

Rating object

Sanofi S.A.
Long Term Local Currency Senior unsecured issues of Sanofi S.A.

Rating incl. outlook / watch

A+ / stable
A+ / stable

The present update is, in the regulatory sense, a public unsolicited rating.

Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Sanofi S.A.	21.12.2021	21.12.2021	Until withdrawal of the rating
Long Term Local Currency Senior unsecured issues of Sanofi S.A.	21.12.2021	21.12.2021	Until withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating (CRA) has confirmed the ratings of the unsolicited, corporate issuer rating of Sanofi S.A. (hereafter referred to as "Sanofi", "the Group"), as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by Sanofi S.A. at A+ with stable outlook.

This rating attests Sanofi a highly satisfactory level of creditworthiness, representing a low default risk. Our rating assessment is based on Sanofi's leading position on the global pharmaceutical market, its low exposure to overall economic fluctuations, and its diversified product portfolio. Sanofi's portfolio includes solutions for such widespread diseases as diabetes and cardiovascular disease, as well for a range of rare diseases, although some of the established drugs have recorded declines in sales and profitability. Additionally, the Company's forward-looking strategy and innovative capacity, as well as its solid financial base, have a positive impact on our rating assessment.

Sanofi S.A. is one of the worldwide major multinational pharmaceutical companies, established originally in 1973 and headquartered in Paris, France. Sanofi has three operating segments: Pharmaceuticals, Vaccines, and Consumer Healthcare. The Company is represented approximately in 90 countries, provides therapeutic solutions in approximately 170 countries. The main activities of Sanofi are the research and development, manufacturing, and marketing of pharmaceutical products in the therapeutic areas cardiovascular, diabetes, central nervous system, oncology, internal medicine, thrombosis and vaccines. The Company focuses mainly on prescription medications, but also develops prescription drugs.

Sanofi is one of the largest global pharmaceutical companies in terms of sales, competing primarily with other global companies such as Pfizer, Roche, Novartis, Novo Nordisk, Merck and Eli Lilly. Sanofi is a global leader in the vaccine business together with Pfizer, Merck and GlaxoSmithKline, and is also one of the companies driving the development of a vaccine against COVID-19.

In 2020, Sanofi achieved annual sales of EUR 36.0 bn (previous year: EUR 36.1 bn), almost the same level as the previous year (-0.24%), thus maintaining its strong market position in the pandemic year 2020. Negative effects from the macroeconomic upheavals of the COVID-19 pandemic had only a marginal impact on Sanofi's business performance. With an EAT of EUR 12.3 bn (2008: EUR 2.8 bn), a significant increase in earnings was achieved. However, the proceeds from the sale of the shares in Regeneron Pharmaceuticals, with a gain of around EUR 7.4 bn, made a significant contribution to the strong result. Adjusted for this one-off income, the EBT amounted to EUR 6.8 bn, so that even with the elimination of this special effect, a significant increase in earnings was recorded compared to the previous year. This was mainly due to the fact that in 2020 distribution costs were around EUR 0.5 bn lower than in the previous year and R&D expenses were around EUR 0.5 bn lower. Depreciation and amortisation were also around EUR 0.5 bn and other operating expenses around EUR 1.4 bn lower than in the previous year.

In the first nine months of the current financial year, R&D expenditure had again increased slightly by around 2.3%. Furthermore, Sanofi regularly invests in new products, which should compensate for the negative trends in old products.

In the first three quarters of the 2021 financial year, Sanofi achieved EBT of EUR 6.4 bn on sales of EUR 27.8 bn. The operating cash flow was slightly above the previous year's level at EUR 7.7 bn. The free cash flow was EUR 5.6 bn (previous year: EUR 5.5 bn), confirming Sanofi's stable development.

Overall, business development in 2020 was at least stable, which also continued in the first nine months of the 2021 financial year and is therefore also expected for 2021 as a whole.

