



Phoenix project

Investment Committee

May 6th, 2014

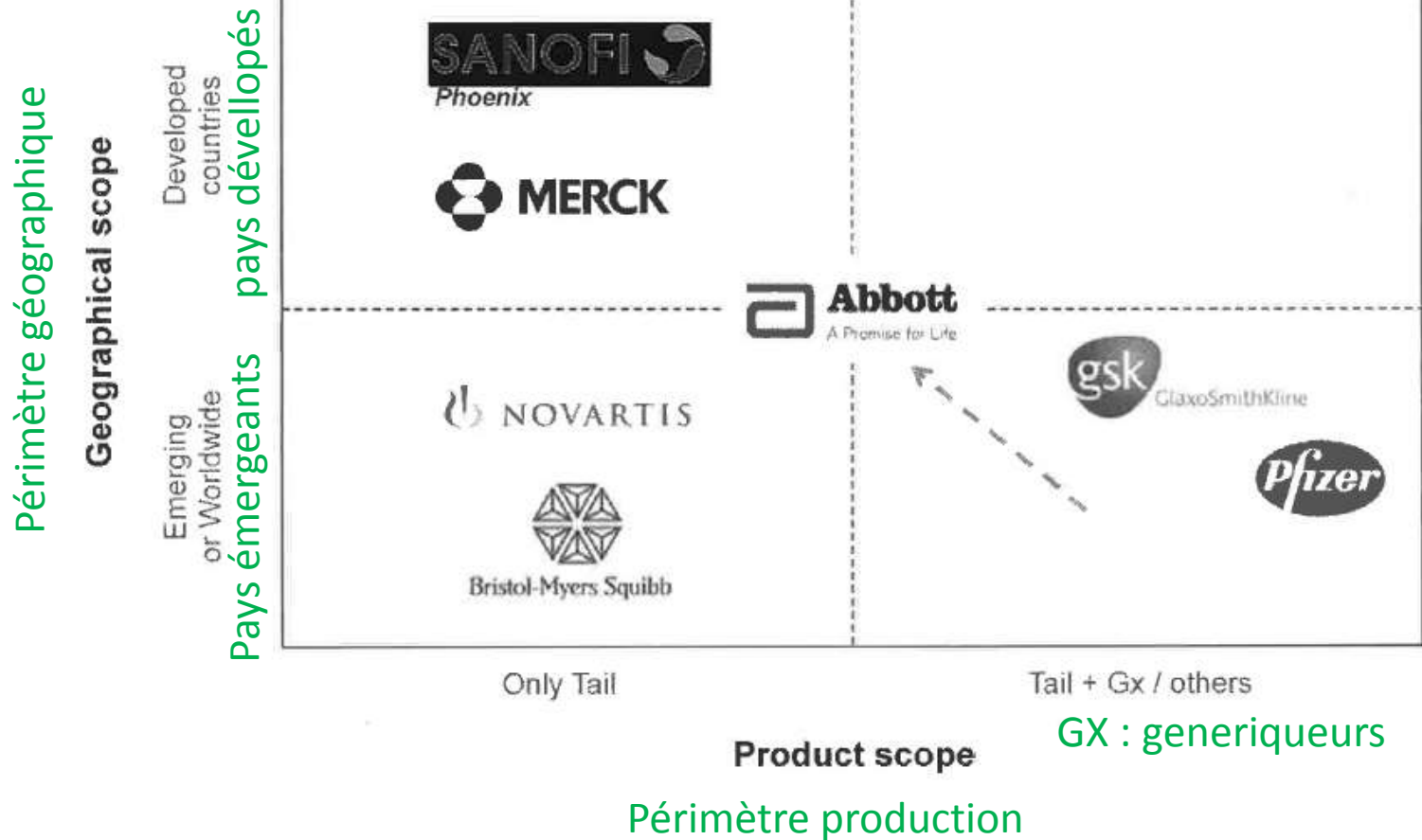
Key questions addressed

- **Feasible to carve-out Tail in Europe?** Faisabilité de cession en Europe?
 - HR, Regulatory, IA, Alliance, etc •Ressources humaines, affaires industrielles, alliances, etc.
- **Complexity?** Complexité
 - One-time-costs? Timeline? •Cout initial? chronologie?
- **Financial implications?** Implications financières
 - Dis-synergies? •Dis-synergies
 - Value creation potential? •Potentielle création de valeur
 - Tax implications? •Incidences fiscales
 - Impact Sanofi Group ratios? •Impact sur les ratio de Sanofi
- **Potential partners/buyers interested?** Partenaires potentiels/acheteurs intéressés
 - **Adjust scope to make Phoenix more attractive?** Adapter l'environnement pour rendre phoenix plus attractif
- **How to move forward?** Comment faire?
 - **Concrete first steps for implementation?** 1ères étapes pour concrétiser la mise en place

- 1 Minimize / deconsolidate risk on topline (e.g, price cuts)**
Minimiser/ déconsolider les risques (ex : baisse des prix)
- 2 Reduce manufacturing footprint Europe**
Réduire l’empreinte production en Europe
- 3 Reduce FF overcapacity, especially FR & IT**
Réduire les surcapacités spécialement en France et en Italie
- 4 Free-up cash?**
Libérer du cash
- 5 Send a message to investors?**
Quel message vers les investisseurs?

