste	This information, mentioned in Article L. 2 25-102-1 of the French Commercial Code, is not presented in this chapter because it was considered not applicable to the activity of the EUROAPI group. The Group's activity does not generate food waste beyond employee meals.
	Collective agreements concluded in the Group and their impact on the economic performance of the Group as well as on the working conditions of employees	See Section 5.4.3 "Create a constructive social dialogue" and Section 5.4.4 "Promote talent management and personal development"
	Actions aimed at combating discrimination and promoting diversity and measures taken in favor of people with disabilities	See Section 5.4.5 "Foster diversity and equal opportunity" and Section 5.5.2 "Ensure respect for human rights"
SUSTAINABLE FOOD LAW OF OCTOBER 30, 2018	Commitments to combat food insecurity	This information, mentioned in Article L. 2 25-102-1 of the French Commercial Code, is not presented in this chapter because it was considered not applicable to the activity of the EUROAPI group. The Group's activities do not have an impact on consumers' access to food.
	Commitments to respect animal welfare and responsible, fair and sustainable food	This information, mentioned in Article L. 2 25-102-1 of the French Commercial Code, is not presented in this chapter because it was considered not applicable to the activity of the EUROAPI group.
LAW NO. 2022-296 OF MARCH 2, 2022 AIMED AT MAKING SPORT MORE ACCESSIBLE	Actions aimed at promoting physical activity and sports	See Section 5.4.2 "Ensure the health and safety of employees and subcontractors"

Non-financial performance indicators

Indicator	2022	2021	2020	Section
ENVIRONMENT				
Energy				5.3.2 Improving energy efficiency and increasing use of renewable energies
Total energy consumption in MWh	601,937	598,920	662,754	
Renewable energy consumption in MWh	143,654	163,566	51,776	
Non-renewable energy consumption in MWh	458,283	435,354	610,978	
Sites with 100% electricity from renewable sources (% Group sites)	83%	/	/	
GHG emissions				5.3.2 Fighting climate change
Scope 1 GHG emissions in metric tons CO2e	61,317	73,582	74,043	
Scope 2 GHG emissions in metric tons CO2e	30,061	27,371	40,003	
Scope 1 + 2 GHG emissions in metric tons CO2e	91,378	100,953	114,046	
Scope 3 GHG emissions in metric tons CO2e	572,868	645,432	/	
Other emissions				5.3.2 Reducing emissions into air, water, soil and subsoil
VOC (volatile organic compound) emissions in metric tons	1,413	1,338	2,092	
ODS (ozone-depleting substances) emissions in kilograms	261	545	1,696	
Wastewater discharge in thousand m3	21,786	25,492	22,101	
Water				5.3.2 Optimizing water management
Water withdrawal in thousand m3	17,561	17,737	21,004	
Water consumption in thousand m3	18,352	16,806	21,256	
Water recycled in thousand m3	4,885	4,809	6,049	
Waste				5.3.2 Improving waste management and promote responsible consumption
Total waste produced in metric tons	98,668	96,194	101,669	
Hazardous waste produced in metric tons	55,307	53,414	57,259	
Non-hazardous waste produced in metric tons	43,361	42,780	44,410	
Waste recycled in metric tons	34,063	33,718	35,836	
Waste sent to landfill in metric tons	5,195	6,394	7,393	
Waste incinerated with energy recovery in metric tons	21,203	19,063	18,623	
Waste treated with other methods in metric tons	38,208	37,019	39,817	
Zero waste to landfill sites (% Group sites)	33%	/	/	
Solvents				5.3.2 Improving waste management and promote responsible consumption
Total solvents consumed in metric tons	83,275	79,117	107,500	
Solvents regenerated in metric tons	56,213	50,581	78,624	
Solvent recycling rate (%)	67.5%	63.9%	73.1%	
Certifications				5.3.2
ISO 14001 certification (% Group sites)	100%	67%	67%	
ISO 50001 certification (% Group sites)	50%	50%	50%	
ISO 14001 and ISO 50001 certification (% certification)	75%	58%	58%	

Indicator	2022	2021	2020	Section
SOCIAL				
General				
Number of employees by country				
France	1,235	1,175	1,139	
Hungary	935	919	794	
Germany	771	735	582	
United Kingdom	256	245	194	
Italy	208	228	214	
Other	44	40	43	
Total	**3,449**	**3,342**	**2,966**	
Breakdown of workforce by contract type (%)				
Permanent contracts	90%	88%	91%	
Fixed-term contracts	10%	12%	9%	
Total	**100%**	**100%**	**100%**	5.4.1 Human capital, a key asset for the Group
Breakdown of workforce by age (%)				
<25	4.8%	5.2%	4.4%	
25 to 40	35.2%	33.4%	32.0%	
41 to 55	42.3%	43.7%	44.4%	
56 to 60	13.5%	13.4%	14.8%	
>60	4.2%	4.3%	4.4%	
Total	**100%**	**100%**	**100%**	
Breakdown of workforce by business function (%)				
Sales	2.7%	/	/	
Production	79.0%	/	/	
R&D	10.4%	/	/	
Support functions	7.9%	/	/	
Total	**100%**	**/**	**/**	
Changes in workforce				
Hiring rate	**14.3%**	**14.4%**	**/**	
New hires by country				
France	177	/	/	
Hungary	143	/	/	
Germany	93	/	/	
United Kingdom	50	/	/	
Italy	18	/	/	
Other	13	/	/	
Total	**494**	**/**	**/**	
Turnover rate	**12.9%**	**/**	**/**	
Departures by country				
France	114	/	/	5.4.4 Promote talent management and personal development
Hungary	119	/	/	
Germany	52	/	/	
United Kingdom	42	/	/	
Italy	20	/	/	
Other	9	/	/	
Total	**356**	**/**	**/**	
Departures by motive				
Voluntary resignation (fixed-term contracts)	38	/	/	
Voluntary resignation (permanent contracts)	102	/	/	
Mutual agreement	48	/	/	
Involuntary dismissal	19	/	/	
Expiration of fixed-term contracts	76	/	/	
Retirement	43	/	/	
Other	30	/	/	
Total	**356**	**/**	**/**	

Indicator	2022	2021	2020	Section
SOCIAL				
Health and Safety				5.4.2 Ensure the health and safety of employees and subcontractors
Lost Time Injury frequency rate per 1,000,000 hours worked	1.8	/	/	
Total Recordable Injury frequency rate per 1,000,000 hours worked	2.9	/	/	
Accident severity rate per 1,000 hours worked	0.1	/	/	
Employee development				5.4.4 Promote talent management and personal development
Number of training hours completed	Consolidated data unavailable. To be disclosed in 2023.	/	/	
Average number of training hours per employee		/	/	
Employees provided training (% total employees)		/	/	
Employee engagement				5.4.4 Promote talent management and personal development
Share capital held by employees (%)	0.63%	/	/	
Proportion of employee shareholders (%)	67.0%	/	/	
Employee engagement survey participation rate (%)	68.0%	/	/	
Employee engagement rate (%)	63.0%	/	/	5.4.6 Ensure fair employee compensation and benefits
Absenteeism rate (%)	Consolidated data unavailable. To be disclosed in 2023.	/	/	
Diversity and inclusion				5.4.5 Foster diversity and equal opportunity
Women in total workforce (%)	28.2%	27.1%	24.3%	
Women members of Board of Directors (%)	53.8%	/	/	
Women members of Executive Committee (%)	15.4%	/	/	
Women in Extended Leadership team (%)	30.0%	/	/	
Women in senior leadership positions (%)	33.9%	/	/	
Women in new hires (%)	39.6%	/	/	
Gender equality index: Index Pénicaud, for France	76/100	/	/	
Employees with disabilities/average workforce, for France (%)	6.9%	6.9%	/	
Number of nationalities in the Group	45	/	/	

Indicator	2022	2021	2020	Section
ETHICS + COMPLIANCE				
General				5.5.1 Put ethics and compliance at the heart of the Group's business relationships
Employees trained on Code of Ethics (%)	95%	/	/	
Employees trained on Alert Management (%)	95%	/	/	
Personal data protection				5.5.3 Promote data protection
Employees trained on GDPR (personal data protection) (%)	95%	/	/	
Product quality + client satisfaction				5.2.1 Ensure product quality
Number of product recalls	0	/	/	
Number of regulatory inspections [1]	4	/	/	
Number of client audits [2]	56	/	/	
Responsible supply chain				5.2.4 Implement responsible purchasing
Raw material expenditure: Europe vs non-Europe	71% vs 29%	/	/	

(1) inspections conducted by the European Medicines Agency and/or the US Food and Drug Administration
(2) inspections conducted at Group sites

Indicator	2022	2021	2020	Section
GOVERNANCE				
General				
Number of members of the Board of Directors at December 31	13	/	/	Chapter 2 Sections 2.1 and 2.2
Independent members* of the Board of Directors at December 31 (%)	63%	/	/	
Women on the Board of Directors (%)	53.8%	/	/	
Women on the Executive Committee (%)	15.4%	/	/	
Number of meetings of the Board of Directors held during report year	4	/	/	
Directors present at Board meetings held during report year (%)	98%	/	/	

**A member of the Board of Directors is considered "independent" when she/he has no relationships of any kind with the Company, its Group or its Management, which could impair the free exercise of her/his judgement.*

Social data

Scope of consolidation

Social data are consolidated for all companies of the Group that are also fully consolidated for financial reporting purposes. The reporting covers all activities of the Group (industrial, sales and administrative) and all site locations.

Social data is reported for all employees of the Group, which includes all personnel with an employment contract, either permanent or fixed-term, with the Group at December 31, 2022.

Reporting methods

Three reporting methods are used to collect social data:

- most of the social data indicators are collected and consolidated with the Workday Global HR platform, which is used to record workforce numbers and movements for all site locations;
- certain indicators (notably the gender pay gap and absenteeism rate) are collected via the payroll systems used in each country where the Group has operations and are consolidated for reporting purposes; and
- certain indicators (participation in programs and events, etc.) are collected by the department concerned on individual sites and are consolidated for reporting purposes.

These data are reported for the year ended December 31, 2022.

Indicators

Employee distribution by country

Indicates the number of employees distributed by country of work: France, Hungary, Germany, United Kingdom, Italy and Other. Other includes countries with commercial operations only and proportionally fewer employees: United States, Slovakia, Russia, China and Japan.

New hires and departures

New hires and departures for the Group exclude all intragroup movements such as international, inter-company or inter-site transfers. The reporting includes new hires and departures for companies that were consolidated for the first time or acquired during the year. Conversions of fixed-term contracts into permanent contracts are not included unless there is a gap of more than one day between the two contracts, in which case they are counted as a departure and a new hire.

Turnover

Indicates the turnover rate for the Group distributed by country of work: France, Hungary, Germany, United Kingdom, Italy and Other. Other includes countries with commercial operations only and proportionally fewer employees: United States, Slovakia, Russia, China and Japan.

Women in extended leadership team and senior leadership positions

The extended leadership team includes Executive Committee members, Country Heads and key senior leadership positions. A senior leadership position is defined based on grading. Persons in these positions have an impact on the attainment of financial objectives.

Gender pay gap

The data are effective December 31, 2022 and include all employees in France. The data exclude temporary workers and members of the Executive Committee.

Health and safety data

Scope of consolidation

Health and safety data are consolidated for all companies of the Group that are also fully consolidated for financial reporting purposes. The reporting covers all activities of the Group (industrial, sales and administrative) and all site locations.

Health and safety data are reported for all employees of the Group, as well as for subcontractors and temporary workers, for the year ended December 31, 2022.

Reporting methods

The Group applies standard reporting frameworks for health and safety information so that the indicators monitored across all operations are consistent and reliable. The frameworks specify the methodologies to be applied for reporting indicators throughout the Group and include definitions and calculation methods. The Group also uses standard data collection tools.

The SHERPA system is used to collect and consolidate health and safety data for all sites.

The data are reported for the full year ending December 31, 2022.

Indicators

Lost Time Injury frequency rate

Lost Time Injury (LTI) frequency rate is the number of accidents resulting in lost time of one day or more during the report year, per one million hours worked.

Hours worked refers to the time during which any employee, subcontractor or temporary worker is exposed to professional risks. Accidents occurring during a home-workplace commute are not included in this indicator; however, they are included for traveling medical representatives, in accordance with internal reporting rules. Work accidents occurring when working remotely are included in this indicator.

Total Recordable Injury frequency rate

Total Recordable Injury (TRI) frequency rate is the number of occupational injuries with or without lost time during the report year, per one million hours worked.

Accident severity rate

Accident severity rate is the number of lost days per one thousand hours worked. Lost days are the number of calendar days during which a person does not work following a work-related injury.

Environmental data

Scope of consolidation

Environmental data are consolidated for all companies of the Group having an industrial activity, specifically six industrial sites located in Europe, that are also fully consolidated for financial reporting purposes.

