

# Sanofi warns on '13 profit as Q2 earns slump (Update)

1 August 2013

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Competition from generic drugs continued to hammer French pharmaceutical group Sanofi in the second quarter, the company said Thursday, warning that its full-year earnings could be twice as bad as previous guidance.

The Paris-based drugmaker reported Thursday that net profit shrank 62 percent to 444 million euros (\$592 million) in the April to June quarter, as the loss of patent on once-popular blood-thinner Plavix compounded further massive financial charges related to the company's past mergers and acquisitions.

Sanofi warned that its preferred measure of profits—what it calls business EPS at constant exchange rates—will fall by 7 to 10 percent this year. Profit slumped 12.8 percent by that measure last year and until now the company had foreseen at most a 5 percent decline this year.

Profits by that measure collapsed a full 25 percent in the first half, but in a statement Thursday Sanofi said it "continues to expect to return to growth in the second half of 2013," making up for some of the losses.

Besides losses stemming from generic competitors, Sanofi pointed to a steep drop in its own generics business during the second quarter. It blamed "significantly and inappropriately" excessive inventory levels in its Brazilian operations, leading to a 122 million euro drop in sales there.

Sanofi's "growth platforms", the core businesses such as diabetes treatments and vaccines that it counts on for nearly three-quarters of total sales, slipped 0.6 percent to 5.718 billion euros in the second quarter.

Sanofi shares dropped sharply on the weak earnings and by mid-morning were down 6.3 percent at 75.17 euro a share.

In China, where last month officials launched a probe looking into the cost of drugs made by 60 foreign and domestic suppliers, Sanofi said it is among the companies visited.

There was no indication of wrongdoing, but the probe could be a prelude to a cut in government-set caps on prices.

Sanofi said it is "not aware of the purpose of this visit" and said it would cooperate with authorities.

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