Pas de stratégie cohérentes sur les « produits matures » entre concurrents

No consistent 'mature' strategies among competitors



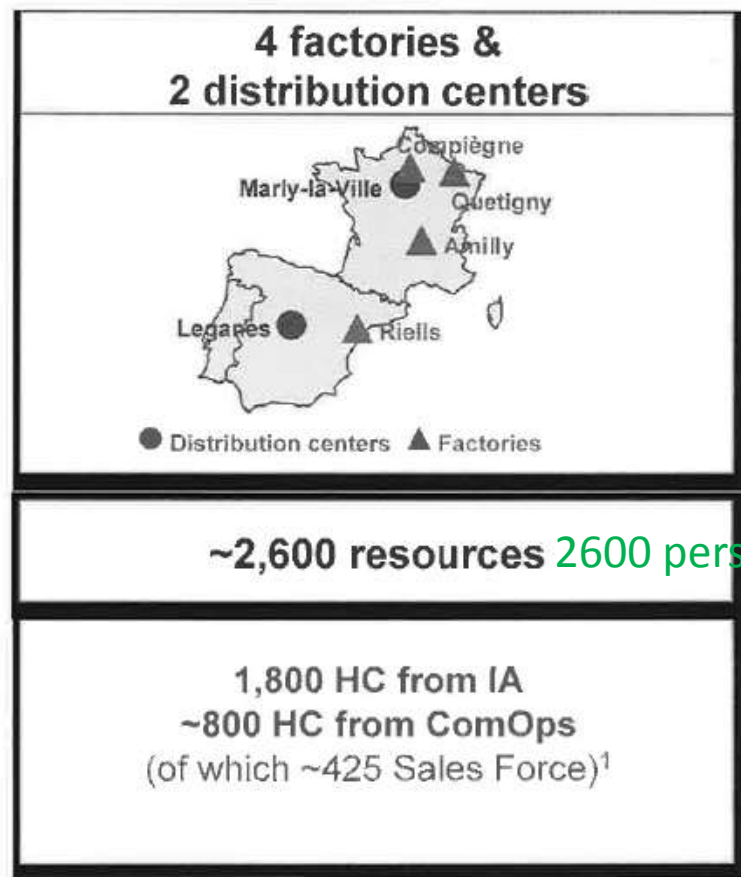
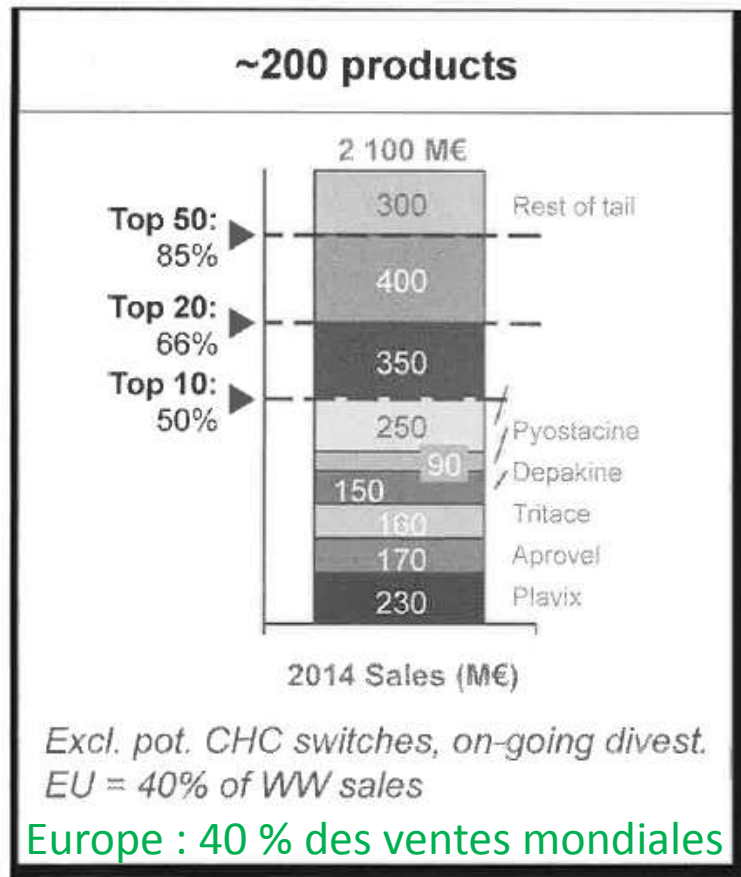
Note: Novartis, Pfizer & GSK: dedicated managerial BUs ; BMS: targeted divestments; MSD: local JVs in Emerging Markets ; Abbott: spin-off Abbott/AbbVie



Périmètre phoenix : ~ 200 produits, 2.1 milliards € en europe / ventes 2014

Phoenix scope: ~200 products, 2.1 B€ EU sales 2014

4 usines / 2 centres de distribution

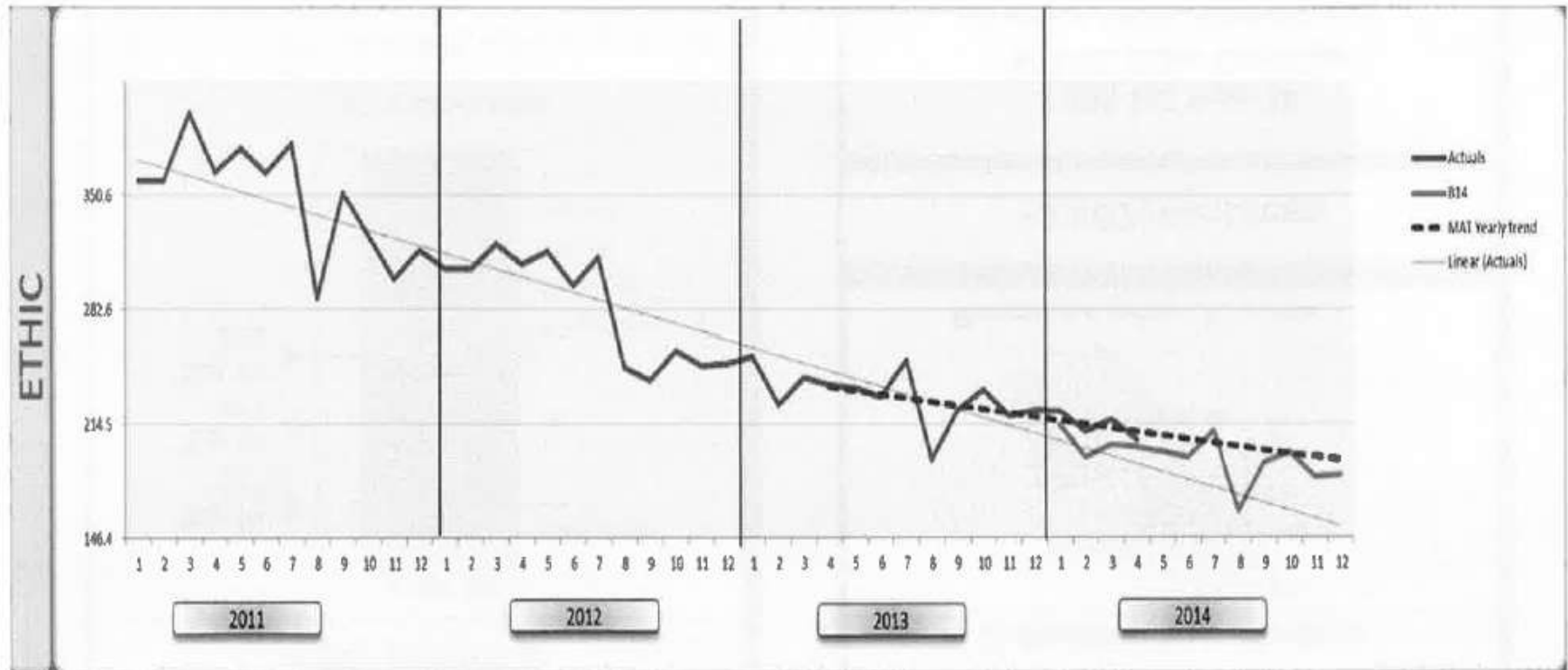


1800 « homme-cout » aux affaires industrielles dont ~ 800 com opérations et ~ 425 visiteurs médicaux