In order to evaluate environmental impact at group level, environmental reporting is extended to sales and administrative sites for certain indicators when feasible. Certain sites share their premises with other companies and are unable to obtain the information required for the Group's reporting purposes. Data pertaining to the Group's sales and administrative sites were considered in the calculation of Scope 3 GHG emissions.

Reporting methods

The Group applies standard reporting frameworks for environmental information so that the indicators monitored across all operations are consistent and reliable. The frameworks specify the methodologies to be applied for reporting indicators throughout the Group and include definitions, calculation methods and emission factors. The Group also uses standard data collection tools.

The SHERPA system is used to collect and consolidate environmental data for the Group's six industrial sites. Most data are collected on a quarterly basis with the exception of wastewater discharge, solvent consumption and VOC emissions which are collected annually.

The data are reported for the full year ending December 31, 2022 with the exception of GHG emissions (scope 1, scope 2, and scope 3) and wastewater discharge which are reported for the 12-month period from October 1 of the previous year to September 30 of the current year.

Certain environmental data, notably data required for the calculation of Scope 3 GHG emissions, are collected by the department concerned using different systems, and are consolidated for reporting purposes.

Indicators

Greenhouse gas emissions

CO_2 emissions associated with the Group's activities are calculated in accordance with the concepts defined by the GHG Protocol. The GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. The data are reported for the 12-month period from October 1 of the previous year to September 30 of the current year.

Direct emissions (Scope 1) include emissions from the use of natural gas, fuels and refrigerants at the Group's six industrial sites. Emissions of energy sold are subtracted from the Group's emissions. Scope 1 does not currently include emissions from chemical processes, such as fermentation, which are estimated to be negligible, given that the Group is an organic chemistry company rather than one active in the areas such as cement, aluminum, or ammonia.

Indirect emissions (Scope 2) are calculated according to the energy sources purchased from external suppliers, such as electricity and external production of steam, using appropriate emission factors. Emission factors are obtained from data published by the International Energy Agency (IEA) and the Department for Environment, Food and Rural Affairs (DEFRA), and are updated annually for our six industrial sites. Emissions generated by the production of steam are calculated based on site-specific factors or estimated using the Group's own internal standards.

Indirect emissions (Scope 3) that occur in the Group's value chain primarily include emissions associated with purchased goods and services, waste disposal and processing of sold products. Scope 3 emissions are not directly tracked in the SHERPA system but are calculated using standard calculation methods and emission factors:

- purchased goods and services (category 1) is calculated based on quantities purchased;
- waste generated in operations (category 5) is calculated based on quantities and type of waste generated and type of treatment; and
- processing of sold products (category 10) is calculated based on quantities sold.

Emission factors used to calculate Scope 3 emissions are obtained from official databases including those provided by EcoInvent, the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA) and the Department for Environment, Food and Rural Affairs (DEFRA).

Although the Group has made continuous efforts to improve the reliability of the data related to its Scope 3 emissions, a certain degree of uncertainty remains. Unlike Scope 1 and 2 emissions, changes in Scope 3 emissions from one year to the next could be attributed to the methods of calculation employed or to the quality of the data available and not necessarily to a change in performance.

- According to the GHG protocol, certain Scope 3 categories are not applicable to the Group's business activity or are accounted for under other emissions categories. These categories include:
  - Category 8 (Upstream leased assets): associated emissions are included in Scope 1 and 2 calculations for energy use;
  - Category 9 (Downstream transportation and distribution): the Group does not sell products directly to consumers; all transportation and distribution are included in Category 4.
  - Category 11 (Use of sold products): the Group does not sell products directly to consumers;
  - Category 13 (Downstream leased assets): this category is not relevant to the Group's business activities;
  - Category 14 (Franchises): the Group does not operate franchises; and
  - Category 15 (Investments): associated emissions are included in other categories when relevant.

Regarding the calculation of Category 4 (Upstream transportation and distribution), the best estimation that we were able to provide for 2022 is the replication of 2021 data that was calculated for the Group scope before the carve-out from Sanofi. The methodology used by Sanofi has been audited and is available in Sanofi's 2021 Statement of Non-Financial Performance.

Systems and monitoring tools are in the process of being implemented to ensure that reliable data is collected in 2024 for the calculation of Category 4 and Category 9 (Downstream transportation and distribution).

Carbon neutrality

Carbon neutrality can be achieved through the use of renewables, by generating energy directly or by purchasing energy from suppliers that can provide zero emissions energy. The carbon-neutral objective covers Scope 1, 2 and 3 emissions and includes production sites, R&D sites and tertiary sites. Other local specific emissions factors can also be used in line with the statements of suppliers.

Water consumption and withdrawal

The difference between our total water consumption and total water withdrawal is due to differences in data collection equipment. Certain sites have closed water loop systems that are not included in water withdrawal data.

Waste

The distinction between hazardous and non-hazardous operational waste corresponds to that used in European regulations for European Union member countries and that used in local regulations for other countries. Radioactive and medical waste, as well as waste containing solvents, is reported as hazardous waste.

Hazardous waste is defined as any waste having one or more of the hazardous properties listed in Annex III of European Directive 2008/98/EC and US CFR part 261 subpart C.

Waste arising from soil decontamination, construction and deconstruction operations (one-time waste) is reported separately in the SHERPA system, only for generated quantities and is not included in the published total for the Group's operating activities.

Recovery rate concerns operational waste only and corresponds to waste (both hazardous and non-hazardous) that is recycled (material recovery) or incinerated off-site using waste-to-energy technology (energy recovery).

A site is considered to be "zero waste to landfill" when its landfill disposal rate is less than 1%.

Wastewater discharge

The data presented correspond to effluents at the discharge point of the industrial sites. The data reported cover all sites of the Group (other than tertiary and logistics sites, which contribute only marginally to COD (Chemical Oxygen Demand) releases). The data are reported for the 12-month period from October 1 of the previous year to September 30 of the current year.

5.7.2 Independent third-party report

Independent third party's report on consolidated non-financial statement

Euroapi

Year ended December 31, 2022

Independent third party's report on consolidated non-financial statement presented in the management report

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the General Assembly,

In our quality as an independent third party, accredited by the COFRAC under number n° 3-1681 (scope of accreditation available on the website www.cofrac.fr), and as a member of the network of one of the statutory auditors of your company (hereinafter "entity"), we conducted our work in order to provide a conclusion expressing a limited level of assurance on the compliance of the consolidated non-financial statement for the year ended 12/31/2022 (hereinafter the "Statement") with the provisions of Article R. 225-105 of the French Commercial Code (*Code de commerce*) and on the fairness of the historical information (whether observed or extrapolated) provided pursuant to 3° of I and II of Article R. 225-105 of the French Commercial Code (hereinafter the "Information") prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), included in the management report pursuant to the requirements of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Conclusion

Based on the procedures performed, as described in "Nature and scope of the work", and on the elements we have collected, we did not identify any material misstatements that would call into question the fact that the consolidated non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Preparation of the non-financial performance statement

The absence of a generally accepted and commonly used framework or established practices on which to base the assessment and measurement of information allows for the use of different, but acceptable, measurement techniques that may affect comparability between entities and over time.

Therefore, the Information should be read and understood with reference to the Guidelines, the significant elements of which are presented in the Statement.

Limitations inherent in the preparation of the Information

The information may be subject to uncertainty inherent in the state of scientific or economic knowledge and the quality of external data used. Certain information is sensitive to the methodological choices, assumptions and/or estimates made in preparing it and presented in the Statement.

The entity's responsibility

It is the responsibility of the Board of Directors to:

- select or establish appropriate criteria for the preparation of the Information;
- prepare a Statement in accordance with legal and regulatory requirements, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks as well as the results of these policies, including key performance indicators and, in addition, the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- and to implement the internal control procedures it deems necessary to ensure that the Information is free from material misstatement, whether due to fraud or error.

The Statement has been prepared in accordance with the entity's procedures, the main elements of which are presented in the Statement.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks.

As it is our responsibility to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information, as this could compromise our independence.

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory requirements, in particular the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the French duty of care law and anti-corruption and tax avoidance legislation
- the fairness of the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy)
- the compliance of products and services with the applicable regulations.

Regulatory provisions and applicable professional standards

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000[65].

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Means and resources

Our verification work mobilized the skills of six people and took place between September 2022 and March 2023 on a total duration of intervention of about eleven weeks.

We conducted a dozen of interviews with the persons responsible for the preparation of the Statement including in particular the Procurement, Supply Chain, Health Safety and Environment, Research and Development, Quality, Business Ethics and Legal, Human Resources and Industrial Operations departments.

Nature and scope of the work

We planned and performed our work taking into account the risks of material misstatement of the Information.

In our opinion, the procedures we have performed in the exercise of our professional judgment enable us to provide a limited level of assurance:

- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III of the French Commercial Code as well as compliance with human rights and anticorruption and tax avoidance legislation;
- we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;

[65] *ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information*

- we referred to documentary sources and conducted interviews to
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix 1; concerning certain risks (Supply continuity, Data protection, Responsible procurement, Responsible innovation, Business ethics, Human rights), our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities : the Budapest site (Hungary) and the Vertolaye site (France);
- we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 11% and 75% of the consolidated data relating to the key performance indicators and outcomes selected for these tests (11% of wastewater quantities, 24% of total energy consumption, 48% of employees, 75% of hazardous waste quantities);
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, March 13, 2023

French original signed by:

Independent third party
EY & Associés

Christophe Schmeitzky
Partner, Sustainable Development

Appendix 1 : The most important information

Social Information	
Quantitative Information (including key performance indicators)	*Qualitative Information (actions or results)*
Turnover (%) Share of women managers (%) Share of women in the Group's salaried workforce (%) Frequency rate of accidents at work, severity rate of accidents at work (number/million hours worked)	Employment (attractiveness, retention) Health and safety of employees Social relations (social dialogue, collective agreements, talent management and personal development) Diversity and equal opportunity, fight against discrimination
Environmental Information	
Quantitative Information (including key performance indicators)	*Qualitative Information (actions or results)*
Scopes 1 & 2 GHG emissions (tCO_2e) Scope 3 GHG emissions (categories 1, 2, 3 and 5) (tCO_2e) Energy consumption (MWh) Share of renewable electricity (%) Percentage of ISO14001 and ISO50001 certified sites (%) Quantity of hazardous and non-hazardous waste produced (tons) Percentage of waste landfilled (%) Percentage of waste recycled (%) Water withdrawals (cu.m.) Quantity of wastewater discharged (cu.m.) Quantity of organic solvents consumed (t) Percentage of solvents recycled (%) Emissions of Volatile Organic Compounds (t)	The results of the environmental policy Measures to reduce waste (water, air, soil, etc.) Climate change (significant emission sources due to activity, reduction targets) and energy efficiency Waste management Water management
Societal Information	
Quantitative Information (including key performance indicators)	*Qualitative Information (actions or results)*
Share of employees trained in the code of conduct and compliance (%) Share of employees trained on GDPR and data security (%) Share of employees trained in anti-corruption (%) Number of customer quality audits Number of product recalls	Responsible Procurement Actions in favor of human rights, in particular respect for fundamental ILO Conventions Measures implemented to promote responsible innovation Measures taken to combat corruption

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6

SHARE CAPITAL AND SHAREHOLDING STRUCTURE OF THE COMPANY

6.1 ITEMS THAT MAY HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

Shareholders holding more than 5% of the capital on the date of the Universal Registration Document

The table below sets out the distribution of the Company's share capital as of the date of the Universal Registration Document:

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights	Share classes
Sanofi Aventis Participations	28,298,074	29.93%	28,298,074	29.93%	ordinary shares
BpiFrance Investissement	11,283,226	11.93%	11,283,226	11.93%	ordinary shares
L'Oréal	5,140,317	5.44%	5,140,317	5.44%	ordinary shares
BlackRock Inc	4,995,131	5.28%	4,995,131	5.28%	ordinary shares
Public	44,832,740	47.42%	44,832,740	47.42%	ordinary shares
TOTAL	**94,549,488**	**100%**	**94,549,488**	**100%**	**ordinary shares**

Prior to Sanofi's combined annual shareholders' meeting, held on May 3, 2022, and called to decide on the Distribution in Kind, the shares of the Company, representing approximately 70% of the Company's share capital that will be distributed to Sanofi's shareholders (other than Sanofi itself and holders of shares issued upon the exercise of Sanofi stock options since January 1, 2022) and sold as part of the Investment (as defined below), will be purchased by Sanofi from Sanofi Aventis Participations.

