HALF-YEAR FINANCIAL REPORT

2014 Edition

SANOFI

HALF-YEAR FINANCIAL REPORT 2014

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The condensed half-year consolidated financial statements are unaudited but have been subject to a review by the statutory auditors in accordance with professional standards applicable in France.

1 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS — ASSETS

(€ million)	Note	June 30, 2014	December 31, 2013 (1)
Property, plant and equipment	**B.2.**	10,090	10,182
Goodwill	**B.3. - B.4.**	37,421	37,134
Other intangible assets	**B.3. - B.4.**	14,254	15,395
Investments in associates and joint ventures	**B.5.**	1,730	448
Non-current financial assets	**B.6.**	2,069	4,826
Deferred tax assets		4,769	4,144
Non-current assets		**70,333**	**72,129**
Inventories		6,784	6,352
Accounts receivable	**B.7.**	7,137	6,831
Other current assets		2,074	2,287
Current financial assets		68	185
Cash and cash equivalents	**B.9.**	4,306	8,257
Current assets		**20,369**	**23,912**
Assets held for sale or exchange		18	14
TOTAL ASSETS		**90,720**	**96,055**

(1) Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).

The accompanying notes on pages 8 to 36 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED BALANCE SHEETS — LIABILITIES AND EQUITY

(€ million)	Note	June 30, 2014	December 31, 2013[1]
Equity attributable to equity holders of Sanofi		51,637	56,904
Equity attributable to non-controlling interests		130	129
Total equity	**B.8.**	**51,767**	**57,033**
Long-term debt	**B.9.**	10,113	10,414
Non-current liabilities related to business combinations and to non-controlling interests	**B.11.**	974	884
Provisions and other non-current liabilities	**B.12.**	9,066	8,735
Deferred tax liabilities		4,600	5,060
Non-current liabilities		**24,753**	**25,093**
Accounts payable		3,228	3,003
Other current liabilities		6,180	6,725
Current liabilities related to business combinations and to non-controlling interests	**B.11.**	109	24
Short-term debt and current portion of long-term debt	**B.9.**	4,683	4,176
Current liabilities		**14,200**	**13,928**
Liabilities related to assets held for sale or exchange		—	1
TOTAL LIABILITIES & EQUITY		**90,720**	**96,055**

(1) Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).

The accompanying notes on pages 8 to 36 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

(€ million)	Note	June 30, 2014 (6 months)	June 30, 2013[1] (6 months)	December 31, 2013[1] (12 months)
Net sales	**B.18.4.**	**15,917**	**16,062**	**32,951**
Other revenues		154	181	355
Cost of sales		(5,124)	(5,221)	(10,991)
Gross profit		**10,947**	**11,022**	**22,315**
Research and development expenses		(2,327)	(2,342)	(4,770)
Selling and general expenses		(4,333)	(4,446)	(8,603)
Other operating income		116	347	691
Other operating expenses		(87)	(177)	(241)
Amortization of intangible assets	**B.3.**	(1,301)	(1,543)	(2,914)
Impairment of intangible assets	**B.4.**	(74)	(440)	(1,387)
Fair value remeasurement of contingent consideration liabilities	**B.11.**	(132)	(117)	314
Restructuring costs	**B.15.**	(135)	(159)	(300)
Other gains and losses, and litigation		—	—	—
Operating income		**2,674**	**2,145**	**5,105**
Financial expenses	**B.16.**	(292)	(311)	(612)
Financial income	**B.16.**	157	34	109
Income before tax and associates and joint ventures		**2,539**	**1,868**	**4,602**
Income tax expense	**B.17.**	(624)	(351)	(763)
Share of profit/(loss) of associates and joint ventures		7	4	35
Net income		**1,922**	**1,521**	**3,874**
Net income attributable to non-controlling interests		61	84	158
Net income attributable to equity holders of Sanofi		**1,861**	**1,437**	**3,716**
Average number of shares outstanding (million)	**B.8.6.**	1,317.2	1,323.9	1,323.1
Average number of shares outstanding after dilution (million)	**B.8.6.**	1,333.8	1,340.5	1,339.1
– Basic earnings per share (in euros)		1.41	1.09	2.81
– Diluted earnings per share (in euros)		1.40	1.07	2.77

(1) Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).