1. Extrapolation to entire Europe based on France, Italy and Germany resources

Impact principal identifié de la générification

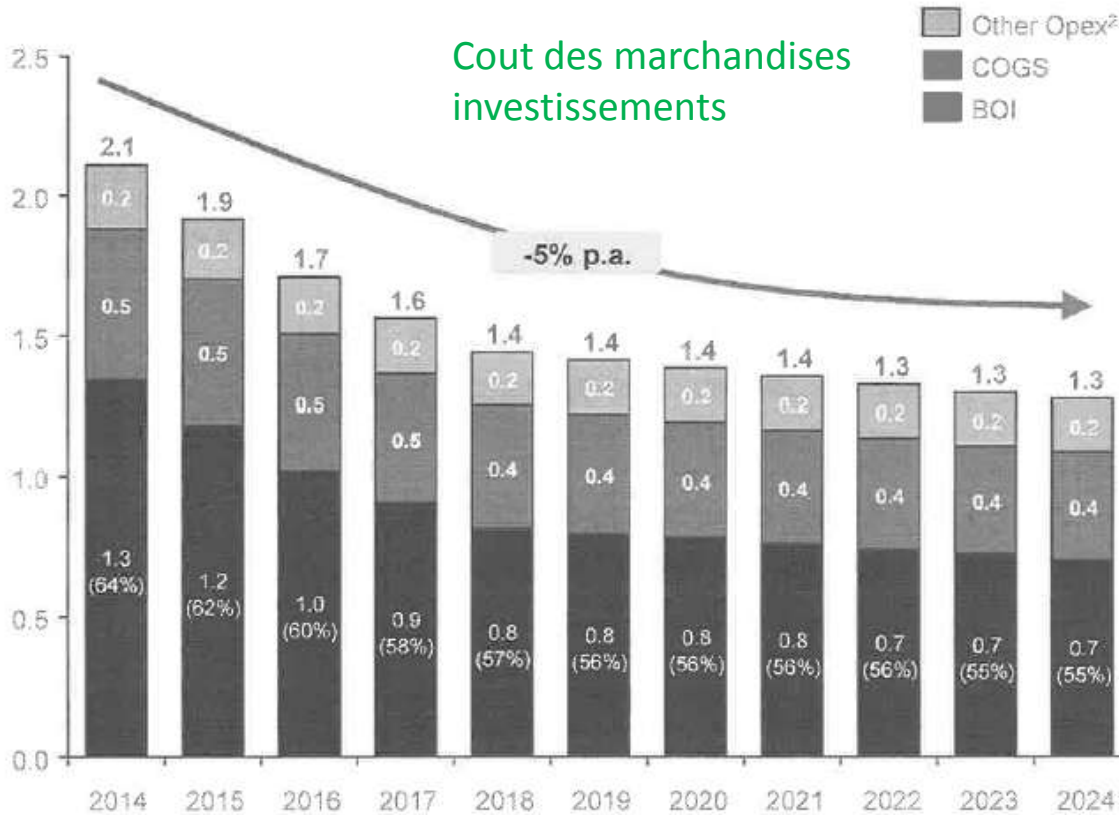
Main impact of generification already materialized



Valeur autonome : 6.3 milliards d'€

Standalone value = ~6.3 B€

Phoenix Sales (B€)



Financial horizon
(2015 – 2024)

4.3 B€

+
Terminal
value

2.0 B€

growth rate: -5%

=
Enterprise
value

~6.3 B€

Source: Analyses run on HFM actual, budget and LRP data



Faisabilité cession en « carve-out confirmée (voir définition sur internet) , potentiel risque financier

Feasibility carve-out confirmed, potential price risk

| | |
|---------------------------------------|--|
| ✓ réglementation Regulatory | <ul style="list-style-type: none">• Solutions identifiées à l'extérieur de l'Europe AMM• Solutions identified for outside Europe MAH• No regulatory consequences on Auto-Gx Pas de conséquences réglementaires avec les auto-generiqueurs• Regulatory changes complex & failures impact sales (e.g. tenders) Modification réglementaires complexes + impact sur les ventes (ex : offres) |
| ? Impact financier Price impact | <ul style="list-style-type: none">• Significant price risk concern ITC, Asia, Latam, triggered by site changes Risque financier important dû au changement de site• Limited concrete cases from past experience Par Experience : Cas concrets limités• Impact up to: Asia 410 M€/yr & ITC Plavix alone 65 M€? Impact supérieur à 410 millions d'€/an en asie dont 65 avec plavix seul |
| ✓ Alliances | <ul style="list-style-type: none">• 2 products to exclude: Tavanic & Actonel 2 produits exclus• BMS & Abbott agreements to be renegotiated Accords à renégocier |
| ✓ Auditability | <ul style="list-style-type: none">• Ernst & young capable de vérifier les états financiers (ernst et young cabinets d'audit financier)• EY able to draw 3 yrs audited carve-out statements (for US partners)• Cost: 10M€, 12mths, significant workload for finance Cout : 10 millions d'€, 12 mois, charge de travail important pour la finance |
| ✓ Ressources HR humaines | <ul style="list-style-type: none">• Limited costs / time if internal commercial BU Cout limité si business unit interne• Social plans, ~80 M€ costs¹ (anticipated low acceptance rate), and 1 to 2 years in any other move• Plans sociaux : cout ~ 80 millions d'€ (niveau d'acceptation anticipé à BAS) |

1. Post tax figure

Temps et ressources pour la mise en oeuvre

Time & resources for implementation

Post tax figures

1 year

Timeline/costs
Excl. disruption costs

Business unit
sans
entité légale

BU
(w/o legal entity)