Sanofi group is a global pharmaceutical company involved in the research, development and marketing of therapeutic solutions focused on the needs of its patients. The Group is the outcome of numerous mergers and acquisitions, particularly the merger of Sanofi and Synthélabo in 1999, the acquisition of Aventis in 2004 (from the merger of Hoechst and the Rhône-Poulenc Rorer group) and the acquisition of Genzyme in 2011. Sanofi's shares are listed on the regulated market of Euronext Paris, compartment A (Euronext: SAN) and on the Nasdaq Global Select Market (Nasdaq: SNY) as American Depositary Shares.

The Company, Sanofi and EPIC Bpifrance, acting on behalf of the French State under the French Tech Souveraineté protocol of December 11, 2020, as amended (the "Investor"), have entered into an investment agreement (the "Investment Agreement") pursuant to which the Investor has undertaken to acquire from Sanofi a number of shares representing 12% of the share capital of the Company as of the date of payment of the Distribution in Kind, i.e., May 10, 2022, at a price equal to the lowest of (i) the volume-weighted average price of the Company's shares over a period of 30 consecutive trading days from the date of admission of the Company's shares to trading on the regulated market of Euronext Paris, i.e., May 6, 2022, and (ii) €150 million (the "Investment"). The Investor's commitment to invest is subject to several conditions precedent, including the admission of the Company's shares to trading on the regulated market of Euronext Paris and the approval of Sanofi's shareholders, at a meeting on May 3, 2022, on the Distribution in Kind. The settlement and delivery of the EUROAPI shares purchased by the Investor under the Investment will take place on the business day following the end of the 30-day period, i.e., on June 17, 2022.

Under the terms of the Investment Agreement, the Investor will have the right to propose the appointment of (i) two members of the Board of Directors of the Company, including one member of the nominations and remuneration committee, as long as the Investor holds at least 10% of the share capital of the Company, or (ii) one member of the Board of Directors who could also be a member of the nominations and remuneration committee, as long as the Investor holds at least 5% and less than 10% of the share capital of the Company.

On March 30, 2022, the sole shareholder of the Company decided, subject to the condition precedent of the admission of the Company's shares to trading on the regulated market of Euronext Paris, (i) to appoint Bpifrance Investissement, represented by Benjamin Paternot as member of the Board of Directors and member of the nominations and remuneration committee of the Company, and (ii) to appoint Mr. Jean-Christophe Dantonel as member of the Board of Directors of the Company upon proposal of the Investor (see Section 13.1 "Information about the Board of Directors and the Executive Management" of the Prospectus). Sanofi has undertaken to vote in favor of the appointment and/or re-appointment of the candidates proposed by the Investor for a period of 12 years as from the decision of the sole shareholder of the Company deciding on the appointment of Bpifrance Investissement and Mr. Jean-Christophe Dantonel as members of the Board of Directors of the Company, or March 30, 2022, unless the Investor ceases to hold a number of shares representing at least 5% of the Company's capital and Sanofi ceases to hold EUROAPI shares. In addition, the Investor has undertaken to vote in favor of the appointment of a representative of Sanofi (or one of its successors) to the Company's Board of Directors and audit committee, subject to Sanofi's compliance with its voting commitment described above and Sanofi's holding of a number of shares representing at least 5% of the Company's share capital.

In addition, under the terms of the Investment Agreement, the Investor has undertaken in particular:

- ensure that its representatives on the Company's Board of Directors (the "Representatives") are not appointed to or hold positions on the supervisory or governance bodies of any entity (or its affiliates) whose business competes with that of the Company, unless (i) such appointment has been approved by the Company or (ii) in the event that a Representative is a legal entity arrangements are in place that prevent the exchange of commercially sensitive information relating to the Company and its business between the permanent representative of such legal entity Representative (or its employees, officers or agents with commercially sensitive information relating to the Company and its business) and the employees, officers or agents of such legal entity Representative who directly supervise and manage an investment of the Investor in a competing company; and
- adopt strict compliance rules and conflict of interest procedures to prevent the Investor (including any person or entity controlling, controlled by, or under common control with the Investor) from using any information provided to the Investor as a result of its representation on the Board of Directors in a manner that would be detrimental to the Company or any entity controlled by the Company.

In addition, under the terms of the Investment Agreement, (i) the Investor has undertaken to retain the EUROAPI shares purchased for a period of 24 months from the date of settlement and delivery of the EUROAPI shares purchased under the Investment, i.e., on June 17, 2022, and (ii) Sanofi (including its affiliates) has undertaken to retain the EUROAPI shares held from the date of payment of the Distribution in Kind for a period of 24 months following the date of settlement and delivery of the EUROAPI shares acquired under the Investment, in both cases subject to certain usual exceptions.

Sanofi and the Investor are not acting in concert within the meaning of article L. 233-10 of the French Commercial Code (*Code de commerce*) with respect to the Company.

Crossing of thresholds

Shareholders have a legal obligation to notify the Company and the French financial markets authority (Autorité des marches financiers – the "AMF") by letter when a legal threshold is crossed, specifying in particular their fractional ownership of the Company's shares and voting rights, within the legal deadline. In addition, Article 9 of the Company's Articles of Association provides for the obligation for shareholders to notify the Company when a threshold representing a fraction of the capital or voting rights greater or equal to 1%, or any multiple of this percentage is crossed (see section 7.4.7 "Statutory disclosure thresholds" of this Universal Registration Document).

From January 1, 2022 to the date of this Universal Registration Document, the Company received the following legal threshold crossing declarations pursuant to Article L. 233-7 of the French Commercial Code and declarations regarding thresholds contained in the Article of Association:

Shareholder	Date of crossing	Type of threshold/ crossing	Threshold crossed	Number of shares	% of share capital	% of voting rights
Sanofi Aventis Participations	6/22/2022	Legal, upward	30.00%	28,298,074	30.10%	30.10%
Sanofi Aventis Participations	7/22/2022	Legal, downward	30.00%	28,298,074	29.93%	29.93%
BpiFrance Investissement	6/23/2022	Legal, upward	10.00%	11,283,226	12.00%	12.00%
BlackRock Inc	5/13/2022	Legal, upward	5.00%	4,995,131	5.31%	5.31%

Note: % of share capital and voting rights on the date of the declaration.

Transactions performed on the Company's shares by officers and persons treated as such

The table below presents a summary (Article 223-26 of the AMF Regulation) of the transactions mentioned in Article L. 621-18-2 of the French Monetary and Financial Code carried out during the financial year 2022.

First name, Last name, Company name	Position	Financial instrument	Nature of transaction	Date	Price (in €)	Transaction amount (in €)
Viviane Monges	Chairman	Action	Acquisition	5/23/2022	13.210	99,075.0000
Viviane Monges	Chairman	Action	Acquisition	5/30/2022	13.410	50,287.5000
Viviane Monges	Chairman	Action	Acquisition	6/14/2022	13.860	110,880.0000
Viviane Monges	Chairman	Action	Acquisition	5/17/2022	13.940	41,820.0000
Karl Rotthier	CEO	Action	Acquisition	5/10/2022	12.601	17,994.7992
Karl Rotthier	CEO	Action	Acquisition	5/11/2022	14.265	17,987.5345
Karl Rotthier	CEO	Action	Acquisition	5/12/2022	14.604	17,977.6471
Karl Rotthier	CEO	Action	Acquisition	5/13/2022	14.080	17,979.6492
Karl Rotthier	CEO	Action	Acquisition	5/16/2022	13.424	17,988.5620
Karl Rotthier	CEO	Action	Acquisition	5/17/2022	12.959	17,986.3980
Karl Rotthier	CEO	Action	Acquisition	5/18/2022	13.013	17,983.5514
Karl Rotthier	CEO	Action	Acquisition	5/19/2022	13.298	17,978.7608
Karl Rotthier	CEO	Action	Acquisition	5/20/2022	13.252	17,982.2855
Karl Rotthier	CEO	Action	Acquisition	5/23/2022	13.228	17,976.7161
Karl Rotthier	CEO	Action	Acquisition	5/24/2022	13.167	17,985.8488
Karl Rotthier	CEO	Action	Acquisition	5/25/2022	13.159	17,975.7404
Karl Rotthier	CEO	Action	Acquisition	5/26/2022	13.233	17,983.7829
Karl Rotthier	CEO	Action	Acquisition	5/27/2022	13.277	17,977.0580
Karl Rotthier	CEO	Action	Acquisition	6/1/2022	13.312	17,983.8365
Karl Rotthier	CEO	Action	Acquisition	6/1/2022	13.331	17,984.0586
Karl Rotthier	CEO	Action	Acquisition	6/1/2022	13.701	17,989.8069
Karl Rotthier	CEO	Action	Acquisition	6/2/2022	13.604	17,983.9592
Karl Rotthier	CEO	Action	Acquisition	6/3/2022	13.651	17,991.7544
Karl Rotthier	CEO	Action	Acquisition	6/6/2022	13.813	17,984.3958

Control of the Company

As of the date of this Universal Registration Document and since the distribution in kind of the Company's shares by Sanofi in connection with its listing on the regulated market of Euronext Paris, Sanofi no longer controls the Company within the meaning of Article L. 233-3 of the French Commercial Code.
Sanofi continues to hold, through Sanofi Aventis Participations, approximately 30% of the capital and voting rights of the Company and is as such in a position to exert significant influence on the Group's strategic decisions.
However, the Board of Directors is composed of seven independent members and Sanofi, through its subsidiary Sanofi Aventis Participations, has only one representative out of the 13 members of the Company's Board of Directors.

In addition, the Company has set up an audit committee, a nominations and compensation committee and an ESG committee composed mostly of independent directors.

Agreements likely to result in a change of control

As of the date of the Universal Registration Document,

there is no agreement that, if implemented, could lead to a change of control of the Company.

6.2 DIVIDEND POLICY

The Company intends to focus, in the short and medium term, on reinvesting the cash flows generated by its business to support its growth strategy. As a result, the Company does not expect to distribute dividends before 2025 for the year ending December 31, 2024. Subject to potential acquisitions and/or strategic investments intended to support its growth strategy, the Company intends to adopt a progressive dividend policy in the long term with the objective of a dividend pay-out rate within the range of the rates of its main European peers currently operating in the CDMO segment.

6.3 SHARE CAPITAL

Subscribed and authorized but unissued share capital

As of the date of the Universal Registration Document, the Company's share capital is €94,549,488, divided into 94,549,488 shares with a nominal value of €1 each, fully paid up.

The Company's share capital is composed of ordinary shares only.

The financial delegations described below have been approved by the sole shareholder of the Company on March 30, 2022.

Nature of delegation	Period of validity/ expiration	Ceiling	Price determination methods
Authorization to be granted to the Board of Directors to purchase the Company's own shares.[1]	18 months	10%	Maximum purchase price per share is set at 200% of the price per share set in connection with the admission to trading of the Company's shares.
Authorization to be granted to the Board of Directors to reduce the share capital by cancellation of shares under the authorization to buy back its own shares.[1]	18 months	10%	Any excess of the purchase price of the shares over their nominal value shall be charged to the share premium, merger or contribution items or to any available reserve item.
Delegation of authority to the Board of Directors to increase the capital by the issuance of ordinary shares and/or any securities, with preferential subscription rights for shareholders.[1]	26 months	€47 million[2][3]	The price shall be set by the Board of Directors.
Delegation of authority to the Board of Directors to increase the share capital by the issuance of ordinary shares and/or any other securities, without preferential subscription rights for shareholders and with a public offering (other than the offers referred to in paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code).(1)	26 months	€9.4 million[2][3]	The issue price of the shares and securities that may be issued pursuant to this delegation shall be set by the Board of Directors in accordance with the provisions of Articles L. 22-10-52 and R. 22-10-32 of the French Commercial Code. On the date of the shareholders' meeting, the issue price of the shares shall be at least equal to the volume-weighted average of the prices of the last three (3) trading sessions preceding the start of the public offering on the regulated market of Euronext in Paris, possibly reduced by a maximum discount of 10%.
Delegation of authority to the Board of Directors to increase the share capital by the issuance of ordinary shares and/or any other securities, without preferential subscription rights for shareholders, in the context of a public offering to qualified investors or a limited circle of investors, as referred to in paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code.[1]	26 months	€9.4 million[2][3]	The issue price of the shares and securities that may be issued pursuant to this delegation shall be set by the Board of Directors in accordance with the provisions of Articles L. 22-10-52 and R. 22-10-32 of the French Commercial Code (on the date of the shareholders' meeting, the issue price of the shares shall be at least equal to the volume-weighted average of the prices for the last three (3) trading sessions prior to the start of the public offering within the meaning of Regulation (EU) 2017/1129 of June 14, 2017, as amended, on the regulated market of Euronext Paris, possibly reduced by a maximum discount of 10%).
Delegation of authority to the Board of Directors to increase the number of shares to be issued in the event of a capital increase with or without preferential subscription rights.	26 months	€47 million[3]	Same price as for the initial issuance.