Based on the unsolicited corporate issuer rating of Sanofi S.A. (A+ / stable), CRA has prepared unsolicited corporate issue ratings on issues (ISIN) of Sanofi S.A. The rating objects considered here are exclusively the EUR-denominated Long-Term Senior Unsecured Issues which are part of the

ECB's list of eligible marketable assets and which were issued by Sanofi S.A. This ECB list of eligible marketable assets is available on the website of the European Central Bank. These issues (ISIN) are rated **A+ / stable**.

Primary key rating drivers:

- + Global presence
 - + Low sensitivity to economic cycles
 - + A global leader in all of its strategic business areas
 - + Diversified product portfolio with a focus on widespread diseases and over-the-counter drugs, as well as on rare diseases, where the Company has relatively strong pricing power
 - + Good access to financial markets
 - + Generally stable, significant cash flows from operating activities
 - + High entry barriers
 - + Growing global demand for health (care) services
 - + Stable development in 2020 despite economic upheavals due to COVID-19 pandemic
 - + Overall, at least stable economic development in 2020, even after elimination of special items.
 - + Positive economic development with growth trend also in the first nine months of 2021
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- Life cycle of patent drugs with decrease of margins after the expiration of patent protection
 - Significant investments in R&D necessary to maintain the leading market position
 - High level of regulation in all the relevant markets
 - Currency risks
 - Relatively high investment requirements and dividend payments put additional pressure on cash flow
 - High concentration in the US market with almost 40% share of revenues

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Sanofi S.A. we have not identified any ESG factor with significant influence.

Nevertheless, ESG factors play a significant role for a large company like Sanofi, especially in terms of future market position and performance.

As a responsible business, Sanofi has embarked upon an ambitious policy to limit the direct and indirect impacts of the operations and products on the environment. Involved in environmental protection since 2010, Sanofi has updated his "Planet Mobilization" roadmap to reflect current and future issues, stakeholder concerns, and the risks and opportunities, in line with Sanofi's global strategy.

The „Planet Mobilization“ roadmap sets out the environmental strategy, and the objectives set for Sanofi´s entire value chain for 2020 and 2025.

„Planet Mobilization“ is built around five pledges:

- Mitigate climate change and achieve carbon neutrality by 2050, and set Sanofi on a trajectory for limiting global warming to 1.5°C
- Limit Sanofi´s environmental footprint, and choose circular solutions that optimize the use and reuse of resources and reduce the impact of emissions
- Improve the environmental profile of what Sanofi produce, by developing eco-innovative products that embody Sanofi´s eco-friendly ambitions and by favoring sustainable use of medicines
- Mobilize Sanofi´s people to support sustainable development, by promoting an eco-friendly culture in workplace routines and decision-making
- Engage the suppliers in environmental initiatives, by practicing sustainable sourcing and leading by example.

We believe that Sanofi, against the background of its good economic situation and its financial strength, will be able to implement the ambitious goals and bear the costs to maintain its outstanding market position in the future.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: A+

In our best-case scenario for one year, we assume a rating of A+. This would be the case if the market launch of new products proves sufficient to compensate decreased revenues from other products, and would be a solid basis to repay the debt. Furthermore, we assume that the best-case scenario will result in expected operational growth in turnover and earnings as well as a stable result of our financial analysis at all.

Worst-case scenario: A

In our worst-case scenario for one year we assume a rating of A. This might be the case if the profitability of the Group does not improve despite new market launches, or if the costs of those market launches, together with possible high disbursements, is too high, resulting in deterioration of cash flow margins and of the net debt / EBITDA ratio.

Analysts / Person approving (PAC):

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Initial rating:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of Sanofi S,A.	Initialrating	30.11.2018	11.12.2018	Withdrawal of the rating	A+ / stable
LT LC Senior Unsecured Issues issued by Sanofi S.A.	Initialrating	31.11.2018	11.12.2018	Withdrawal of the rating	A+ / stable

Status of solicitation and information basis:

The present rating is, in the regulatory sense, a public **unsolicited** rating. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

Rating methodology / Version / Date of application:

Rating methodology	Version number	Date
Corporate Ratings	2.3	29.05.2019
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating¹ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA [website](#).

¹ In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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