The accompanying notes on pages 8 to 36 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(€ million)	Note	June 30, 2014 (6 months)	June 30, 2013[1] (6 months)	December 31, 2013[1] (12 months)
Net income		**1,922**	**1,521**	**3,874**
Attributable to equity holders of Sanofi		*1,861*	*1,437*	*3,716*
Attributable to non-controlling interests		*61*	*84*	*158*
Other comprehensive income:				
• Actuarial gains/(losses)	**B.12.**	(477)	721	807
• Tax effect		153	(138)	(149)
Sub-total: items not subsequently reclassifiable to profit or loss (a)		**(324)**	**583**	**658**
• Available-for-sale financial assets	**B.8.7.**	(3,101)	754	1,208
• Cash flow hedges		(2)	(3)	(3)
• Change in currency translation differences		377	(329)	(1,804)
• Tax effect	**B.8.7.**	330	(73)	(208)
Sub-total: items subsequently reclassifiable to profit or loss (b)		**(2,396)**	**349**	**(807)**
Other comprehensive income for the period, net of taxes (a+b)		**(2,720)**	**932**	**(149)**
Comprehensive income		**(798)**	**2,453**	**3,725**
Attributable to equity holders of Sanofi		*(861)*	*2,374*	*3,581*
Attributable to non-controlling interests		*63*	*79*	*144*

[1] Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).