Nature of delegation	Period of validity/ expiration	Ceiling	Price determination methods
Authorization to be granted to the Board of Directors, in the event of an issue of shares or any other securities with cancellation of preferential subscription rights for shareholders, to set the issue price within the limit of 10% of the share capital.(1)	26 months	10%	The price, which shall be set by the Board of Directors, shall be at least equal to the volume-weighted average of the prices of the last three (3) trading sessions preceding the setting thereof, possibly reduced by a maximum discount of 20%, it being noted that it may not in any event be less than the nominal value of a Company share on the date of issuance of the shares in question.
Delegation of authority to the Board of Directors to decide to issue ordinary shares or securities giving access to ordinary shares to be issued immediately or in the future by the Company, with cancellation of the preferential subscription rights for shareholders for the benefit of categories of beneficiaries.(1)	18 months	€4.7 million(2)(3)	The price, which shall be set by the Board of Directors, shall be at least equal to the volume-weighted average of the prices of the last three (3) trading sessions preceding the setting thereof, possibly reduced by a maximum discount of 20%, it being noted that it may not in any event be less than the nominal value of a Company share on the date of issuance of the shares in question.
Delegation of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's capital, in the event of a public offer with an exchange component initiated by the Company.(1)	26 months	€9.4 million(2)(3)	The Board of Directors shall set the terms of the issue, the exchange ratio and, if applicable, the amount of the cash balance to be paid.
Delegation of authority to the Board of Directors to decide to issue ordinary shares of the Company or securities giving access by any means, immediately and/or in the future, to ordinary shares of the Company, up to a limit of 10% of share capital, to remunerate contributions in kind of equity securities or securities giving access to the share capital of third-party companies outside a public exchange offer.(1)	26 months	10%(2)(3)	The Board of Directors shall evaluate the contributions and decide and record the completion of the capital increase that remunerates the contribution.
Delegation of authority to the Board of Directors to increase the share capital by incorporating premiums, reserves, profits or other items.(1)	26 months	€9.4 million	N/A
Authorization to be granted to the Board of Directors to grant options to subscribe to or purchase Company's shares.(1)	26 months	2%(5)	The purchase or subscription price per share shall be set by the Board of Directors on the day the option is granted and may not be less than ninety-five percent (95%) of the average of the prices quoted for the 20 trading days preceding the date of the decision by Board of Directors to grant the options on the regulated market of Euronext Paris, rounded up to the nearest euro cent, nor, in the case of purchase options, to eighty percent (80%) of the average purchase price of the Company's own shares, rounded up to the nearest euro cent.
Authorization to be granted to the Board of Directors to establish a free share plan for existing or new shares.(1)	26 months	3%(4)(5)	N/A
Delegation to the Board of Directors to increase the share capital by the issuance of shares and securities giving access to the Company's capital for the benefit of employees adhering to the company savings plan.(1)	26 months	€1.88 million(3)	The issuance price of the new shares or securities giving access to the capital shall be determined in accordance with the conditions set out in Articles L. 3332-19 of the French Labor Code.

(1) Subject to the non-retroactive condition precedent of the admission of the Company's shares to trading on the regulated market of Euronext Paris

(2) The maximum nominal amount of debt securities that may be issued under this delegation is set at €750 million

(3) The maximum aggregate nominal amount of the capital increases that may be carried out under these delegations is set at €47 million and the maximum aggregate nominal amount of the debt securities that may be issued under the delegations granted under the aforementioned resolutions is set at €750 million

(4) The total number of shares that may be granted under this authorization to corporate officers may not represent more than 0.4% of the Company's share capital

(5) The sum of (i) the shares that may be issued or acquired upon exercise of the options that would be granted under the delegation described above and (ii) the free shares that would be granted under the delegation described above may not exceed 9.4 million shares with a nominal value of €1 each.

Non-equity securities

As of the date of this Universal Registration Document, the Company has not issued any non-equity securities.

Shares held by the Company

As of December 31, 2022, the Group held 87,997 shares of its own shares.

Other securities giving rights to capital

A free share plan was put in place on June 3, 2022 for all employees and certain executives and managers (see Note 5.10.5 " Share based payments" to the Consolidated financial statements).

A performance share plan was put in place on June 3, 2022 for key executives and managers (see Note 5.10.5 "Share based payments" to the consolidated financial statements)

A stock subscription option plan was put in place on June 3, 2022 for key executives and managers (see Note 5.10.5 "Share based payments" to the consolidated financial statements).

"

Conditions governing any acquisition right and/or any obligation attached to capital subscribed but not paid up

None.

Share capital of any member of the Group that is under option or an agreement to place it under option and the details of such options

Please refer to section 2.3.6 "Stock options and Performance Shares".

History of share capital over the past three years

The Company registered with the Trade and Companies Register on November 10, 2020, with an initial share capital of €150,000, fully paid up.

The share capital was then increased to €90,000,000 on December 10, 2021. On February 23, 2022, the share capital was increased to €94,026,888. These capital increases in favor of Sanofi Aventis Participations were carried out at a unit subscription price of €20.79.

The table below presents a summary of changes in share capital up to that date.

Date of the transaction	Nature of transaction	Number of shares issued or canceled	Nominal amount (EUR)	Issue or contribution premium (EUR)	Cumulative nominal amount of share capital (EUR)	Total cumulative number of shares in circulation	Nominal value (EUR)
November 10, 2020	Formation of the Company	150,000	150,000	-	150,000	150,000	1.0
December 10, 2021	Capital increase through issuance of ordinary shares	89,850,000	89,850,000	1,778,150,000	90,000,000	90,000,000	1.0
February 23, 2022	Capital increase through issuance of ordinary shares	4,026,888	4,026,888	79,692,112	94,026,888	94,026,888	1.0
July 21, 2022	Capital increase through issuance of ordinary shares (share plan)	522,600	522,600	0.0	94,549,488	94,549,488	1.0

The Company has not pledged a significant portion of its capital.

6.4 STOCK MARKET HISTORY

EUROAPI shares (ISIN: FR 0014 008VX5) are traded on the Euronext regulated market in Paris (Compartment A) (Deferred Settlement Service).

Paris stock exchange volume and share price information over 18 months (source: Euronext)

Date	Volume (Thousands)	Capital (€ million)	Average price (€)	High (€)	Low (€)	Price at end of month (€)
May 2022	31,878	427	12.71	15.11	12.25	13.54
June 2022	13,507	195	14.50	15.99	13.45	15.05
July 2022	6,519	105	16.14	17.26	15.09	16.51
August 2022	6,433	102	15.96	16.84	14.66	15.56
September 2022	6,878	117	17.08	18.06	15.51	17.04
October 2022	4,664	84	18.01	19.02	17.10	17.71
November 2022	4,273	76	17.76	18.84	17.01	17.09
December 2022	8,206	117	14.49	17.30	13.30	13.85
January 2023	4,783	68	14.15	14.77	13.63	14.77
February 2023	3,863	60	15.61	16.20	14.55	15.50
March 2023	13,341	153	11.85	16	10	10.53

6.5 LIQUIDITY AGREEMENT

On June 1, 2022, EUROAPI implemented a liquidity agreement with Kepler Chevreux to enhance the liquidity of the EUROAPI shares admitted to trading on Euronext Paris since 6 May 2022.

€500,000 of resources have been allocated to the liquidity account:

Resources have been raised to €2,000,000, on the 31st day of trading post listing, in compliance with the terms of the AMF Decision 2021-01 of June 22, 2021.

The execution of the liquidity agreement may be suspended under the conditions set out in Article 5 of the AMF Decision.

The liquidity agreement may be terminated:

- at any time by EUROAPI without prior notice;
- at any time by Kepler Cheuvreux, subject to thirty (30) calendar days' notice;
- without notice and without formality if the shares are transferred to another stock market.

The implementation of this liquidity agreement is carried out in accordance with the legal framework in force, and more particularly the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (MAR), Commission Delegated Regulation (EU) 2016/908 of February 26, 2016 supplementing Regulation (EU) No. 596/2014, Articles L. 225-209 *et seq*. of the French Commercial Code and the AMF decision 2021-01 of June 22, 2021 (AMF Decision), applicable as of July 1, 2021.

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ADDITIONAL INFORMATION

7.1 INFORMATION ABOUT THE COMPANY

7.1.1 Legal and commercial name of the Company

The corporate name of the Company is “EUROAPI”.

7.1.2 Place of registration and registration number

The Company is registered in the Paris Trade and Companies Register under number 890 974 413.

LEI: 9695002FT7GGI3CKKJ14

7.1.3 Date of incorporation and duration of the Company

The Company was incorporated on November 10, 2020, for a term of 99 years from the date of its registration in the Trade and Companies Register on November 13, 2020, i.e., until November 13, 2119, unless extended or dissolved earlier.

The financial year begins on January 1 and ends on December 31 of each year.

7.1.4 Registered office of the Company, legal form and governing laws

The Company is a French public limited company (*société anonyme*) governed by French law, and is primarily subject, for its operation, to Articles L. 225-1 *et seq*., of the French Commercial Code by reference to Article L. 227-1 of the French Commercial Code.

The Company’s registered office is located at 15 rue Traversière, 75012 Paris, France.

The Company’s contact information is as follows:

Telephone: +33 (0) 1 89 20 62 00

Email: global_euroapi@euroapi.com

Website: www.euroapi.com

The information provided on the Company’s website is not part of the Universal Registration Document.

7.2 PERSONS RESPONSIBLE, THIRD-PARTY INFORMATION, EXPERT'S REPORTS AND COMPETENT AUTHORITY APPROVAL

7.2.1 Person responsible for the Universal Registration Document

Mr. Karl Rotthier, Chief Executive Officer of the Company.

7.2.2 Declaration of the person responsible for the Universal Registration Document

"*I hereby declare that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and that there is no omission likely to alter its scope.*

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and all its consolidated subsidiaries, and that the elements of the Management Report included in this document, as detailed in the concordance table available in section 7.6, present a true and fair review of the development and performance of the business and the position of the Company and all its consolidated subsidiaries, together with a description of the main risks and uncertainties that they face."

On April 14, 2023,

Mr. Karl Rotthier Chief Executive Officer of the Company

7.2.3 Expert's reports and declarations of interest

None.

7.2.4 Third-party information

The Universal Registration Document contains statistics, data and other information about the markets, the size of the markets, market share, competitive positions and other market data relating to the Group's business activity and its markets (see, in particular, Chapter 1 "Presentation of the Group and Business overview" of the Universal Registration Document). This information comes from multiple sources from third parties and publicly available information (see general comments of the Universal Registration Document).

To the Company's knowledge, such information has been accurately reproduced, and no fact that would make this information inaccurate or misleading has been omitted. However, the Company cannot guarantee that a third party using different methods to collect, analyze or calculate data on the business segment would obtain the same results.

7.2.5 Person responsible for the financial information

Antoine Delcour Chief Financial Officer Address: 15 rue Traversière, 75012 Paris, France Telephone: +33 (0) 1 89 20 62 00 Email: global_euroapi@euroapi.com

7.3 STATUTORY AUDITORS

7.3.1 Statutory auditors

Ernst & Young Audit

Member of the Versailles and Centre regional institute of statutory auditors (Compagnie Régionale des Commissaires aux Comptes de Versailles et du Centre)

Represented by Pierre Chassagne

Tour First
1-2, place des Saisons,
92400 Courbevoie – Paris-La Défense 1

Appointed by decision of the sole shareholder on October 1, 2021, for a term of six financial years, i.e., until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2026.

BDO Paris

Member of the Paris institute of statutory auditors (Compagnie Régionale des Commissaires aux Comptes de Paris)

Represented by Eric Picarle

43 and 47, Avenue de la Grande Armée,
75116 – Paris

Appointed by decision of the sole shareholder on March 18, 2022, for a term of six financial years, i.e., until the shareholders' meeting called to approve the financial statements for the year ending December 31, 2027.

7.3.2 Alternate statutory auditors

Pursuant to the provisions of Article L. 823-1 of the French Commercial Code, the Company has not appointed alternate statutory auditors for Ernst & Young Audit and BDO.

7.4 MEMORANDUM AND ARTICLES OF ASSOCIATION

7.4.1 Corporate purpose

The purpose of the Company, both in France and abroad, either on its own behalf, or on behalf of a third party, or in association with third parties, is:

a. The holding, acquisition or sale of equity or interests, by any and all means, both direct and indirect, in all companies, businesses or groups and, more generally, in any legal entity, in any form, in France or abroad, whether commercial, industrial, financial, securities or real estate, as well as the management of such interests.

b. Any provision of services, assistance, consulting, training, studies or other technical, administrative, financial, commercial services or others that may be directly or indirectly related to its purpose.

c. Participation in any and all transactions that may be related to its purpose, through the formation of new companies, subscriptions to or purchases of securities or corporate rights, mergers or otherwise.

d. In general, any and all commercial, industrial, securities, real estate, financial or other operations relating directly or indirectly to this purpose, to all similar or related purposes or that may facilitate the expansion and development of this purpose.

