February 9th 2016

FY Results 2015: Transcript of video interview with Olivier Brandicourt, Chief Executive Officer

EuroBusinessMedia (EBM): Can you please summarize for us the highlights of your 4Q15 and FY earnings?

Overall I am satisfied that we have delivered on our previously issued guidance. Genzyme, Vaccines and Animal Health drove our sales growth in 2015.

Genzyme reported sales up almost 30%. For eleven consecutive quarters, they have delivered growth above 20%.

Vaccines sales grew 7.3% to over 4.7bn euros led by influenza, booster vaccines and sales in Emerging Markets.

Emerging Markets sales have boosted our overall performance this year; despite economic slowdown and volatility in some countries, sales in our strongest region, Asia, grew 13.2%. This was particularly helped by double-digit growth in China where we have gained market share. In 2015, China became Sanofi's third largest country by sales with 2.2 billion euros, up 19.5%.

As anticipated, Diabetes sales were down 6.8% by around half a billion euros, in line with the guidance we provided last October.

Business EPS was 5.64 euros per share, up +8.5% at 2015 rates and stable at CER, consistent with our 2015 full-year financial guidance.

In terms of our outlook for 2016, business EPS is expected to be broadly stable versus 2015 at constant exchange rates. This reflects the investments we chose to make in R&D and SG&A to fund our new product launches and growing pipeline. This is also consistent with the targets we previously provided.

You announced last year in November a new strategic roadmap for 2020. Could you give us an update?

Over the last 10 months, we have worked hard to lay the groundwork for our future success.

Firstly, in December, we made progress on our strategic objective of reshaping the portfolio and announced that we are in exclusive negotiations with Boehringer Ingelheim on a business swap. The proposed deal would allow us to become a leader in the growing and yet highly fragmented global CHC market.

We have launched three key products; Toujeo®, Praluent® and Dengvaxia® and the global roll-out of these launches is underway.

Also in 2015, we submitted three new products for regulatory review in the U.S. and they are expected to become the next wave of launches in 2016.

Additionally, we strengthened our pipeline and concluded a number of significant new R&D alliances in diabetes and oncology.
Finally our new organizational model is based around five global business units which came into effect on January 1st. This will simplify the company and be a key enabler of our strategic priorities. It will also achieve savings which we intend to reinvest in the growth of our businesses.

You have established Sanofi Genzyme as your Specialty Care business unit as of January 1st 2016; what is the outlook for Sanofi Genzyme going forward?

Under our new GBU Business structure, Sanofi Genzyme now consists of four key therapeutic areas: MS, Rare Disease, Oncology and Immunology.

Genzyme has had a particularly strong year reaching sales of 3.7billion euros which is up nearly 20%.
A key driver of this growth has been the MS franchise. This has increased very significantly over the last couple of years as it has more than doubled and now exceeds 1 billion euros.

- Aubagio®, now Genzyme's largest product by sales, grew by 78% and became the fastest growing oral MS drug in the U.S.
- Our second brand in MS, Lemtrada®, and it is increasingly contributing to the outstanding performance of the franchise and generated sales of 243 million euros last year. Sales tripled in Western Europe, reflecting the continued launch progress in this region.

In terms of the rare disease business, full-year 2015 sales were 2.6 billion euros, up +11.4%.

Looking forward, we made further progress with our R&D pipeline in rare diseases and I am pleased to highlight that we expect pivotal trials for three important assets, Olipudase, NeoGAA and Fitusiran to start later this year.

Finally in Immunology we have two exciting assets, Sarilumab and Dupilumab, which we expect to become cornerstones of this important new franchise.

Overall, we remain very confident in the growth prospects for Sanofi Genzyme and I would reiterate the forecast we gave to the market last November that this business will grow sales at a double digit CAGR through to 2020.

Sanofi says it intends to be the world leader in Consumer Healthcare. Why do you believe that the business swap you are aiming at with BI is a major step towards that goal?

This transaction with BI is expected to propel Sanofi into a leading position in the CHC market with expected pro forma sales of 5.1 billion euros in 2015.

Furthermore, this transaction would provide us with leading positions in several large CHC categories.

Given the greater estimated Enterprise Value for Merial, BI will also make a gross cash payment of 4.7 billion euros. We expect this transaction will close in Q4 2016.

