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Q2 Results 2016: Transcript of video interview with Olivier Brandicourt, Chief Executive Officer

EuroBusiness Media (EBM): Sanofi, a global and diversified healthcare leader reports results for the second quarter of 2016. Olivier Brandicourt, welcome.

Olivier Brandicourt: Hello.

EuroBusiness Media (EBM): You are the CEO of Sanofi. What are the highlights of the second quarter?

Olivier Brandicourt: Q2 is in line with expectations and reflects some of the headwinds we anticipated from Venezuela and Plavix® in Japan. Sales were €8.9b, down slightly versus last year, but up around 2% excluding Venezuela. Business EPS declined by around 2% to €1.31. Importantly, this is the last quarter we will be seeing the negative impact from the Venezuela currency situation and the Plavix® loss of exclusivity impact will be diminished in the second half of this year.

Sanofi Genzyme remained our fastest growing business with sales up around 20% driven by our Multiple Sclerosis and Rare Diseases franchises. In addition, we made further solid progress with the launches of Toujeo® and Praluent®. Specifically, Praluent® gained market share in the U.S. and was recently approved in Japan. Toujeo® is performing well in a competitive market and now captures over 6% in volume of the basal insulin market in the U.S.

I also remain focused on implementing our 2020 Strategic Roadmap. We have made strong progress on our objective of reshaping the portfolio. We signed the CHC asset swap with Boehringer Ingelheim in June, and expect to close by the end of the year. We also advanced our innovative pipeline. Adlyxin™, our GLP-1 receptor agonist, was approved by the FDA this week. In May, LixiLan received a positive vote from the FDA Advisory Committee and we anticipate approval in August.

EBM: And what was the performance of the Diabetes franchise in Q2?

Olivier Brandicourt: Our Global diabetes franchise was down around 3% in the quarter, helped by the moderating decline in the U.S. and the strong performance of Toujeo®. In Europe, our Diabetes sales were stable and we continued to grow nicely in Emerging Markets. Overall, our Diabetes performance was consistent with our guidance of -4% to -8% decline at a compounded annual rate for the period 2015 to 2018.

EBM: You mentioned that the launch of your cholesterol drug Praluent® is progressing globally. Do you continue to expect a gradual launch trajectory?

Olivier Brandicourt: Yes, we continue to believe that the PCSK9 class meets a high medical need and has a tremendous commercial potential globally. I am particularly reassured by the latest U.S. prescription trends with Praluent® capturing half of the PCSK9 market. We have made progress with market access. Utilization management criteria in the U.S. have improved somewhat, although current payer restrictions will continue to limit uptake this year.

Outside the U.S., reimbursement decisions were made in several European countries, and approval was obtained in Japan in July. Our commitment behind Praluent® remains high. We strongly believe that positive data from the ODYSSEY OUTCOMES study will significantly benefit our discussions with payers and ultimately increase adoption of the PCSK9 class.

EBM: Can you discuss the vaccines sales performance? It sounds like Dengvaxia® has had a more challenging start than expected. What are your current thoughts about the delays in endemic countries and what actions can you take to address the situation?

Olivier Brandicourt: Sanofi Pasteur sales increased around 6%, driven by our PPH franchise. This solid performance was achieved despite the anticipated supply constraints of Pentacel® in the U.S. and the challenging start for Dengvaxia®.

On Dengvaxia®, we continue to work closely with local health authorities in various endemic countries to bring this very important vaccine to people. In Brazil, the State of Parana has announced the first public vaccination program in the Americas. In Costa Rica, Dengvaxia® was approved in June, which is its fifth approval to date.

Despite these encouraging developments, the overall uptake of Dengvaxia® is delayed by recent political changes and economic volatility in Latin America. So far, only a few immunization programs in endemic countries have been confirmed and most regulatory approvals in Asia are still pending. We therefore expect that Dengvaxia® will likely not meet our prior sales expectations for 2016.

EBM: What progress have you made with your strategic objective of reshaping the portfolio with the signing of your proposed CHC asset swap with Boehringer Ingelheim? Can you comment on the performance of your Consumer Healthcare business in the quarter?

Olivier Brandicourt: Sure, we expect the Boehringer Ingelheim deal will lift us into a global leadership position in the large and growing Consumer Healthcare market. Once closed, the deal will enable us to optimize our CHC business because of the compelling fit between the two product portfolios in large CHC categories. BI's iconic brands will also provide a broader CHC footprint in key geographies.

We also expect a number of financial benefits from the transaction. Based on recent public statements by our global peers, we believe Sanofi's CHC business has an industry-leading business operating income margin contribution of 30%. BI's CHC business is less profitable than Sanofi's but, going forward we anticipate the combined entity will achieve a similar margin contribution of around 30%.

Now, when we look back at the performance in Q2, our CHC business had a mixed quarter. On the one hand the franchise grew around 5% in Developed Markets. This was helped by a strong cough and cold performance in Europe and a successful DTC campaign for Doliprane® in France. On the other hand, Emerging Markets sales were down 13%, as a result of Venezuela and a challenging

economic environment in Russia. So, overall, the business grew around 3%, if we strip out the impact of Venezuela and minor divestments.

EBM: What's your update on the pipeline and upcoming approvals?

Olivier Brandicourt: Once again, we made progress with our pipeline in diabetes. Adlyxin™, our GLP-1 receptor agonist, was approved in the U.S. this week. In May, LixiLan also received a positive vote from the FDA AdCom, and we are optimistic it will be granted approval in August.

We also made good progress with our immunology pipeline. We submitted sarilumab in Europe earlier this month and the FDA accepted our filing in rheumatoid arthritis with a PDUFA date of late October. We expect the U.S. filing of dupilumab in atopic dermatitis in Q3. Our positive Phase III CHRONOS study showed sustained efficacy over 52 weeks, with significant improvements.

EBM: And finally, what is your guidance and outlook for the rest of the year?

Olivier Brandicourt: So, based on our first half performance, we reiterate our outlook for 2016 with Business EPS expected to be broadly stable versus 2015. We continue to work towards delivering our strategic priorities set out in our 2020 Roadmap. We are reshaping the business, rolling out new products and advancing our innovative pipeline for future growth.

EBM: Olivier Brandicourt, CEO of Sanofi, thank you.

Olivier Brandicourt: Thank you.