7.4.2 Provisions of the articles of association governing the administrative and management bodies – Internal rules of the Board of Directors

The following description summarizes the principal provisions of the Articles of Association and internal rules governing the Board of Directors, in particular its method of operations and its powers, as adopted subject to the condition precedent of the admission of the Company's shares to trading on the regulated market of Euronext Paris.

The internal rules shall enter into effect as of the admission to trading of the Company's shares on the regulated market of Euronext Paris. In addition to the provisions governing the Board of Directors cited above, these rules specify the organizational and operational mode, the expertise and powers of the committees that the Board of Directors has established (see Section 15.3 "Committees of the Board of Directors" of the Prospectus).

Board of Directors (Articles 12, 13, 14, 15 and 17 of the Articles of Association and internal rules)

Composition

The Company is administered by a Board of Directors composed of at least three and no more than 18 members elected by the ordinary shareholders' meeting pursuant to and subject to exceptions provided for by law.

The Board of Directors ensures that at least half of the members of the Board of Directors, at least two-thirds of the members of the audit committee and the ESG committee, and more than half of the members of the nominations and compensation committee are independent.

The directors representing the employees are not included in establishing the percentage of independent members.

Upon the appointment of a member of the Board of Directors, and at least once a year, preferably at the first meeting after the end of the Company's financial year, the Board of Directors conducts an assessment of the independence of each of its members (or candidates). During this assessment, the Board of Directors reviews the situation of the member or candidate on the basis of the criteria for independence, specific circumstances and the situation of the interested party in relation to the Company, as well as the member's expertise, in order to determine whether it is adequate for the Board's missions, and whether it complements the expertise of the other members of the Board. The shareholders are informed of the conclusions of this review in the corporate governance reports and, if applicable, at the shareholders' meeting during the election of members of the Board of Directors.

The Board of Directors and the shareholders' meeting may name up to two non-voting members. The non-voting members may be individuals or legal entities, freely selected due to their expertise, from among or outside the shareholders. They are named for a period of two years and may be re-appointed. The Board of Directors may remunerate the non-voting members by drawing from the amount of the remuneration allocated to the directors by the shareholders' meeting. Non-voting members study the issues that the Board of Directors or its Chair submits for their review and opinion. The non-voting members attend the meetings of the Board of Directors and participate in deliberations, with an advisory voice only; however, their absence cannot affect the validity of the deliberations.

Designation

Directors are elected, renewed or dismissed under the conditions provided by the laws and regulations in force and stipulated by the Articles of Association.

Each member of the Board of Directors must own at least 500 shares during the entire duration of the member's term of office and, in any case, within six months after his appointment takes effect. This obligation does not apply to the director representing the Group's employees or, on a decision by the Board, to directors representing shareholders whose internal procedures prohibit direct ownership of shares by their representatives.

Directors are elected for four-year terms. As an exception, the term of office of certain directors may be shorter under the following conditions:

- for the sole purpose of implementing or maintaining the rotation of the terms of directors, if possible, by thirds every year, the ordinary shareholders' meeting may elect one or more directors to a term of one (1) year, two (2) years or three (3) years;
- in order to be able to take into account the elections of the social perimeter, which will take place at the end of 2023, the first term of office of the first director representing the employees will be for two (2) years;
- in the absence of a European CSE, the second director representing the employees as designated in article 12.3 is appointed for a period of one (1) year, renewable, as long as a European CSE has not been set up.

The term of office of the directors may be renewed. They may be dismissed at any time by the ordinary shareholders' meeting.

The number of directors over the age of 70 may not exceed one-third of the directors on the Board, who are also subject to the laws and regulations that govern the plurality of offices held.

Identity of directors

Directors may be individuals or legal entities. When elected, any legal entity must designate an individual as its permanent representative on the Board of Directors.

The term of office of the permanent representative is the same as the term of the legal entity that the individual represents.

When the legal entity dismisses its permanent representative, it must immediately name a replacement. The same provisions apply in the event of the death or resignation of the permanent representative.

Directors representing the employees

The Board of Directors includes one director who represents the employees. This director is appointed pursuant to Article L. 225-27-1 III, 3° of the French Commercial Code (*Code de commerce*).

When the number of members of the Board of Directors exceeds the number of directors mentioned in the first paragraph of article L. 225-27-1 II of the French Commercial Code (*Code de commerce*), and provided that this criterion is still met on the date of appointment, a second director representing the employees is appointed by the European CSE, in accordance with Article L. 225-27-1, III, 4° of the French Commercial Code (*Code de commerce*). In the absence of an European CSE, the second director representing the employees is appointed under the same conditions as those provided for the first director.

Directors representing the employees are named for a period of four years, which expires at the end of the annual shareholders' meeting approving the financial statements for the previous year and held in the year in which the term of office expires. The term of office of directors representing the employees may be renewed. As an exception, the term of office of the directors representing the employees may be shorter under the following conditions:

- in order to be able to take into account the elections of the social perimeter, which will take place at the end of 2023, the first term of office of the first director representing the employees will be for two (2) years;
- in the absence of a European CSE, the second director representing the employees as designated in article 12.3 is appointed for a period of one (1) year, renewable, as long as a European CSE has not been set up.

Directors representing shareholding employees

Not applicable.

Chair of the Board of Directors

The Board of Directors elects a Chair from among the individual members. The Chair may not be older than 70.

The Board of Directors may also name a Vice-Chair from among Board members, who replaces the Chair in the event of absence, temporary inability to serve, resignation, death or non-renewal of the Chair's term. In the case of a temporary inability, this replacement is valid for the limited period of the inability; in all other cases, it is valid until the election of the new Chair.

The Chair is named for a term that may not exceed the Chair's term as director. The Chair may be re-elected indefinitely, subject to the aforementioned provision on the age limit. The Chair may be dismissed at any time by the Board of Directors.

The Chairman's remuneration is set by the Board after consultation with the nominations and compensation committee.

The Chair organizes and directs the work of the Board of Directors and reports on that work to the shareholders' meeting. The Chair ensures the correct functioning of the company's bodies and ensures, in particular, that directors are able to perform their duties.

Deliberations of the Board of Directors

The Board of Directors performs the mission and exercises the powers conferred by law, the Company's Articles of Association and the internal rules of the Board of Directors. The Board of Directors determines the strategies of the Company's business activity and monitors their implementation. Subject to the powers expressly attributed to shareholders' meetings, and within the limits of the corporate purpose, it considers any question affecting the proper functioning of the Company and settles, through its deliberations, matters that concern the Company. The Board of Directors conducts the controls and verifications it deems appropriate.

The Board of Directors meets on the notice of meeting from the Chair as often as the interest of the Company requires; it is specified that the frequency and duration of the meetings of the Board of Directors must be such as to permit an in-depth review and discussion of matters that fall within the jurisdiction of the Board of Directors. The Board of Directors meets at least four times a year.

When the Board of Directors has not met for more than two months, one-third (at least) of the members of the Board may ask the Chair to convene a Board meeting on a defined agenda. The Chair may not refuse to accede to this request. The Chief Executive Officer may also ask the Chair to convene a meeting of the Board of Directors on a defined agenda.

Meetings are held at the registered office of the Company or at any other location indicated in the notice of meeting.

The Board of Directors may validly deliberate, even if a meeting has not been convened, if all members are present or represented.

Board members may participate in the Board meeting via video-conferencing or telecommunications that allow them to be identified and guarantee their effective participation, under the conditions set forth in the applicable laws and regulations. In this case, they are considered present for calculating quorum and majority.

Any director may give a proxy to another director to represent him or her at a meeting of the Board; each director may hold only one proxy per Board meeting.

The deliberations of the Board of Directors are recorded in minutes established as required by law. The minutes of the meeting indicate the participation of Board members via video-conference or telecommunications.

The Board of Directors deliberates validly only if at least half of its members are present. Decisions are made by a simple majority of the members present or represented. In the event of a tie vote, the meeting Chair casts the deciding vote.

Decisions falling under the specific powers of the Board of Directors contained in Article L. 225-24 of the French Commercial Code, the last paragraph of Article L. 225-35 of the French Commercial Code, the second paragraph of Article L. 225-36 of the French Commercial Code (Code de commerce) and Section I of Article L. 225-103 of the Commercial Code (Code de commerce), as well as decisions to transfer the registered office on French territory, may be made by written consultation of the directors of the Company.

The Board of Directors establishes in its internal rules the limits on the powers of the Chief Executive Officer, if any, by defining the operations for which prior authorization from the Board is required. The following are subject to prior authorization by the Board of Directors ruling by simple majority of the members present or represented (the amounts indicated below are amounts before taxes):

- The approval or modification of the Group's strategic model.
- The approval or modification of the strategy of the Company and its affiliates (annual budget and medium-term business plan of the Group).
- Any acquisition, joint-venture or other long-term partnerships/collaborations (excluding agreements signed with customers or suppliers in the normal course of business) or a material change in the equity interest in the capital of another company:
  - other than those representing a value less than €10 million for transactions relating to a previously authorized strategy;
  - other than those representing a value less than €2 million for transactions that do not relate to a previously authorized strategy.

- Any divestment or sale (including sale of a business or transfer of key assets), termination of joint-ventures or other long-term partnerships (excluding agreements signed with customers or suppliers in the normal course of business) representing net revenue or a net carrying amount greater than €10 million.
- Any merger, split, or spin-off related to the Company or any significant subsidiary, for a unit value greater than €10 million in each case.
- Any commitment of capital expenditures or any other liability (real or contingent) greater than €10 million if it is related to a previously authorized strategy.
- Any commitment of capital expenditures or any other liability (real or contingent) greater than €2 million if it is not related to a previously authorized strategy.
- Any divestment or sale of assets, the net carrying amount of which is greater than €1 million.
- The conclusion, modification or termination of any commercial contract with an annual or total value greater than €50 million, or with a term longer than five years.
- The establishment or modification of any retirement plan or any reorganization of the workforce that results in a total cost greater than €25 million for the Group.
- The adoption or modification of any bonus, profit-sharing or other equivalent mechanism of any member of the Executive Committee.
- The establishment or modification of stock option plans or free share plans of the Company or of any other company in the Group (or any other similar instruments) for Group executives and/or employees or certain categories of employees.
- The delisting of the Company.
- Any decision on commitment, as plaintiff, or settlement, as plaintiff or defendant, in a dispute, arbitration or other legal proceeding, for a stake equal to or greater than €25 million per proceeding, or which could have a material effect on the reputation of the Group.
- The initiation of any insolvency, dissolution or liquidation proceeding (or any similar proceeding in each applicable jurisdiction) with regard to the Company or its significant subsidiaries.
- The application for listing or delisting of debt securities representing a value greater than €100 million.
- Any substantial decision or change in the Company's existing significant financing documentation, including any measure taken or not taken that would result, or would be reasonably likely to result, in a breach of the existing significant financing documentation.
- The conclusion or modification of any loan or debt transaction, in any form (including factoring and finance-leasing) in an amount greater than €100 million, with the exception of: (i) intra-group borrowings; or (ii) draws on any existing revolving credit facility of the Group for working capital requirements.
- The creation or modification of any charge, sale, lease or finance lease or the grant of any security interest by guarantee or any other means on all or some of the Group's assets, including property or intellectual property rights, with the exception of those: (i) connected with the supply of goods and services in the normal course of business, including factoring of suppliers and the financing of the supply chain; or (ii) with a value less than €50 million.
- Any issuance of a financial guarantee or parent company guarantee over a total package of €100 million.

Remuneration of the members of the Board of Directors

The shareholders' meeting may allocate to Board members, as remuneration for their activity, an annual fixed sum, the amount of which is maintained until a new decision. The Board of Directors may distribute this remuneration freely among its members.

The Board of Directors may also allocate exceptional remunerations for specific assignments or mandates entrusted to the directors (independently of the remuneration for participation on the Board's specialized committees).

Internal rules

In its internal rules, the Board of Directors establishes its operating procedures in accordance with the law and Articles of Association. It may approve the creation of committees charged with studying the questions that the Board itself or its Chair may submit to their review for an opinion. The membership and powers of each of these committees, which operated under the Board's responsibility, are defined by the Board of Directors through internal rules.

Any person called to attend the meetings of the Board of Directors must demonstrate discretion with respect to information and data that is confidential and presented as such by the Chair, as well as a general obligation of confidentiality.

Executive Management (Article 16 of the Articles of Association)

Conditions and procedures

The management of the company is assumed, under his or her responsibility, either by the Chair of the Board of Directors or by another individual appointed by the Board from among or outside its members, who holds the title of Chief Executive Officer.

