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Q3 Results 2015: Transcript of video interview with Jérôme Contamine, Chief Financial Officer

EuroBusiness Media (EBM): Sanofi, a global and diversified healthcare leader, reports results for the third quarter of 2015. Jérôme Contamine, welcome.

Jérôme Contamine: Hello.

EBM: You are the CFO of Sanofi. What are your comments on Q3 2015 financial performance?

Jérôme Contamine: The Group reported a steady financial performance this quarter, showing growth on both the top and bottom line driven by strong performance of Genzyme, Vaccines and Emerging Markets. At the same time, as we highlighted in Q2, we are also investing behind our new product launches and pipeline.

Our Group sales increased 3.4% at CER (up 9.2% on a reported basis) to €9.591b, while operating expenses increased 7.5% at CER to €3.8b given higher investments in new products. We are encouraged by the growing adoption of new products, such as Aubagio[®], Lemtrada[®], Toujeo[®] and NexGard[®], and the recent launch of Praluent[®].

Our Business EPS in the third quarter increased 6.1% at CER to €1.61 per share and grew 9.5% on a reported basis.

EBM: Why have you revised expectations for your Diabetes franchise in 2015 and for 2015 to 2018?

Jérôme Contamine: Actually, in the third quarter, sales of the Diabetes division decreased 6.6% to €1.8b. This is mainly reflecting lower sales of Lantus[®] in the U.S. In light of these recent sales trends for the Diabetes business and ongoing market dynamics, we now expect our global diabetes sales to be down between 6% to 7% at CER for 2015.

Given the change in the U.S. market dynamics, and as part of the strategic business review we've just undertaken, we've also taken a fresh look at the mid-term prospects for the Diabetes franchise. Accounting for recent market trends, we now project global Diabetes sales over the period of 2015-2018 to decline at an average annualized rate of between 4% and 8% at CER.

Approximately half of this revision is attributable to insulin glargine, and the other half is related to reduced expectations for Afrezza[®], Lyxumia[®] and a de-prioritisation of our Blood Glucose Monitoring systems.



As we said in the press release, we intend to mitigate the impact of these revised sales expectations on our business operating income by 2018, and we'll provide a mid-term strategic and financial outlook for the Group on November 6.

EBM: Do you maintain your full-year 2015 Business EPS guidance?

Jérôme Contamine: Yes, I confirm that we expect 2015 Business EPS to be stable to slightly growing versus 2014 at constant average exchange rates, barring unforeseen major adverse events.

In addition, the positive currency impact on 2015 full-year business EPS is estimated to be between 6% and 8%, under the assumption that exchange rates remain stable in the fourth quarter at the average rates of September 2015.

EBM: And what are your comments on the performance at Genzyme this quarter?

Jérôme Contamine: I'm very pleased to report that Genzyme, again, recorded another quarter with double-digit sales growth, sales being up 32.7% to €923m.

The Multiple Sclerosis franchise continues to more than double sales on an annual basis at CER (€293m.) Aubagio® is now Genzyme's largest product by sales, and the launch of Lemtrada® is progressing well.

Sales of Rare Diseases delivered once again double-digit growth in the quarter, up 13% to €630m. This performance was mainly driven by continued new patient accruals across the three major disease areas: Gaucher, Fabry and Pompe.

EBM: Are you pleased with your Vaccines sales this quarter?

Jérôme Contamine: First, our Vaccines business showed good sales growth of 5.5% at CER in the third quarter. Major contributors to total sales of €1.7b in the period were the U.S. flu vaccines, up 8.3%; the PPH family of vaccines, up 17.8%, driven primarily by strong sales in China; and Menactra®, up 17.8% as well, resulting from strong U.S. public sector purchasing.

The overall performance of the Flu franchise was stable, as we had delayed supply in Western Europe and Mexico. Importantly, we continue to be on track to deliver more than 65 million doses of flu vaccine in the important U.S. market in the 2015 season, and the Q3/Q4 split will be closer to a 60/40 breakdown this year versus around 70/30 breakdown last year.

EBM: Is Merial able to sustain such a strong performance?

Jérôme Contamine: Merial has reported its sixth consecutive quarter of strong performance. Sales exceeded €600m in the period, an increase of 9.3% at CER. This is principally driven by the Companion Animals segment, and notably the performance of NexGard® in the US, which is supported by a successful advertising campaign.

The Production Animals segment is also up 2.5% at CER to €200m, driven by the avian business in Emerging Markets.



Importantly, the Business operating margin of Merial continues to be very solid, at 28.5%, for the first nine months of the year.

EBM: Praluent® was just recently approved. What are your comments on its ramp up?

Jérôme Contamine: As you know, Praluent® received U.S. approval in late July and EU approval in late September. The product was launched in the U.S. within days and is gaining market access and developing awareness in the broader medical community. It will become available in some major European countries by year end.

Our comprehensive patient and prescriber support hub, called “MyPraluent”, has already served as an effective platform for over 4,000 prescribers. We recently secured branded preferred Tier 2 commercial formulary position with Express Scripts. In addition to gaining greater U.S. market access, near-term expansion opportunities are focused on driving product awareness and adoption. We are also pleased to report that launches in the first European countries are underway.

So overall, launch progress is consistent with our expectations of a gradual uptake in the market.

EBM: And lastly, is Sanofi impacted by the economic slowdown in emerging markets?

Jérôme Contamine: As a matter of fact, despite the wider macroeconomic challenges these countries face, Sanofi reported sales growth of 11.4% in Emerging Markets this quarter. Vaccines sales in the region were up 22% to €358m, driven by our Polio/Pertussis/Hib vaccines. Diabetes also performed well, up 15% to more than €370m. Genzyme sales were up 27%, driven by strong Fabrazyme® and Cerezyme® sales growth of 30.8% and 20% respectively.

EBM: Jérôme Contamine, thank you for your time. We look forward to hearing more at your “Meet Sanofi Management” day on Friday November 6.

Jérôme Contamine: Thank you.