HR: Info consult

6 to 8 mths,
limited costs

Info consult partenaire sociaux : **6-8 months**
cout limité

Limited costs

Cession
Avec
Entité
légale

Carve-out
(w/ legal entity)

HR: Social plan EU **Plan social Europe**

1 to 2 yrs,
~80 M€

Reg.: MAH transfer

3 to 9 mths,
~5 M€

Transfert AMM : autorisation mise sur le marché

1-2 years

~95 M€

Legal fees

~10 M€

Frais juridiques

Externe
Join venture
cession

**External
carve-out**
(JV /
divestment)

HR: Social plan EU **Plan social Europe**

1 to 2 yrs,
~80 M€

Auditability: 1-3 years figures

~1 yr,
~7 M€

Audit (ernst & young)

1-2 years

Reg.: MAH transfer, site
changes

~3 to 9 mths,
~30 M€

Transfert AMM, changement de site

~190 M€

Legal fees

~20 M€

Frais juridiques

IA: Cross-supply &
transfer products

Done after deal closure,
~50 M€

Affaires industrielles : transfert de technologie
et de production

Alliances: nego. BMS &
Abbott

Negotiation timeline tbd,
Costs tbd

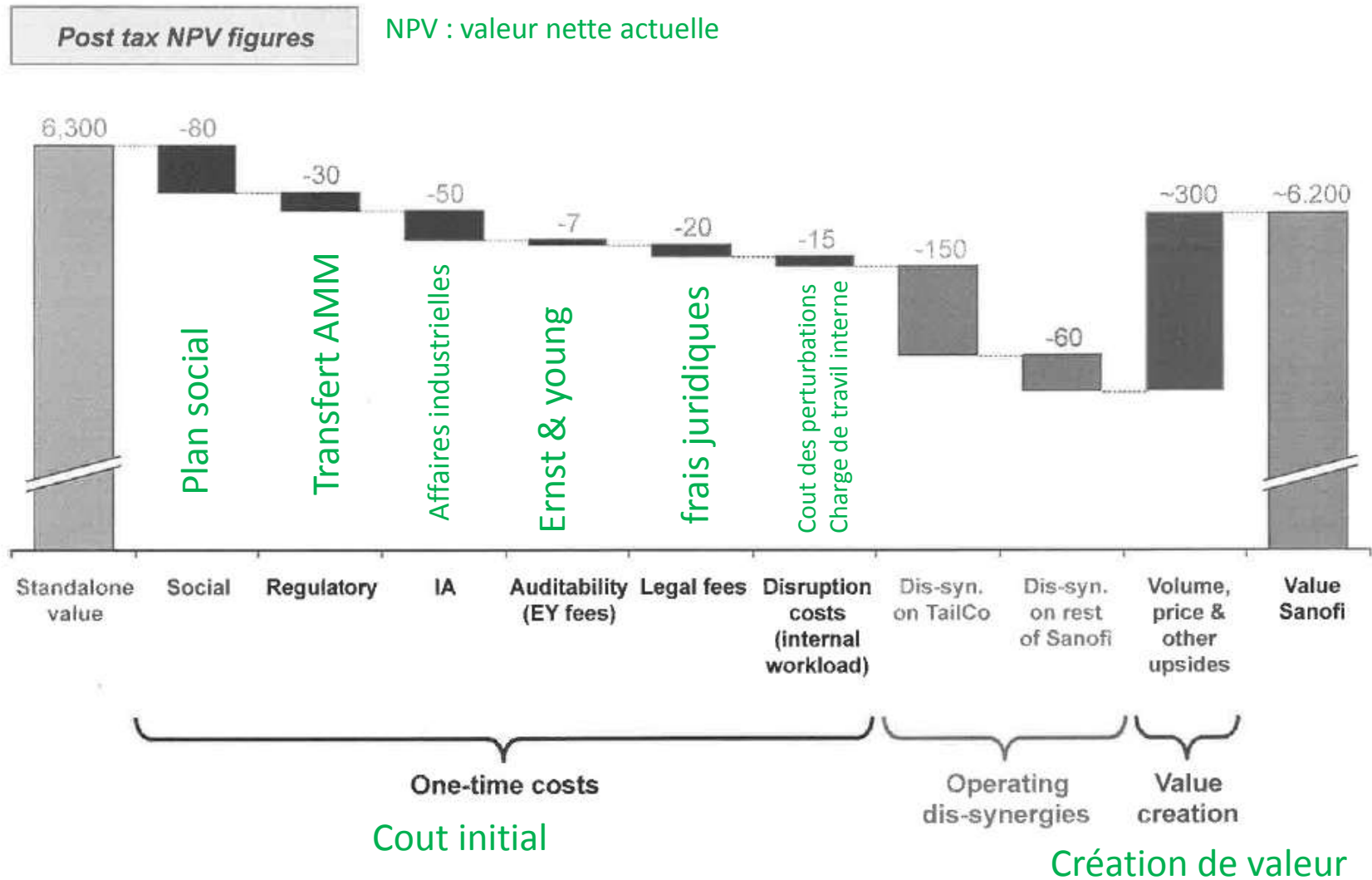
Négociation avec BMS, Abbott

Note: post tax NPV



La Création de valeur compense la plupart des dis-synergies et couts

Value creation offset most dis-synergies & one-time costs



Imposition : gain en capital, quelques leviers d'atténuation

Capital gain taxation, some mitigation levers

[(Market value ~6.3 B€) – (Book value ~0)] * (Tax rate of IP locations ~35%)
→ **Capital gain taxation = ~2 B€**

Cession : leviers d'atténuation

Divestment: mitigation levers

NOL : Net operating Loss : perte

- **French NOLs avoid ~0.7 B€ tax cash**
 - Book impact maintained
- **Sell / share with buyers transferred tax shield (increased depreciation for buyers)**
 - Part of negotiation

Vente : parts avec acheteurs – bouclier fiscal

Join venture : report d'imposition en France

JV: Defer taxation in France

- **Defer ~1.1 B€ taxation in France using IP contribution vs. shares**
 - Under French deferral regime
 - Taxation deferral will cease upon divestment to a third party

Report de ~ 1.1 milliard d'€ d'impôt en France

- **Sous le régime français**
- **Le report stoppe avec la cession à un tiers**

Cession : impact négatif

ROA : retour des actifs BOI : résultat brut d'exploitation EPS : bénéfice par Action