As I have said on previous occasions, dilution is an issue we would be very sensitive to. Therefore, we intend to use a portion of the net proceeds to repurchase stock. With this in mind, we have bought back a significant number of our shares since this announcement.

Overall, the transaction is anticipated to be business EPS neutral in 2017 and accretive in subsequent years.

You recently launched Toujeo, Praluent and now Dengvaxia. How are these three launches performing?

Good progress is underway executing on these three priority launches.

Firstly, Toujeo is showing early promise in key markets.

- In the US, Toujeo gained rapid commercial and Medicare market access and uptake is trending favorably compared to the relevant diabetes analogues
- Toujeo is now launched globally in 20 countries with strong prescription trends in Germany showing the way for other EU launches

Second, the Praluent launch is proceeding according to plan. Our focus has been on building awareness, gaining US market access, and driving adoption.

- We now have access to Praluent on formularies covering more than 170 million lives in the U.S. of which 72 million are with exclusive formulary status.

Of course, results from the ODYSSEY cardiovascular outcomes study will be important in shaping the future of Praluent. This study is now fully enrolled and we expect the interim efficacy analysis in H2 2016 and final results in the second half of 2017.

Thirdly, Dengvaxia was recently approved in Mexico, the Philippines, Brazil and El Salvador. This is a historic milestone for our company and for half the world's population who live at risk of contracting dengue. Regulatory review processes for Dengvaxia are continuing in 16 other endemic countries.

You are a world leader in diabetes; however, pricing pressures in the US have led to lower sales in 2015. What can you do about this challenge?

The good news in Diabetes is that there is no news. We delivered exactly what we said we would in our revised guidance from last October.

As we had highlighted, sales of Lantus® in the U.S. continued to be impacted by higher discounts as compared to the same period of last year, as well as an unfavorable mix shift to the US government channels.

For Toujeo®, I am pleased to see the encouraging launch uptake which generated near 100m euros of sales in the quarter and more than doubled from Q3. Outside the U.S., Toujeo® is gaining momentum as it is rolled out in over 20 markets globally, including Germany, the U.K., Japan and Canada.

Looking to the future of our franchise, we expect a U.S. regulatory decision on Lixilan which we submitted to the FDA in December using a priority review voucher. In Europe, the submission of Lixilan is planned for this quarter.

We also have a number of new assets we expect to launch in coming years. We have an agreement with Lexicon to in-license sotagliflozin, an oral inhibitor of SGLT2 and SGLT1. It is currently in Phase 3 trials for type 1 diabetes and Phase 2 trials for type 2 diabetes.

We are also excited about our agreement with Hanmi to develop a portfolio of long-acting diabetes treatments, including a long-acting GLP-1; a weekly insulin; and a fixed-dosed weekly insulin/GLP-1 combination.

And finally, we recently appointed a new head of Global Diabetes. He brings a wealth of experience in our industry, specifically in the Diabetes and Cardiovascular- Metabolic space.

What can you tell us about your pipeline, particularly the late-stage segment?

We've got a number of exciting milestones ahead of us in 2016. We expect regulatory decisions for three products including:

- Lixisenatide and LixiLan in diabetes in Q3
- Sarilumab in Rheumatoid Arthritis in Q4: the first product in our immunology franchise
- Dupilumab has the potential to be a truly transformative therapy and first-in-class drug for atopic dermatitis. It has been given Breakthrough designation from the FDA and we have further opportunities in respiratory diseases, especially asthma.

We are very much looking forward to Phase 3 results in atopic dermatitis, a major unmet medical need, which are due in the coming quarter.

Sanofi has a long tradition of increasing its dividend. What are the prospects for shareholders this year, based on your solid financial results in 2015? What about share buyback given current weakness in financial markets?

We have both a solid dividend yield and a strong payout ratio.

I'd like to reiterate our commitment to shareholder returns with a progressively growing dividend. Today, we propose to our shareholders a dividend of two euros and ninety three cents per share for the 2015 fiscal year. This would mark the 22nd consecutive year of dividend increases.

Given recent financial market weakness, we have decided to intensify our buyback activity and so far, we have bought shares for almost 1.3 billion euros in 2016.

Olivier Brandicourt, CEO of Sanofi, thank you very much.

Thank you.