On a simple resolution adopted by a majority of the votes of the directors present or represented, the Board of Directors chooses between the two forms of executive management. The shareholders and third parties are informed of this choice under the legal and regulatory conditions.

The Board of Directors' decision remains in force until a contrary decision is made by the Board or, at the Board's choice, for the duration of the appointment of the Chief Executive Officer.

When the executive management of the Company is performed by the Chair of the Board of Directors, the following provisions on the Chief Executive Officer shall apply to the Chair. In this case, this person carries the title of both Chair and Chief Executive Officer.

Deputy executive management

On the recommendation of the Chief Executive Officer, the Board of Directors may appoint, from among or outside its members, one or more individuals charged with assisting the Chief Executive Officer, who shall have the title of Deputy Chief Executive Officer.

There may be no more than five Deputy Chief Executive Officers.

Age limit – Duration of duties

The Chief Executive Officer and the Deputy Chief Executive Officers may not be older than 65 years of age.

The duration of the term of the Chief Executive Officer or of a Deputy Chief Executive Officer is determined at the time they are appointed, but this duration may not exceed the duration of their office as director, if applicable.

Dismissal

The Chief Executive Officer may be dismissed at any time by the Board of Directors. This is also true for the Deputy Chief Executive Officers, on the recommendation of the Chief Executive Officer. If dismissal is decided without grounds, it may result in damages, except when the Chief Executive Officer is also the Chair of the Board of Directors.

When the Chief Executive Officer ceases to, or is prevented from, performing the CEO's duties, the Deputy Chief Executive Officers retain their duties and powers, unless decided otherwise by the Board, until the appointment of the new Chief Executive Officer.

The Board of Directors determines the remuneration of the Chief Executive Officer and the Deputy Chief Executive Officers.

Powers of the Chief Executive Officer and the Deputy Chief Executive Officers

The Chief Executive Officer is vested with the most extensive powers to act in any circumstance in the name of the Company. The Chief Executive Officer exercises these powers within the limits of the corporate purpose, and subject to those powers expressly granted by law to shareholders' meetings and to the Board of Directors, as well as the limits stipulated by the internal rules of the Board of Directors.

The Chief Executive Officer represents the Company in its relations with third parties. The Company is committed even by the acts of the Chief Executive Officer that do not fall within the corporate purpose, unless the Company proves that the third party knew that the act exceeded this purpose or that the third party could not have been unaware of this given the circumstances; publication of the Articles of Association is not in and of itself sufficient to constitute this proof.

Decisions of the Board of Directors that limit the powers of the Chief Executive Officer are unenforceable against third parties.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and duration of the powers granted to Deputy Chief Executive Officers. With respect to third parties, the Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

The Chief Executive Officer or the Deputy Chief Executive Officers may, within the limits set by the laws in force, delegate the powers they deem appropriate, for one or more specific purposes, to any and all agents, even outside the Company, considered individually or together in a committee or commission, with or without the option of substitution, subject to the limitations provided by law. Such powers may be permanent or temporary and carry the option of substitution. Delegations granted in this way retain their effects despite the expiration of the duties of the person who conferred them.

7.4.3 Rights, privileges and restrictions attached to the shares (Articles 8, 9, 10 and 11 of the articles of association)

Fully paid-up shares are in registered or bearer form, at the discretion of the shareholder, under the conditions provided by the regulations in force.

Each share gives a right, in the ownership of corporate assets, in the distribution of profits and in the liquidation dividend, to a fraction proportional to the number and nominal value of the existing shares. In addition, each share gives the right to a vote and to representation at shareholders' meetings, under the conditions of law and the Articles of Association. The double voting right provided in Article L. 22-10-46 of the French Commercial Code (Code de commerce) is expressly eliminated by the Articles of Association.

Shareholders bear losses only in the amount of their contributions.

The rights and obligations attached to a share follow the share into any hands into which its passes. Ownership of a share automatically carries full adherence to the Articles of Association and the decisions of the shareholders' meetings.

Every time that it is necessary to own several shares or securities in order to exercise any right, shareholders and holders of securities are personally responsible for grouping the number of shares or securities necessary.

Shares are indivisible with regard to the Company.

Co-owners of undivided shares are represented in shareholders' meetings by one of the owners or by a single agent. In the event of a disagreement, the agent is designated by the court at the request of the more diligent co-owners.

If the shares carry beneficial ownership, the registration of the shares in an account must show the existence of the beneficial ownership. Except where otherwise agreed and notified to the Company by registered letter with acknowledgment of receipt, the right to vote belongs to the beneficial owner in ordinary shareholders' meetings, and to the bare owner in extraordinary shareholders' meetings.

Registered or bearer shares are freely negotiable, unless otherwise required by laws or regulations. Shares are registered in an account and the sale of shares, with respect to the Company and third parties, is made by transfer from account to account under the conditions and procedures defined by the laws and regulations in force.

7.4.4 Change in capital and the rights attached to the shares

As the articles of association do not stipulate any specific provision, the modification of the rights attached to shares is governed by the law.

7.4.5 Shareholders' meetings (Articles 21, 22, 23 and 24 of the articles of association)

Notice of meeting and meeting location

Shareholders' meetings are called under the conditions, in the forms and with the deadlines provided by the laws and regulations in force. They are held at the registered office or at any other location indicated in the notice of meeting.

Agenda

The agenda for the meeting is indicated in the notices and letters of meeting; it is established by the author of the notice of meeting.

The meeting may deliberate only on the items indicated on the agenda; however, it may, under any circumstance, dismiss one or more directors and replace them.

One or more shareholders representing at least the percentage of equity required by law, and acting under the conditions and within legal deadlines, have the option to require the inclusion of proposed resolutions on the agenda.

Access to shareholders' meetings

Any shareholder has the right to attend shareholders' meetings and participate in the deliberations, either personally or through an agent.

The right to participate in the meetings is governed by the laws and regulations in force.

Under the conditions provided by the laws and regulations in force, the Board of Directors may organize the participation and vote by shareholders at meetings via video-conference or telecommunications that permit shareholders to be identified. This decision by the Board is indicated in the notice of meeting. Shareholders participating in the meeting via video-conference or any one of the other telecommunications methods described above are deemed present for the calculation of the quorum and majority.

Any shareholder may vote by mail or give a proxy pursuant to the regulations in force, using a form prepared by the Company and sent to the Company under the conditions provided by the regulations in force, including electronically or via remote transmission. This form must be received by the Company under regulatory conditions in order to be counted.

The legal representatives of legally incompetent persons and the individuals representing shareholder legal entities participate in the meetings, whether or not they personally are shareholders.

Attendance sheet, staff, minutes

An attendance sheet containing the information required by law is kept at each meeting.

The meeting is chaired by the Chair of the Board of Directors or, in the absence of the Chair, by the Vice-Chair of the Board, by the Chief Executive Officer, by a Deputy Chief Executive Officer if the officer is a director, or by a director specially delegated for this purpose by the Board. In the case of a meeting called by a statutory auditor or by a court agent, the shareholders' meeting is chaired by the author of the notice of meeting. If these persons are not available, the shareholders' meeting itself elects a meeting chair.

The duties of scrutineers (*scrutateur*) are performed by the two shareholders present and consenting to these functions, who hold on their own or as representatives, the largest number of votes.

The officer names the secretary, who may be selected from among or outside the shareholders.

Minutes are prepared and the copies or excerpts of the deliberations are issued and certified as required by law.

Ordinary shareholders' meeting

The ordinary shareholders' meeting is the meeting called to make all decisions that do not amend the Articles of Association. It is held at least once a year, within six months after the end of each financial year, to approve that year's financial statements and the consolidated financial statements, unless an extension is granted under the conditions provided for by law.

The meeting validly deliberates, on the first call, only if the shareholders present or represented, or who have voted by mail, hold at least one-fifth of the shares with a right to vote. On the second call, no quorum is required.

The meeting rules with a majority of the votes cast by the shareholders present, represented or who have voted by mail.

Extraordinary shareholders' meeting

Only the extraordinary shareholders' meeting is authorized to amend all provisions of the Articles of Association. The meeting may not, however, increase shareholder commitments, subject to transactions resulting from a legally executed regrouping of shares.

It validly deliberates only if the shareholders present, represented or who have voted by mail hold, on the first call, at least one-fourth of the shares with voting rights and, on the second call, one-fifth of the shares with voting rights. If this second quorum is not reached, the second meeting may be postponed to a date no more than two months after the date on which it was called.

The meeting rules with a two-thirds majority vote of the shareholders present, represented, or who have voted by mail.

The extraordinary shareholders' meeting may not, however, under any circumstances, increase the commitments of shareholders or undermine the equality of shareholder rights unless it is by unanimous vote of the shareholders.

7.4.6 Procedure to delay, defer or prevent a change of control

The Company's Articles of Association do not provide for procedures to delay, defer or prevent a change of control.

7.4.7 Statutory disclosure thresholds

As long as the shares of the Company are admitted to trading on a regulated market, in addition to the

disclosure thresholds expressly provided by current laws and regulations in force, any individual or legal entity who may own directly or indirectly, alone or in concert, a fraction of the capital or voting rights (calculated in accordance with Articles L. 233-7 and L. 233-9 of the French Commercial Code (Code de commerce) and the AMF General Regulation) greater or equal to 1% of the share capital or voting rights in the Company, or any multiple of this percentage, including above the thresholds set by legal and regulatory provisions, must notify the Company of the total number (i) of shares and voting rights that such individual or entity owns, (ii) of the securities giving future access to the Company's equity that said individual or entity owns and the voting rights potentially attached thereto, and (iii) of assimilated shares in application of Article L. 233-9 I, 1 and 4 to 8 of the French Commercial Code. This notification must be given by registered letter with acknowledgment of receipt (or by any other equivalent means) within four trading days from the date the relevant threshold is crossed.

This required disclosure to the Company also applies, under the same deadlines and the same conditions, whenever the shareholder's equity investment or voting rights fall below the aforementioned thresholds.

In the event of non-compliance with the aforementioned disclosure threshold requirement and on a request recorded in the minutes of the shareholders' meeting, from one or more shareholders representing at least 5% of the capital or voting rights, the shares exceeding the fraction that should have been disclosed will lose their voting rights for a period of two years following the date when proper notification is given.

The Company reserves the option to make the public and the shareholders aware either of the information in the disclosure received or the failure of the person in question to comply with the above obligation.

7.5 DOCUMENTS AVAILABLE TO THE PUBLIC

Copies of the Universal Registration Document are available free of charge at the Company's registered office, located at 15 rue Traversière, 75012 Paris, France.

The Universal Registration Document can also be consulted on the Group's website (www.euroapi.com) and on the French financial markets authority—*Autorité des marchés financiers* (AMF)—website (www.amf-france.org).

The Articles of Association, minutes of the shareholders' meetings and other corporate documents from the Company, as well as the historical financial information and any expert assessment or statement requested by the Group that must be made available to the shareholders, in accordance with the applicable legislation, may be consulted at the Company's registered office free of charge.

As of the admission to trading of the Company's shares on the regulated market of Euronext Paris, the regulated information as defined by the provisions of the AMF General Regulation will also be available on the Group's website (www.euroapi.com).

7.6 CONCORDANCE TABLES AND INFORMATION INCORPORATED BY REFERENCE

7.6.1 Information incorporated by reference

In accordance with Article 19 of Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of June 17, 2017, this Universal Registration Document incorporates the following information by reference which the reader is invited to refer to:

- the comparison of the results of the Group for the financial years ended 2021 and 2020 set out in chapter 8 “Operating and financial review” of the listing prospectus approved by the French Autorité des marchés financiers on March 31, 2022 under number 22-076 (the “Listing Prospectus”) is incorporated by reference in this Universal Registration Document;
- the information relating to liquidity and capital resources of the Group for the financial years ended 2021 and 2020 set out in chapter 9 “Liquidity and capital resources” of the Listing Prospectus is incorporated by reference in this Universal Registration Document; and
- the financial statements for the years ended 31 December 2021, 2020 and 2019 as well as the corresponding auditors’ report, set out in Chapter 19 “Financial information” of the Listing Prospectus are incorporated by reference in this Universal Registration Document.

Other information in the Listing Prospectus is either irrelevant to investors or covered by another section of the Universal Registration Document.

The references to websites contained in this document are provided for reference purposes only; the information contained on these websites is not incorporated by reference in the Universal Registration Document.

7.6.2 Concordance table for the Universal Registration Document

This table enables identification of the information specified by Appendices I and II of the delegated regulation (EU) 2019/980 of March 14, 2019, as amended (supplementing regulation (EU) 2017/1129 of June 14, 2017, as amended).