Divestment: negative impact on ROA, BOI/Sales & EPS

Negative impact on ROA

| | 2015 | 2016 | 2017 | 2018 |
|-----------------------------|---------------|---------------|---------------|--------------|
| GROUP (base case) | | | | |
| BOI after tax | 7.5 | 8.0 | 9.1 | 9.7 |
| Capital Employed | 68.4 | 70.2 | 72.4 | 73.7 |
| Average Cap. Emp. | 67.5 | 69.3 | 71.3 | 73.0 |
| Annual ROA | 11.1% | 11.6% | 12.8% | 13.2% |
| PHOENIX | | | | |
| BOI after tax | -0.8 | -0.7 | -0.6 | -0.5 |
| Capital Employed | -4.1 | -4.1 | -4.1 | -4.1 |
| Average Cap. Emp. | -2.0 | -4.1 | -4.1 | -4.1 |
| Annual ROA | | 15.9% | 14.3% | 12.7% |
| GROUP + PHOENIX M€ | | | | |
| BOI after tax | 6.7 | 7.4 | 8.5 | 9.1 |
| Capital Employed | 64.3 | 66.1 | 68.3 | 69.6 |
| Average Cap. Emp. | 65.4 | 65.2 | 67.2 | 68.9 |
| Annual ROA | 10.2% | 11.3% | 12.7% | 13.3% |
| Impact on annual ROA | -0.8pt | -0.3pt | -0.1pt | 0.0pt |

Negative impact on BOI/Sales and EPS

| | 2015 | 2016 | 2017 | 2018 |
|---------------------------|---------------|---------------|---------------|---------------|
| GROUP M€ | | | | |
| SALES | 36 731 | 38 831 | 41 936 | 44 831 |
| BOI | 10 778 | 11 714 | 13 242 | 14 098 |
| in % of sales | 29.3% | 30.2% | 31.6% | 31.4% |
| EPS | 5.62 | 6.12 | 7.02 | 7.55 |
| PHOENIX M€ | | | | |
| SALES | -1 900 | -1 700 | -1 800 | -1 400 |
| BOI | -1 200 | -1 000 | -900 | -800 |
| in % of sales | 63% | 59% | 56% | 57% |
| EPS | -0.55 | -0.45 | -0.40 | -0.35 |
| GROUP + PHOENIX M€ | | | | |
| SALES | 34 831 | 37 131 | 40 336 | 43 431 |
| BOI | 9 578 | 10 714 | 12 342 | 13 298 |
| in % of sales | 27.5% | 28.9% | 30.6% | 30.6% |
| BOI dilution | -1.8pt | -1.3pt | -1.0pt | -0.8pt |
| EPS | 5.08 | 5.67 | 6.62 | 7.20 |
| EPS dilution | -9.7% | -7.3% | -5.7% | -4.6% |

6.9%
CAGR

7.6%
CAGR

CAGR : taux de croissance composé

Join venture

JV: negative for ROA, neutral on EPS, positive on BOI/sales

Negative impact on ROA

| | 2015 | 2016 | 2017 | 2018 |
|--------------------------|--------------|--------------|--------------|--------------|
| GROUP (base case) | | | | |
| BOI after tax | 7.5 | 8.0 | 9.1 | 9.7 |
| Capital Employed | 68.4 | 70.2 | 72.4 | 73.7 |
| Average Cap. Emp. | 67.5 | 69.3 | 71.3 | 73.0 |
| Annual ROA | 11.1% | 11.6% | 12.8% | 13.2% |

| | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|-------------|-------------|-------------|
| PHOENIX | | | | |
| BOI after tax | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital Employed | 1.9 | 1.9 | 1.9 | 1.9 |
| Average Cap. Emp. | 1.0 | 1.9 | 1.9 | 1.9 |
| Annual ROA | | 0.0% | 0.0% | 0.0% |

| | 2015 | 2016 | 2017 | 2018 |
|-----------------------------|---------------|---------------|---------------|---------------|
| GROUP + PHOENIX M€ | | | | |
| BOI after tax | 7.5 | 8.0 | 9.1 | 9.7 |
| Capital Employed | 70.3 | 72.1 | 74.3 | 75.6 |
| Average Cap. Emp. | 68.4 | 71.2 | 73.2 | 74.9 |
| Annual ROA | 10.9% | 11.3% | 12.4% | 12.9% |
| Impact on annual ROA | -0.2pt | -0.3pt | -0.3pt | -0.3pt |

Neutral impact on EPS, but positive on BOI/Sales

| | 2015 | 2016 | 2017 | 2018 |
|----------------------|--------------|--------------|--------------|--------------|
| GROUP M€ | | | | |
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6.9%
CAGR

| | 2015 | 2016 | 2017 | 2018 |
|----------------------|------------|------------|------------|------------|
| PHOENIX M€ | | | | |
| SALES | -1 900 | -1 700 | -1 600 | -1 400 |
| BOI | -1 200 | -1 000 | -900 | -800 |
| in % of sales | 63% | 59% | 56% | 57% |
| Dividend (post tax) | 780 | 650 | 585 | 520 |

| | 2015 | 2016 | 2017 | 2018 |
|---------------------------|--------------|--------------|--------------|--------------|
| GROUP + PHOENIX M€ | | | | |
| SALES | 34 831 | 37 131 | 40 336 | 43 431 |
| BOI | 10 358 | 11 364 | 12 927 | 13 818 |
| in % of sales | 29.7% | 30.6% | 32.0% | 31.8% |
| BOI accretion | 0.4pt | 0.4pt | 0.5pt | 0.4pt |
| EPS | 5.62 | 6.12 | 7.02 | 7.55 |
| EPS dilution | 0.0% | 0.0% | 0.0% | 0.0% |

7.6%
CAGR

Discussions avec 3 types de partenaires

Discussions with three types of partners

generiqueurs

| | Ethical PharmaCos | 'Pure' Gx players | PE funds |
|----------|--|--|--|
| en cours | Abbott A Promise for Life On hold / announced EU focus | Mylan Tax inversion | TPG WARBURG PINCUS Interest expressed |
| | Pfizer Value (& sites) Otsuka Not interested | TEVA Pharmaceutical Works Want global & no sites | |
| Décliné | | | |

En attendant discussions avec astra zeneca ; GSK

Pending discussions: AZ, GSK
Could modification trigger interest – no/less sites and no/less FF?

Modification possible de l'intêret : peu ou pas de sites et ??