The accompanying notes on pages 8 to 36 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(€ million)	Share capital	Additional paid-in capital and retained earnings[1]	Treasury shares	Stock options and other share-based payment	Other comprehensive income[2]	Attributable to equity holders of Sanofi[1]	Attributable to non-controlling interests	Total equity[1]
Balance at January 1, 2013 – published financial statements	**2,653**	**52,896**	**(207)**	**2,160**	**(170)**	**57,332**	**134**	**57,466**
Impact of applying IFRIC 21	—	20	—	—	—	20	—	20
Balance at January 1, 2013 – with IFRIC 21 impact	**2,653**	**52,916**	**(207)**	**2,160**	**(170)**	**57,352**	**134**	**57,486**
Other comprehensive income for the period	—	583	—	—	354	937	(5)	932
Net income for the period	—	1,437	—	—	—	1,437	84	1,521
Comprehensive income for the period	**—**	**2,020**	**—**	**—**	**354**	**2,374**	**79**	**2,453**
Dividend paid out of 2012 earnings (€2.77 per share)	—	(3,638)	—	—	—	(3,638)	—	(3,638)
Payment of dividends and equivalents to non-controlling interests	—	—	—	—	—	—	(67)	(67)
Share repurchase program	—	—	(892)	—	—	(892)	—	(892)
Reduction in share capital	(17)	(585)	602	—	—	—	—	—
Share-based payment plans:								
• Exercise of stock options	24	717	—	—	—	741	—	741
• Issuance of restricted shares	4	(4)	—	—	—	—	—	—
• Proceeds from sale of treasury shares on exercise of stock options	—	—	2	—	—	2	—	2
• Value of services obtained from employees	—	—	—	85	—	85	—	85
• Tax effects of the exercise of stock options	—	—	—	24	—	24	—	24
Changes in non-controlling interests without loss of control	—	27	—	—	—	27	(17)	10
Balance at June 30, 2013	**2,664**	**51,453**	**(495)**	**2,269**	**184**	**56,075**	**129**	**56,204**
Other comprehensive income for the period	—	75	—	—	(1,147)	(1,072)	(9)	(1,081)
Net income for the period	—	2,279	—	—	—	2,279	74	2,353
Comprehensive income for the period	**—**	**2,354**	**—**	**—**	**(1,147)**	**1,207**	**65**	**1,272**
Payment of dividends and equivalents to non-controlling interests	—	—	—	—	—	—	(73)	(73)
Share repurchase program	—	—	(749)	—	—	(749)	—	(749)
Reduction in share capital	(25)	(975)	1,000	—	—	—	—	—
Share-based payment plans:								
• Exercise of stock options	7	158	—	—	—	165	—	165
• Issuance of restricted shares	—	—	—	—	—	—	—	—
• Employee share ownership plans	3	95	—	—	—	98	—	98
• Proceeds from sale of treasury shares on exercise of stock options	—	—	—	—	—	—	—	—
• Value of services obtained from employees	—	—	—	115	—	115	—	115
• Tax effects of the exercise of stock options	—	—	—	6	—	6	—	6
Changes in non-controlling interests without loss of control	—	(13)	—	—	—	(13)	8	(5)
Balance at December 31, 2013[1]	**2,649**	**53,072**	**(244)**	**2,390**	**(963)**	**56,904**	**129**	**57,033**
Other comprehensive income for the period	—	(324)	—	—	(2,398)	(2,722)	2	(2,720)
Net income for the period	—	1,861	—	—	—	1,861	61	1,922
Comprehensive income for the period	**—**	**1,537**	**—**	**—**	**(2,398)**	**(861)**	**63**	**(798)**
Dividend paid out of 2013 earnings (€2.80 per share)	—	(3,676)	—	—	—	(3,676)	—	(3,676)
Payment of dividends and equivalents to non-controlling interests	—	—	—	—	—	—	(69)	(69)
Share repurchase program[3]	—	—	(1,012)	—	—	(1,012)	—	(1,012)
Reduction in share capital[3]	(16)	(589)	605	—	—	—	—	—
Share-based payment plans:								
• Exercise of stock options	8	232	—	—	—	240	—	240
• Issuance of restricted shares	1	(1)	—	—	—	—	—	—
• Proceeds from sale of treasury shares on exercise of stock options	—	—	—	—	—	—	—	—
• Value of services obtained from employees	—	—	—	85	—	85	—	85
• Tax effects of the exercise of stock options	—	—	—	—	—	—	—	—
Changes in non-controlling interests without loss of control	—	(43)	—	—	—	(43)	7	(36)
Balance at June 30, 2014	**2,642**	**50,532**	**(651)**	**2,475**	**(3,361)**	**51,637**	**130**	**51,767**

(1) Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).
(2) See Note B.8.7.
(3) See Notes B.8.2. and B.8.3.