Table of concordance with information specified by Annex 1 and Annex 2 of Commission Delegated Regulation (EU) 2019/980, as amended

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5	**Business overview**	
5.1	Principal activities	1.1 / 1.2.4 / 4.1 / 5.1 / 4.6.1 Note 1
5.2	Principal markets	1.1 / 1.2.1 / 4.1 / 4.6 Note 3 / 4.7.1 Note 2
5.3	Important events in the development of the issuer's business	1.2.1
5.4	Description of the strategy and objectives	1.2.3
5.5	Extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	1.2.4 / 4.6.1 Note 5.3
5.6	Competitive position	1.2.1 / 1.2.2
5.7	Investments	1.2.2 / 3.2.2 / 4.2.5 / 4.6.1 Note 5.1 / 4.6.1 Note 5.3
5.7.1	*Description of the issuer's material investments*	*3.2.2 / 4.2.5 / 4.6.1 Note 5.1 / 4.6.1 Note 5.3*
5.7.2	*Description of the investments of the issuer that are in progress, including the geographic distribution of these investments, and the investments that the issuer plans to make*	*1.2.2 / 4.2.5*
5.7.3	*Provide information relating to the joint ventures and undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.*	*N/A*
5.7.4	*Describe any environmental issues that may affect the issuer's utilisation of its property, plant and equipment*	*3.2.2 / 5.3 / 5.6*
6	**Organisational structure**	
6.1	Description of the Group	3.1.1 / 3.1.2
6.2	List of significant subsidiaries	3.1.3

Information		Sections
7	**Analysis of the financial position and results**	
7.1	Financial position	4.1 / 4.2 / 4.3 / 4.6.1 / 4.7.1
7.1.1	*Review of the issuer's business and position for the periods presented*	*4.1 / 4.2 / 4.3 / 4.6.1 / 4.7.1*
7.1.2	*Indications of the issuer's likely future development and R&D activities*	*1.2.2 / 1.2.4 / 4.2.5 (b) / 4.5 / 4.6.1 Note 6.3*
7.2	Operating results	4.2.1 / 4.2.2 / 4.2.3 / 4.6.1 / 4.7.1
7.2.1	*Events affecting the issuer's income from operations*	*4.2.1 / 4.2.2 / 4.2.3 / 4.6.1 / 4.7.1*
7.2.2	*Reasons for material changes in net sales or revenues*	*4.2.1 / 4.2.2 / 4.2.3 / 4.6.1 / 4.7.1*
8	**Capital resources**	
8.1	Information concerning the issuer's capital	4.2.3 / 4.6.1 Note 5.10 / 6.3
8.2	Sources and amounts of, and a description of, the issuer's cash flows	4.2.2 / 4.6.1 / 4.7.1
8.3	Information on the borrowing requirements and funding structure of the issuer	4.3 / 4.6.1 Note 5.16 / 4.7.1 Note 3.7
8.4	Information regarding any restrictions on the use of capital resources materially affecting the issuer's operations	N/A
8.5	Anticipated sources of funds needed to fulfil the issuer's commitments	4.3
9	**Regulatory environment**	
9.1	Description of the governmental, economic, fiscal, monetary or political policies or factors that have materially affected or could materially affect the issuer's operations	3.4
10	**Trend information**	
10.1	The most significant trends in production, sales and inventory, and costs and selling prices, since the end of the last financial year, any significant change in the financial performance of the issuer	1.2.1 / 4.5.1 / 4.5.2
10.2	Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year	1.2.1 / 4.5.1 / 4.5.2
11	**Profit forecasts or estimates**	**4.5.3**
12	**Administrative, management and supervisory bodies and senior management**	
12.1	Information about members of the issuer's administrative, management or supervisory bodies	2.1.1
12.2	Administrative, management and supervisory bodies and senior management conflicts of interest	2.1.2
13	**Remuneration and benefits**	
13.1	Amount of remuneration paid and benefits in kind granted	2.3.2 / 2.3.3 / 2.3.4 / 2.3.5
13.2	Total amounts set aside or accrued by the issuer or its subsidiaries to provide for pension, retirement or similar benefits	4.6.1 Note 5.12.2
14	**Board practices**	
14.1	Date of expiration of current terms of office	2.1.1
14.2	Information about members of the administrative, management and supervisory bodies' services contracts providing for benefits upon termination	2.2.3
14.3	Information about the board's committees	2.2.2
14.4	Statement of compliance with the corporate governance regime	2.1.3
14.5	Potential material impacts on corporate governance, including changes in the board and committees composition	2.1.1 / 2.2.2
15	**Employees**	
15.1	Number of employees	5.4.1
15.2	Shareholdings and stock options	2.3.6 / 5.4.6
15.3	Arrangements for involving the employees in the capital of the issuer	2.3.6 / 5.4.6
16	**Major shareholders**	
16.1	Shareholders with more than 5% of the capital	6.1
16.2	Existence of different voting rights	N/A
16.3	Issuer's controlling or non-controlling interests	6.1
16.4	Arrangements the operation of which may result in a change in control of the issuer	6.1

Information		Sections
17	**Related party transactions**	
17.1	Details of related party transactions	3.1.1 / 3.7 / 4.6.1 Note
18	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
18.1	Historical financial information	4.6.1 / 4.7.1
18.2	Interim and other financial information	N.A
18.3	Auditing of historical annual financial information	4.6.2 / 4.7.2
18.4	Pro forma financial information	N/A
18.5	Dividend policy	6.2
18.6	Legal and arbitration proceedings	4.6.1 Note 10.3
18.7	Significant change in the issuer's financial position	4.4
19	**Additional information**	
19.1	Share capital	6.3
19.1.1	*Amount of issued capital and information about each class of share capital*	*6.3*
19.1.2	*Number and characteristics of shares not representing capital*	*6.3*
19.1.3	*Number, book value and face value of shares held by or on behalf of the issuer itself or by subsidiaries of the issuer*	*6.3*
19.1.4	*Amount of any convertible securities, exchangeable securities or securities with warrants*	*N/A*
19.1.5	*Information about the terms of any acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase the capital*	*6.3*
19.1.6	*Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option*	*N.A*
19.1.7	*History of the share capital for the period covered by the historical financial information*	*6.3*
19.2	Memorandum and Articles of Association	7.4
19.2.1	*Description of the issuer's objects and purposes and Trade and Companies Register*	*7.1.2 / 7.1.4 / 7.4.1*
19.2.2	*Description of the rights, preferences and restrictions attaching to each class of shares*	*7.4.3*
19.2.3	*Provisions having the effect of delaying, deferring or preventing a change in control of the issuer*	*7.4.6*
20	**Material contracts**	**3.6**
21	**Documents available**	**7.5**

7.6.3 Concordance table for the annual financial report

The table of concordance below enables identification of the main information specified in the annual financial report required by Article L. 451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and Article 222-3 of the General regulation of the AMF.

Table of concordance with the information required in the annual financial report

Themes		Sections
1	**Declaration of the individuals responsible for the annual financial report**	**7.2.2**
2	**Management report (See concordance table between the Universal Registration Document and the management report)**	
3	**Financial statements and reports**	
3.1	Parent company financial statements	4.7.1
3.2	Statutory Auditors' report on the parent company financial statements	4.7.2
3.3	Consolidated financial statements	4.6.1
3.4	Statutory Auditors' report on the consolidated financial statements	4.6.2

7.6.4 Concordance table for the management report

The table of concordance below enables the identification in this Universal Registration Document of the information that is included in the management report in accordance with the applicable legal and regulatory provisions and in particular with Articles L. 225-100 *et seq*. of the French Commercial Code (*Code de commerce*).

Table of concordance with the sections of Annex 1 of Commission Delegated Regulation (EU) 2019/980

Information		Sections
1	**Persons responsible, third-party information, experts' reports and competent authority approval**	
1.1	Persons responsible for the information	7.2.1 / 7.2.5
1.2	Declaration by the person responsible	7.2.2
1.3	Experts' reports and declarations of interest	7.2.3
1.4	Third-party information	7.2.4
1.5	Declaration relating to the party with the authority to approve the document	Cover page
2	**Statutory Auditors**	
2.1	Information about the Statutory Auditors	7.3.1
2.2	Information about the potential resignation or non-reappointment of the Statutory Auditors	7.3.2
3	**Risk factors**	**3.2**
4	**Information about the issuer**	
4.1	Legal and commercial name of the issuer	7.1.1
4.2	Place of registration of the issuer, its registration number and legal entity identifier	7.1.4
4.3	Date of incorporation and length of life of the issuer	7.1.3
4.4	Domicile, legal form and legislation under which the issuer operates	7.1.4
5	**Business overview**	
5.1	Principal activities	1.2.1
5.2	Principal markets	1.2.1
5.3	Important events in the development of the issuer's business	1.2.1
5.4	Description of the strategy and objectives	1.2.3
5.5	Extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	1.2.2
5.6	Basis for any statements made by the issuer regarding its competitive position	1.2.2
5.7	Investments	1.2.2 / 4.2.5
5.7.1	*Description of the issuer's material investments*	*1.2.2*
5.7.2	*Description of the investments of the issuer that are in progress, including the geographic distribution of these investments, and the investments that the issuer plans to make*	*1.2.2*
5.7.3	*Provide information relating to the joint ventures and undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.*	*N/A*
5.7.4	*Describe any environmental issues that may affect the issuer's utilisation of its property, plant and equipment*	*3.2.2*
6	**Organisational structure**	
6.1	Description of the Group	3.1.1 / 3.1.2
6.2	List of significant subsidiaries	3.1.3
7	**Analysis of the financial position and results**	
7.1	Financial condition	4.1
7.1.1	*Review of the business for the periods presented*	*4.1*
7.1.2	*Indications of the issuer's likely future development and R&D activities*	*1.2.2 / 4.2.5 (b)*
7.2	Operating results	4.2.1
7.2.1	*Events affecting the issuer's income from operations*	*4.2.1*
7.2.2	*Reasons for material changes in net sales or revenues*	*4.2.1*

Information		Sections
8	**Capital resources**	
8.1	Information concerning the issuer's capital	4.6.1 Note 5.10
8.2	Sources and amounts of, and a description of, the issuer's cash flows	4.2.2
8.3	Information on the borrowing requirements and funding structure of the issuer	4.6.1 Note 5.16
8.4	Information regarding any restrictions on the use of capital resources materially affecting the issuer's operations	N/A
8.5	Anticipated sources of funds needed to fulfil the issuer's commitments	4.3
9	**Regulatory environment**	
9.1	Description of the governmental, economic, fiscal, monetary or political policies or factors that have materially affected or could materially affect the issuer's operations	3.4
10	**Trend information**	
10.1	The most significant trends in production, sales and inventory, and costs and selling prices, since the end of the last financial year, any significant change in the financial performance of the issuer	1.2.1 / 4.5.1
10.2	Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year	4.5.1
11	**Profit forecasts or estimates**	**4.5.3**
12	**Administrative, management and supervisory bodies and senior management**	
12.1	Information about members of the issuer's administrative, management or supervisory bodies	2.1.1
12.2	Administrative, management and supervisory bodies and senior management conflicts of interest	2.1.2 (b)
13	**Remuneration and benefits**	
13.1	Amount of remuneration paid and benefits in kind granted	2.3.2
13.2	Total amounts set aside or accrued by the issuer or its subsidiaries to provide for pension, retirement or similar benefits	3.2.1 / 4.6.1 Note 5.12.2
14	**Board practices**	
14.1	Date of expiration of current terms of office	2.1.1 (a)
14.2	Members of the administrative, management and supervisory bodies' services contracts	2.2.3
14.3	Information about the issuer's committees	2.2.2
14.4	Statement of compliance with the corporate governance regime	2.1.3
14.5	Potential material impacts on corporate governance, including changes in the board and committees composition	2.1.1 / 2.2.2
15	**Employees**	
15.1	Number of employees	5.4.1
15.2	Shareholdings and stock options	2.3.6
15.3	Arrangements for involving the employees in the capital of the issuer	2.3.6
16	**Major shareholders**	
16.1	Shareholders with more than 5% of the capital	6.1
16.2	Existence of different voting rights	N/A
16.3	Issuer's controlling or non-controlling interests	6.1
16.4	Arrangements the operation of which may result in a change in control of the issuer	6.1
17	**Related party transactions**	
17.1	Details of related party transactions	4.6.1 Note 10.6
18	**Financial information concerning the issuer's assets and liabilities, financial position and**	
18.1	Historical financial information	4.6.1 / 4.7.1
18.2	Interim and other financial information	N.A
18.3	Auditing of historical annual financial information	4.6.2 / 4.7.2
18.4	Pro forma financial information	N/A
18.5	Dividend policy	6.2
18.6	Legal and arbitration proceedings	4.6.1 Note 10.3
18.7	Significant change in the issuer's financial or commercial position	4.4