Possibilité d'aller de l'avant

Options going forward

Poursuite négociations
Pursue negotiations
with current scope
Périmètre actuel

Continuer discussions

Continue discussions with Warburg Pincus and TPG

Revive discussions with Abbott and Mylan

- Likely: Mylan 3 year backward auditable figures; Abbott 1 year
- Abbott: now focus on EU

Initiate discussion with non-ethical pharma players

- Eg Indian Gx player

Initiate discussions with GSK and AZ

- Recently announced interest to divest mature portfolios

Intérêt récemment annoncé pour céder son portfolio de produits matures

Poursuite négociations
Pursue negotiations
with adapted scope
périmètre adapté

Flexibility on inclusion of IA sites

- Validate interest from broader set of pharma partners, incl. TEVA, PFE

Include other businesses into scope, eg, Gx

Inclure d'autre business dans périmètre ex generiqueurs

Different JV split

- Eg. 40/40/20 with other pharma and financial partner

Faire join venture avec d'autres pharma et partenaires financier

CMO : Contract manufacturing Organisation : prestation de service pour synthèses

Poursuite mouvement en //
Pursue 'no regrets' moves in parallel

Prepare Phoenix carve-out

- Create internal commercial BU (w/o legal entity) to prepare future moves

Créer Bu interne pour préparer futurs mouvements

Pursue alternatives to reduce IA footprint

- Divest Kardegic w/ Amilly
- Sell 1 plant p.a. to CMO

Céder kardegic avec amilly / vendre 1 site

Divest small / medium product packages to generate cash

- 50-100M€ / yr
- Céder petit/moyen produit pour gérer du cash

Pursue co-promotion deals to mitigate HC overcapacity

- SPMSD & Nutricia in FR, Pulmojet & SGLT2 in DE, Solidarity & Social plans in IT

Décisions clés à prendre aujourd'hui

Key decisions to be taken today



Pursue Phoenix discussions with partners – modified scope?

Poursuivre des discussions avec les partenaires- modifier le périmètre?



Agree on way forward

Accord pour aller de l'avant



Establish an internal BU to prepare carve-out?

Etablir une BU interne pour préparer cession?



Complete small divestments? (size?)

Finir les petites cessions? (taille?)



Manage IA footprint (Kardegic & Amilly, transfers to CMO)?

Manager l'empreinte industrielle, transfert vers CMO



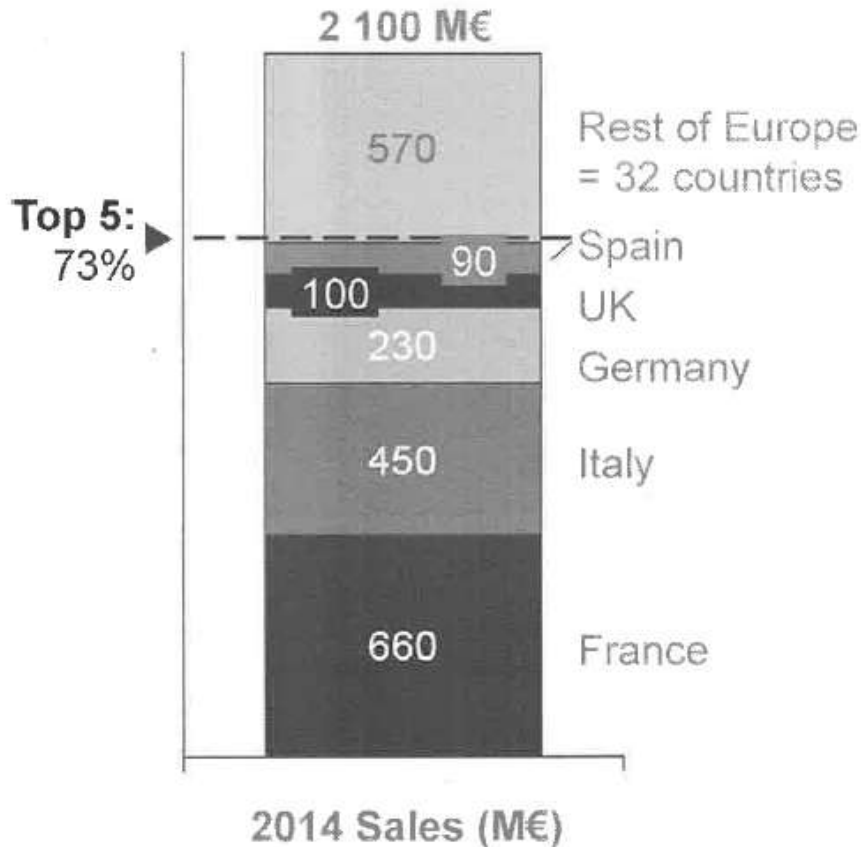
Seek co-promotion deals?

Chercher des accords de co-promotion

Appendix

Empreinte géographique

Phoenix geographical footprint



37 pays en europe

37 European countries

Europe sales of Phoenix products represent ~40% of WW sales of these products

Les ventes en Europe des produits phoenix représentent 40 % des ventes mondiales

Solutions identifiées à l'extérieur de l'Europe - AMM

Solutions identified for outside Europe MAH

Analysis performed on top 50 product/country combinations outside of Europe

Examples
product/country

Remediation

Changer de pays pour 40 produits

1

Change ref. country for 40 product/country

38 product / country

- Aprovel/China
- Plavix/China
- Arava/Brazil, etc.



