Regeneron Agreement
Financial Terms

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Antibodies Collaboration Agreement with Regeneron

- In November 2007, Sanofi and Regeneron entered into a global collaboration to discover, develop and commercialize fully human monoclonal antibodies.
- The collaboration is governed by a Discovery and Preclinical Development Agreement and a License and Collaboration Agreement (each as amended in November 2009).
- In January 2014, Sanofi and Regeneron agreed to amend and restate the original investor agreement. The Amended Investor Agreement was amended to, among other things, provide Sanofi with the right to nominate a single independent director to the Regeneron Board of Directors upon reaching 20% ownership of Regeneron's outstanding Share Capital and to extend the term of the lock-up obligations.

Discovery and Development Activities with Regeneron

Discovery activities

- Regeneron leads the antibody discovery activities to identify and validate potential drug discovery targets and develop fully human monoclonal antibodies against these targets.
- In return, Sanofi funded $120 million per year for 2007 through 2009 and will fund up to $160 million per year of Regeneron's antibody discovery activities from 2010 through 2017
- Sanofi has an option to extend certain antibody development and preclinical activities for up to an additional three years after 2017.

Development activities

- For each drug candidate identified through discovery research under the discovery agreement which advances to an IND filing, Sanofi has the option to license rights to the candidate under the license agreement. If Sanofi elects to do so, Sanofi co-develops the drug candidate with Regeneron through product approval.
- Development costs for the drug candidate are generally funded up front by Sanofi, except that following receipt of the first positive Phase III trial results for a co-developed drug candidate, subsequent Phase III trial-related costs for that drug candidate are funded 80% by Sanofi and 20% by Regeneron.
- Regeneron is responsible for reimbursing Sanofi for half of the total development costs for all collaboration antibody products from their share of profits from commercialization of collaboration products; limited to 10% of their share of profits from commercialization of collaboration products in any calendar quarter.

Accounting treatment in Sanofi's income statements

- The discovery fees as well as the total development costs for all collaboration antibody products are booked under the "Research and development expenses" P&L line.
- The reimbursement to be received from Regeneron for half of the total development costs for all collaboration antibody products will be booked under the "Research and development expenses" P&L line.

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Commercial Activities with Regeneron

Commercial activities

- Sanofi leads commercialization activities for products developed under the license agreement, subject to Regeneron's right to copromote such products.
- In the event that Regeneron desires to copromote in a particular country, Regeneron's copromotion effort shall be between 25% and 50% of the anticipated total effort.
- Sanofi and Regeneron share profits and losses from sales.
  - Within the United States, Sanofi and Regeneron share equally profits and losses.
  - Outside the United States, Sanofi and Regeneron share profits on a sliding scale based on sales starting at 65% (Sanofi) / 35% (Regeneron) and ending at 55% (Sanofi) / 45% (Regeneron), and share losses at 55% (Sanofi) / 45% (Regeneron).
- In addition to profit sharing, Sanofi is required to pay to Regeneron up to $250 million in sales milestone payments, with milestone payments commencing after aggregate annual sales outside the United States exceed $1.0 billion on a rolling 12-month basis.
- If Sanofi does not exercise its licensing option for an antibody under development, Sanofi would be entitled to receive a royalty once the antibody begins to be marketed.

Accounting treatment in Sanofi's income statements

- The sales will be booked by Sanofi solely and the commercial costs incurred by Sanofi are booked under the "Selling and general expenses" P&L line.
- Regeneron share of net profit or loss is recognized under the "Other operating income and expenses" P&L line.

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Record of Sanofi Holding in Regeneron

- Pursuant to the Amended and Restated Investor Agreement, Sanofi has purchased additional shares of Common Stock to increase its beneficial ownership to approximately 22% of the Common Stock outstanding.

Accounting treatment in Sanofi's income statements

- Sanofi has recorded under the "Share of profits from associates" P&L line its holding in Regeneron (approximately 22%) accounted for using the equity method since beginning of April as follows
  - Segment operating result (BOI) includes the share of Regeneron net profit (IFRS restated) before
    - acquisition-related effects (workdown of acquired inventories and intangible assets remeasured at fair value at the acquisition date) and dilution impact due to stock option exercises
  - Net income additionally includes:
    - Workdown inventory step-up, after tax
    - Amortization intangible step-up, after tax
    - Dilution impact due to stock option exercises

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