Information		Sections
19	**Additional information**	
19.1	Share capital	6.3
19.1.1	*Amount of issued capital and information about each class of share capital*	*6.3*
19.1.2	*Number and characteristics of shares not representing capital*	*6.3*
19.1.3	*Number, book value and face value of shares held by or on behalf of the issuer itself or by subsidiaries of the issuer*	*6.3*
19.1.4	*Amount of any convertible securities, exchangeable securities or securities with warrants*	*N/A*
19.1.5	*Information about the terms of any acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase the capital*	*6.3*
19.1.6	*Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option*	*N.A*
19.1.7	*History of the share capital for the period covered by the historical financial information*	*6.4*
19.2	Memorandum and Articles of Association	7.4
19.2.1	*Description of the issuer's objects and purposes and Trade and Companies Register*	*7.1.2 / 7.1.4 / 7.4.1*
19.2.2	*Description of the rights, preferences and restrictions attaching to each class of shares*	*7.4.4*
19.2.3	*Provisions having the effect of delaying, deferring or preventing a change in control of the issuer*	*7.4.2*
20	**Material contracts**	**3.6**
21	**Documents available**	**7.5**

Table of concordance with the information required in the annual financial report

Themes		Sections
1	**Declaration of the individuals responsible for the annual financial report**	**7.2.2**
2	**Management report**	**7.6.4**
2.1	Objective and comprehensive analysis of changes in the Company's business, results and financial position, especially its debt situation, with respect to the volume and complexity of the business and/or Group	4
2.2	Foreseeable changes in the Company and/or Group	4.5
2.3	Key financial and non-financial indicators of the Company and the Group	4.2; 5
2.4	Information on the financial risks related to the effects of climate change and presentation of the measures that the Company is taking to reduce them by implementing a low-carbon strategy in all components of its activity	5.1 / 5.3 / 4.6 Note 2
2.5	Information about its objectives and policy for hedging each major category of anticipated transactions for which hedge accounting is used, as well as its exposure to price, credit, liquidity and cash flow risks. This information includes the Company's use of financial instruments	3.2.4 / 4.6 Note 5
2.6	Key characteristics of internal control and risk management procedures implemented by the Company relating to the development and processing of accounting and financial information	3.3.2 / 2.2.2
2.7	Description of the main risks and uncertainties facing the Company	3
2.8	Acquisition and disposal by the Company of its treasury shares (share buyback)	4.6 Note 5.10
3	**Financial statements and reports**	**4,6.1 / 4.7.1**
3.1	Individual financial statements	4.7.1
3.2	Statutory Auditors' report on the individual financial statements	4.7.2
3.3	Consolidated financial statements	4.6.1
3.4	Statutory Auditors' report on the consolidated financial statements	4.6.2

Table of concordance with the information required in the management report

Themes		Sections
1	**Information on the Company's activity**	
1.1	Presentation of the activity (particularly progress made and difficulties encountered) and the profits and losses of the Company, each subsidiary and the Group	1.2 / 4.2 / 4.3 / 4.6.1 / 4.7.1
1.2	Analysis of the change in the business, results, financial position and in particular the debt of the Company and the Group	4.3 / 4.6.1 Note 5.16
1.3	Foreseeable developments for the Company and/or the Group	4.5
1.4	Key financial and non-financial indicators of the Company and the Group, particularly information on environmental and staff issues	4.2.1 / 4.2.6 / 5.
1.5	Significant events after the closing date of the Company and the Group	4.4 / 4.6.1 Note 10.1 / 4.7.1 Note 5.1
1.6	Information about its objectives and policy for hedging each major category of anticipated transactions for which hedge accounting is used, as well as its exposure to price, credit, liquidity and cash flow risks. This information includes the Company's use of financial instruments.	3.2.4 / 4.6.1 Note 9
1.7	Description of the main risks and uncertainties of the Company and the Group	3.2
1.8	Information on the financial risks related to the effects of climate change and presentation of the measures that the Company is taking to reduce them by implementing a low-carbon strategy in all components of its activity	5. / 4.6.1 Note 2
1.9	Information on the R&D of the Company and the Group	1.2.4 / 4.6 Note 6.3
1.10	Key characteristics of the internal control and risk management procedures implemented by the Company relating to the development and processing of accounting and financial information	2.2.2 / 3.3.2
1.11	Existing branches	3.1.3
1.12	Activity and results of the Company as a whole, its subsidiaries and controlled companies by business segment	4.2 / 4.3 / 4.6
2	**Legal, financial and tax information of the Company**	
2.1	Breakdown, identity of persons and changes in share ownership	6.3
2.2	Names of controlled companies participating in the Company's treasury shares and percentage of capital held by them	N/A
2.3	Significant equity interests acquired during the financial year in companies whose registered offices are in France	N/A
2.4	Notification of the ownership of more than 10% of shares in the capital of another company; disposal of cross-shareholdings	N/A
2.5	Share buybacks	4.6.1 Note 5.10.2 / 6.3 / 6.5
2.6	Acquisition and disposal by the Company of its treasury shares in view of their allocation to employees (share buyback)	4.6.1 Note 5.10.2 / 6.3 / 6.5
2.7	Statement of employee holdings in the share capital	5.4.6
2.8	Works council opinion on changes to the economic or legal organization	(X)
2.9	Five-year summary table of the Company's results	4.2
2.10	Net profit (loss) for the financial year	4.2.1 / 4.6.1 / 4.7.1
2.11	Issue of securities giving access to capital	
	• Information on how the adjustment was calculated, and	N/A
	• the results of this adjustment	N/A
2.12	Amounts of dividends approved for distribution in respect of the three previous years	N/A
2.13	Amount of non-tax-deductible expenses and charges	N/A
2.14	Payment terms and breakdown of the balance of trade payables and receivables by maturity date	4.7 Note 3.3
2.15	Injunctions or monetary penalties for anti-competitive practices	N/A
2.16	Information on regulated agreements with continuing effects during the financial year	3.1 / 3.7 / 4.6.1 Note 10.6
2.17	Securities acquired by employees in the context of an employee buyout operation	N/A

Themes		Sections
3	**Information about corporate officers**	
3.1	In the event of stock-option awards, disclose the information used by the Board of Directors to make its decision to: •either prohibit executives from exercising their options before termination of their office, •or require them to hold all or a portion of the shares resulting from options already exercised in registered form until termination of their office (specifying the portion thus set)	N/A
3.2	Summary statement of transactions involving the Company's shares by executives and related persons	6.1
3.3	In the event of free share grants, disclose the information used by the Board of Directors to make its decision to: •either prohibit executives from transferring the free shares granted to them before termination of their office; •or set the quantity of such free shares that they are required to retain in registered form until termination of their office (specifying the portion thus set)	2.3.6
4	**The Company's CSR information**	
4.1	Non-Financial Performance Statement (See concordance table between the Universal Registration Document and the Non-Financial Performance Statement)	5.1
4.2	Information on facilities classified as at risk	N/A
5	**Other information**	
5.1	Corporate Governance Report (See concordance table between the Universal Registration Document and the Corporate Governance Report)	
5.2	The amount of loans with a maturity of less than two years granted by the Company, as an accessory to its main activity, to micro-enterprises, SMEs or mid-cap companies with which it has economic ties that justify it	N/A
5.3	Information on payments made to the authorities of each of the States or territories in which the Company carries out the following activities: exploration, prospecting, discovery, exploitation or extraction of hydrocarbons, coal and lignite, metal ores, stones, sand and clays, chemical minerals and mineral fertilisers, peat, salt or other mineral resources; or the exploitation of primary forests	N/A
5.4	Information about the use of the French Competitiveness and Employment Tax Credit (Crédit d'impôt pour la compétitivité et l'emploi – CICE)	4.6.1 Note 7
5.5	Special report on share subscription and call options granted to corporate officers and employees	N/A
5.6	Special report on free share grants to corporate officers and employees made during the financial year	N/A
5.7	Vigilance plan	N/A

7.6.5 Concordance table for the non-financial performance report

Please refer to Section 5.7.1 "Methodology note on non-financial reporting".

7.7 GLOSSARY

AIFA	refers to the Italian Medicines Agency (Agenzia Italiana des Farmaco).
ANSM	refers to the National Agency for the Safety of Drugs and Health Products in France (Agence nationale de sécurité du médicament et des produits de santé en France).
API	means an Active Pharmaceutical Ingredient.
Biocatalysis	refers to the acceleration of a biochemical reaction by a substance (biocatalyst) that is not modified in its composition and concentration when the reaction is completed. Biocatalysis therefore corresponds to the phenomena of catalysis known in chemistry.
Biochemistry molecules from fermentation	refers to molecules of variable size with a complex and differentiated structure whose production requires sophisticated and complex fermentation techniques and whose production cost is average. They are administered orally or can be injected.
Capex	refers to capital expenditures made by the Group.
CDMO	refers to the external manufacture for a customer that owns the intellectual property of the APIs manufactured, starting with a phase to develop the production process by the Group or a transfer of the production process to the Group (Contract Development and Manufacturing Organization).
CEP	refers to a Certificate of Suitability to the European Pharmacopeia.
Chromatography	refers to a physical and chemical method used to separate the various substances present in a mixture.
CLP	refers to Regulation (EC) 1272/2008 of the European Parliament and Council of 16 December 2008, governing the Classification, Labelling and Packaging of substances and mixtures.
Complex chemical synthesis molecules	refers to organic compounds of low to medium molecular weight generally obtained by chemical synthesis whose production cost is variable. Complex chemical synthesis molecules are characterized by a small to medium size that allows them to cross cellular membranes to reach intracellular targets and a structure that is increasingly complex and sophisticated technologically. Most of these molecules can be administered orally, injected or inhaled.
Cytotoxic	refers to the property of a chemical or biological agent to be toxic to cells, possibly to the point of destruction.
DMF	is a Drug Master File.
EDQM	refers to the European Directory for the Quality of Medicines & Healthcare.
EMA	means the European Medicines Agency.
Excipient	refers to elements without therapeutic activity that are included in the composition of a drug or are used in its manufacture. The function of an excipient is to improve appearance or taste, ensure preservation or facilitate the shaping and administration of the drug.
FDA	is the U.S. Food and Drug Administration.
Flow chemistry	also called continuous flow chemistry, refers to chemical reactions initiated in a continuous flow. Reagents are added by pumping into a mixer and then flow into a temperature-controlled pipe, tube or microstructured reactor until the reaction is complete.
GCP	refers to Good Clinical Practices.
GDP	refers to Good Distribution Practices.
GLP	refers to Good Laboratory Practices.
GMP	refers to Good Manufacturing Practices.
GPVC	refers to Good Pharmacovigilance Practices.
HP-APIs	refers to APIs used in very low concentrations (micrograms or nanograms) due to their high level of efficacy that reduces the side effects of the corresponding pharmaceutical specialty.
HSE	represents Health, Safety and Environment.
ICH	designates the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use.
ICH Q7	designates Good Manufacturing Practice (GMP) for the manufacturing of APIs.
IPCEI	refers to Important Projects of Common European Interest.
JMF	refers to the Japanese Drug Master File.
Ligand	in biology, refers to a molecule that binds reversibly to a targeted macromolecule, protein or nucleic acid and generally plays a functional role such as structural stabilization, catalysis, modulation of an enzymatic activity or transmission of a signal.
MA	designates a market authorization.
MHRA	refers to the Medicines and Healthcare Products Regulatory Agency in the United Kingdom.
Microbial fermentation	refers to fermentations resulting from the action of microbial enzymes on an organic substrate.
Micronization	in chemistry, refers to the process of grinding granules into a very fine powder to increase the reactivity of a product.
Mutagen	in biology, refers to an agent that changes the genome of an organism and thus raises the number of genetic mutations above the natural background rate. Mutagens are usually chemical compounds or radiations.
Oligonucleotides	see Peptides.
Organic synthesis	refers to the branch of chemical synthesis concerned with the creation of organic compounds by means of organic reactions. Organic molecules often have a higher degree of complexity than those called inorganic.

Peptides	with oligonucleotides, refer to medium-sized molecules, mostly injectable with a more or less complex structure, whose production cost is high because of the chemical synthesis necessary to obtain them, most often following a solid phase. Peptides and oligonucleotides combine the characteristics of the complex chemical synthesis molecules (including the possibility of crossing cell membranes) and those of biochemistry molecules derived from fermentation (strong selectivity and reduction of side effects).
PMDA	designates the Pharmaceutical and Medical Device Agency in Japan.
REACH	refers to Regulation (EC) 1907/2006 of the European Parliament and Council of 18 December 2006, concerning the Registration, Evaluation and Authorization of Chemicals.
Spray drying	refers to the process of removing moisture from a liquid by passing it through a hot air stream to obtain a powder.
Synthesis intermediates	refers to the chemical raw materials used as building blocks in the API synthesis process
TRRP	refers to the “Technological Risk Prevention Plan”.
VOCs	refers to the volatile organic compounds (VOCs) emitted during the synthesis of APIs.

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