Change ref. country to Australia

- Including 11: need to register new packaging

11 produits : besoin enregistrer nouveau conditionnement

2 product / country

- Depakine/China
- Targocid/China



Change ref. country to Sth Africa or Korea

- Including 1: need to register new packaging

1 product / country

- Targocid/Brazil



Change reference country to Japan

Changer vers japon

Solution trouvée pour 3 produits

2

Ad-hoc solutions found for 3 product/country

1 product / country

- Taxotere/Algeria



Negotiate with local authorities

Négocier avec autorité locales

1 product / country

- Prednisolone/Algeria



Enter a legal agreement to keep the same reference country

Effectuer un agrement ou garder le meme pays

1 product / country

- Flagyl/Egypt



Switch to status of locally manuf. product

Pas d'action requise pour 6 produits

3

No action needed for 6 product/country

6 product / country

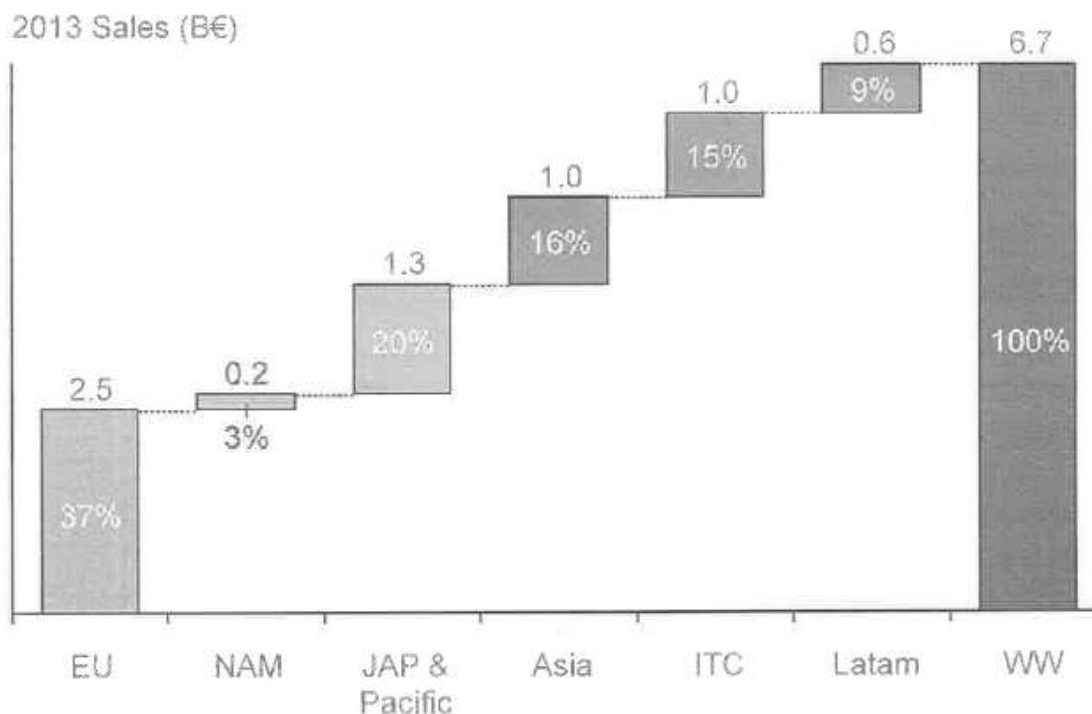
- India/Tritace
- Etc.



No necessary regulatory action

Ventes exterieur de l'Europe Phoenix sales outside Europe

**ITC, Asia, & Latam ~40% of WW sales today,
growing over next 5 years**



Phoenix pricing impact within asia, ITC and LATAM

● Limited cases of price changes from past experience

- No major issues identified following MAH change Pas de problèmes majeurs identifiés avec le changement d'AMM
 - Exception : Algeria, Russia (Gx)?
- Site change is the main factor impacting such potential pricing change
 - Due to the closure of Dagenham site, the production of Taxotere was transferred to Frankfurt (within Sanofi group), for all countries
 - No impact for the moment in a large majority of countries including China, Russia, LATAM...
 - Price impact mentioned in Gulf / Levant countries
 - Increased risk if site transfer outside Western countries or if the buyer is a generic company (for China)
 - Site change risk could be mitigated by IA (no change of sourcing...)

Du à la fermeture de Dagenham, la production de Taxotere a été transférée à Frankfurt

Risque accru si transfert externe à l'occident, surtout si génériqueur

Risque majeur sur les prix du à la gouvernance des prix

● Main risk on price related to future Pricing Governance (due to International Reference Pricing regulations)

- High potential impact (Asia Euro 410 Mio/yr & ITC Plavix alone Euro 65 Mio)