The accompanying notes on pages 8 to 36 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(€ million)	Note	June 30, 2014 (6 months)	June 30, 2013[1] (6 months)	December 31, 2013[1] (12 months)
Net income attributable to equity holders of Sanofi[1]		**1,861**	**1,437**	**3,716**
Non-controlling interests, excluding BMS[2]		4	8	17
Share of undistributed earnings of associates and joint ventures		23	11	2
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		1,981	2,608	5,569
Gains and losses on disposals of non-current assets, net of tax[3]		(116)	(169)	(275)
Net change in deferred taxes		(636)	(606)	(1,010)
Net change in provisions[4]		(202)	(703)	(1,335)
Cost of employee benefits (stock options and other share-based payments)		85	85	200
Impact of the workdown of acquired inventories remeasured at fair value		—	6	8
Unrealized (gains)/losses recognized in income		211	232	(74)
Operating cash flow before changes in working capital		**3,211**	**2,909**	**6,818**
(Increase)/decrease in inventories		(392)	(512)	(117)
(Increase)/decrease in accounts receivable		(210)	(310)	175
Increase/(decrease) in accounts payable		215	123	(124)
Net change in other current assets, current financial assets and other current liabilities[1]		(290)	(185)	202
Net cash provided by/(used in) operating activities[5]		**2,534**	**2,025**	**6,954**
Acquisitions of property, plant and equipment and intangible assets	**B.2. – B.3.**	(637)	(728)	(1,398)
Acquisitions of investments in consolidated undertakings, net of cash acquired[6]	**B.1.**	(1,124)	(198)	(235)
Acquisitions of available-for-sale financial assets		(557)	(6)	(18)
Proceeds from disposals of property, plant and equipment, intangible assets and other non-current assets, net of tax[7]		182	308	409
Net change in loans and other financial assets		(16)	(31)	(31)
Net cash provided by/(used in) investing activities		**(2,152)**	**(655)**	**(1,273)**
Issuance of Sanofi shares	**B.8.1.**	240	741	1,004
Dividends paid:				
• to equity holders of Sanofi		(3,676)	(3,638)	(3,638)
• to non-controlling interests, excluding BMS[2]		(6)	(9)	(12)
Transactions with non-controlling interests, other than dividends		—	(1)	(40)
Additional long-term debt contracted	**B.9.1.**	5	1,141	3,119
Repayments of long-term debt	**B.9.1.**	(1,081)	(2,742)	(2,822)
Net change in short-term debt		1,191	1,873	302
Acquisitions of treasury shares	**B.8.2.**	(1,012)	(892)	(1,641)
Disposals of treasury shares, net of tax		—	2	2
Net cash provided by/(used in) financing activities		**(4,339)**	**(3,525)**	**(3,726)**
Impact of exchange rates on cash and cash equivalents		**6**	**(45)**	**(79)**
Net change in cash and cash equivalents		**(3,951)**	**(2,200)**	**1,876**
Cash and cash equivalents, beginning of period		**8,257**	**6,381**	**6,381**
Cash and cash equivalents, end of period	**B.9.**	**4,306**	**4,181**	**8,257**
– Income tax paid		(1,355)	(1,026)	(2,370)
– Interest paid (excluding cash flows on derivative instruments used to hedge debt)		(186)	(269)	(491)
– Interest received (excluding cash flows on derivative instruments used to hedge debt)		33	24	49
– Dividends received from non-consolidated entities		3	4	5

(1) Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).

(2) See Note C.1. to the financial statements for the year ended December 31, 2013.

(3) Includes available-for-sale financial assets.

(4) This line item includes contributions paid to pension funds (see Note B.12.).

(5) Includes:

(6) This line item also includes payments made in respect of contingent consideration identified and recognized as a liability in business combinations.

(7) This line item includes proceeds from disposals of investments in consolidated entities and of other non-current financial assets.

The accompanying notes on pages 8 to 36 are an integral part of the condensed half-year consolidated financial statements.

NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2014

INTRODUCTION

Sanofi, together with its subsidiaries (collectively "Sanofi" or "the Group"), is a global healthcare leader engaged in the research, development and marketing of therapeutic solutions focused on patient needs.

Sanofi is listed in Paris (Euronext: SAN) and New York (NYSE: SNY).

The condensed consolidated financial statements for the six months ended June 30, 2014 were reviewed by the Sanofi Board of Directors at the Board meeting on July 30, 2014.

A/ Basis of preparation of the half-year financial statements and accounting policies

A.1. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The half-year consolidated financial statements have been prepared and presented in condensed format in accordance with IAS 34 (Interim Financial Reporting). The accompanying notes therefore relate to significant events and transactions of the period, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013.

The accounting policies used in the preparation of the consolidated financial statements as of June 30, 2014 comply with international financial reporting standards (IFRS) as endorsed by the European Union and as issued by the International Accounting Standards Board (IASB). Except for the change described in Note A.1.3., the accounting policies applied as of June 30, 2014 are identical to those described in the notes to the published consolidated financial statements as of December 31, 2013.