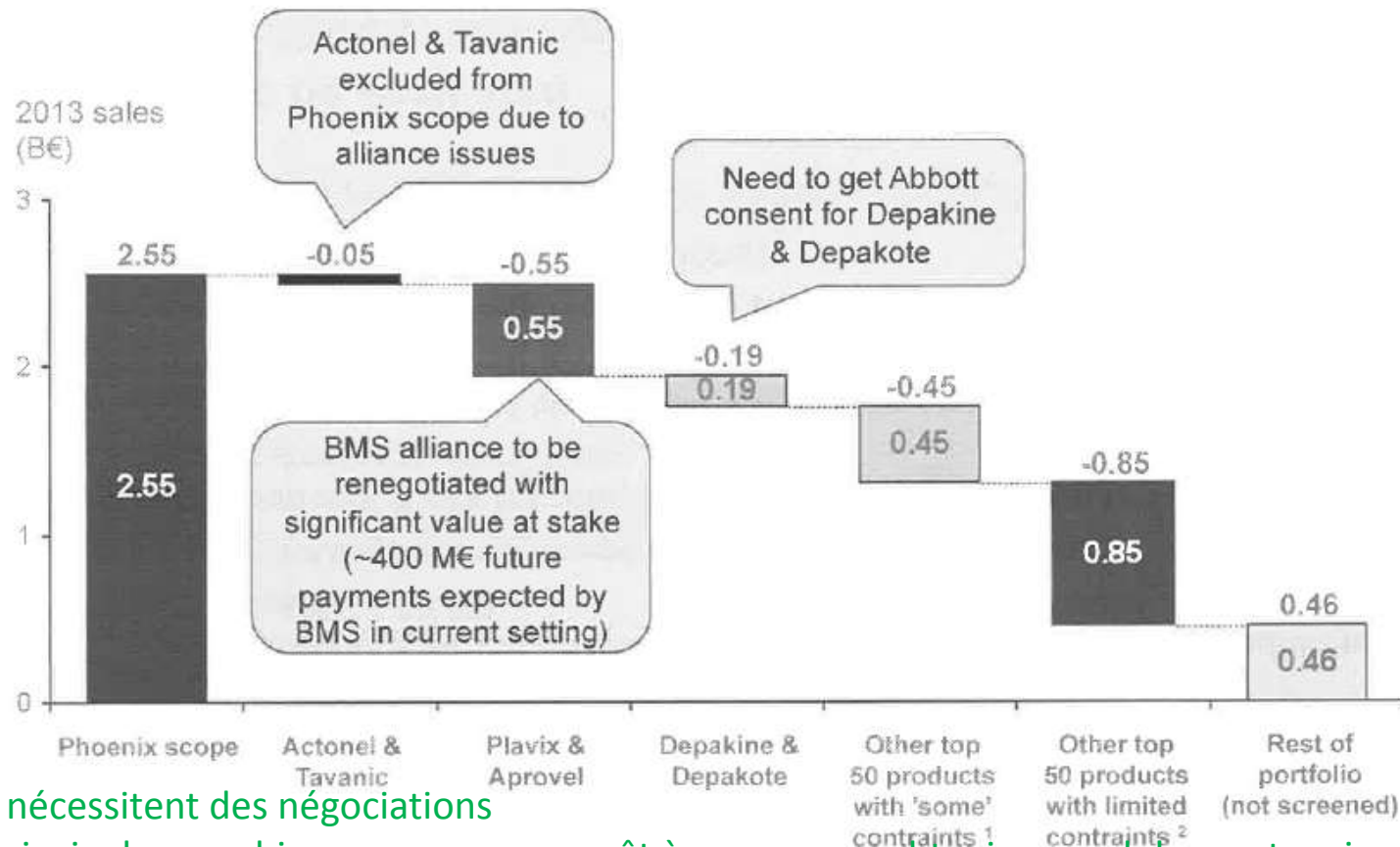
● Other risks to be evaluated

- Production/Supply, participation to tenders, level of resources...

Production/alimentation, participation aux offres, niveau des ressources...

Seulement 2 produits exclus du périmètre phoenix du aux problèmes d'alliance

Only two 'small' products excluded from Phoenix scope due to Alliance issues - *Tavanic & Actonel* - 2% of topline



2 alliances nécessitent des négociations

Question principale : combien sommes nous prêt à payer pour obtenir accord des partenaires

On remaining scope, 2 main alliances (BMS & Abbott) need significant negotiations, Main question being: how much are we ready to pay to get Partner's consent?

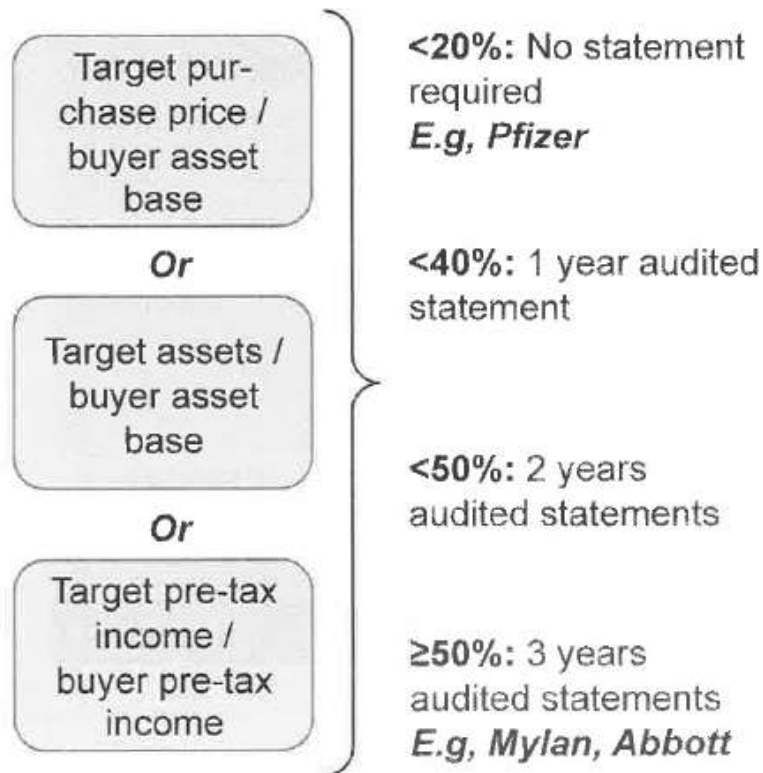
1. Products with third party agreements requiring some negotiation (negotiation complexity ranked 4 to 7 in internal complexity assessment (scale of 0 to 10, 0 = no issue, 10 = impossible to transfer) ; 2. Products with third party agreements requiring limited negotiation (negotiation complexity ranked 0 to 3 in internal complexity assessment (scale of 0 to 10, 0 = no issue, 10 = impossible to transfer)

Feasibility audited carve-out statements confirmed by EY, substantial complexity

Faisabilité audit des cessions par Ernst et Young (complexe)

For US listed buyer, 1 to 3 years of audited statements might be required

Feasibility to draw such audited statements confirmed by EY



EY confirme que ces déclarations peuvent être établies

EY confirms these statements can be drawn up ...

- Previous EY case examples exist (e.g, Medical & Dental Imaging company, 2.5 B\$ sales in 45 countries)

... even though process would be complex; first resource estimates to generate auditable figures:

- ~12 months of workload,
- ~500 EY resources (and significant internal bandwidth)
- ~10 M€ fees

ComOps Phoenix resources by functions

Ressources par fonctions

| Function | | France | Italy | Germany | Total EU ¹ |
|---------------------|----------------------|------------|------------|------------|-----------------------|
| Sales | Total Sales | 159 | 100 | 34 | ~425 |
| Marketing | | 9 | 15 | 14 | ~50 |
| Medical mgmt | Total Medical | 52 | 16 | 32 | ~150 |
| | <i>Med. Info</i> | 12 | 2 | 2 | ~25 |
| | <i>Reg</i> | 11 | 5 | 10 | ~40 |
| | <i>PV</i> | 23 | 6 | 11 | ~60 |
| | <i>Others</i> | 6 | 3 | 9 | ~25 |
| Distribution | | 20 | 22 | 9 | ~75 |
| G&A | | 24 | 24 | 21 | ~100 |
| TOTAL | | 264 | 177 | 110 | ~800 |

1. Extrapolation based on FR, DE, and IT resources

Se concentrer sur les surcapacités en effectifs

Focus on headcount overcapacity mitigation plan

- 1. Salesforce - 425 HC in Phoenix scope** Forces de ventes ~ 425 personnes
 - Social plans approved FR and IT (+/-80 HC for Phoenix scope)
 - Plans sociaux approuvés pour la France et l'Italie (~ 80 personnes)
 - Co-promotion deals in progress
 - Réallocations des nouveaux lancements
 - Reallocation new launches (Pulmojet, Alirocumab, U300...)
 - Turnover naturel
 - Natural turnover (between 1-2% per year)
- 2. Medical - 150 in Phoenix scope**
 - Regulatory, Med. Info. & PV account for ~85%
 - Likely needed near future for new launches Probablement nécessaire dans proche Avenir pour futurs lancements
- 3. Other functions - 225 in Phoenix scope (Mark. Mgt, distr. & support)**
 - Case by case Au cas par cas