IFRS as endorsed by the European Union as of June 30, 2014 can be accessed under the heading "IAS/IFRS Standards and Interpretations" at:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

A.1.1. New standards and amendments applicable in 2014

The new standards, amendments to standards, and interpretations issued by the IASB and that are mandatorily applicable with effect from the 2014 financial year are:

- IFRIC 21 (Levies), an interpretation issued in May 2013 and endorsed by the European Union in June 2014, has been applied by Sanofi with effect from January 1, 2014. This interpretation clarifies that the triggering event for the recognition of a liability for levies (i.e. miscellaneous taxes, duties and other levies not within the scope of IAS 12) is determined by reference to the terms of the relevant legislation, regardless of the period used as the basis for calculating the levy. Consequently, a liability for payment of a levy cannot be recognized progressively in interim financial statements if there is no present obligation at the interim reporting date. This interpretation has only a limited impact on the Sanofi Group, as shown in Note A.1.3.
- The amendment to IAS 32 (Financial Instruments: Presentation), issued in December 2011 and endorsed by the European Union in December 2012, is applicable retrospectively to annual periods beginning on or after January 1, 2014. This amendment clarifies the rules on offsetting.

- In October 2012, the IASB issued ‘‘Investment Entities’’, an amendment to IFRS 10, IFRS 12 and IAS 27. This amendment was endorsed by the European Union on November 21, 2013 and is applicable from January 1, 2014. An investment entity is an entity meeting specific criteria; in particular its corporate purpose is to invest funds solely in order to obtain returns in the form of capital appreciation and/or investment income. The amendment requires investment entities to account for their investment in the entities they control at fair value through profit or loss; this is an exception to the IFRS 10 consolidation requirements. This amendment has no impact on the Sanofi consolidated financial statements.

Various other standards and amendments to standards are applicable from 2014 onwards. However, those pronouncements have no impact on the Group’s annual or half-year financial statements.

A.1.2. New standards, interpretations and amendments issued in the first half of 2014

In January 2014, the IASB issued IFRS 14 (Regulatory Deferral Accounts). The objective of this standard is to improve the comparability of financial information for entities that are engaged in rate-regulated activities, and is not applicable to Sanofi.

At the end of May 2014, the IASB issued IFRS 15 (Revenue from Contracts with Customers). This standard relates to the recognition and measurement of revenue arising in the course of an entity’s ordinary activities from contracts with customers (net sales). IFRS 15 is a converged standard common to both IFRS and U.S. Generally Accepted Accounting Principles (U.S. GAAP). It will replace IAS 18 (Revenue) and IAS 11 (Construction Contracts). First-time application of IFRS 15, which has not yet been endorsed by the European Union, is scheduled for annual accounting periods beginning on or after January 1, 2017. An analysis of the impacts of IFRS 15 is ongoing.

In May 2014, the IASB issued two amendments that are applicable from 2016 onwards and have not yet been endorsed by the European Union:

- “Clarification of Acceptable Methods of Depreciation and Amortization”, an amendment to IAS 16 and IAS 38. This amendment clarifies the methods that may be applied in depreciating or amortizing certain assets on the basis of the economic benefits they generate. It will not affect the depreciation and amortization methods applied by Sanofi.
- “Accounting for Acquisitions of Interests in Joint Operations”, an amendment to IFRS 11. This amendment applies in cases where an existing business is contributed to a joint operation, or where an entity acquires items constituting a joint operation that meets the definition of a business, and clarifies that in those cases the principles described in IFRS 3 (Business Combinations) must be applied in accounting for the transaction. This amendment has no impact at present.

A.1.3. Change of accounting policy on first-time application of IFRIC 21

As indicated in Note A.1.1., IFRIC 21 (Levies) has been applied by Sanofi with effect from January 1, 2014.

The effects of the first-time application of IFRIC 21 on the consolidated balance sheet are as follows:

- Reduction in ***Other current liabilities*** of €29 million as of December 31, 2013 and €30 million as of December 31, 2012, corresponding to levies not payable as of December 31;

- Reduction in ***Deferred tax assets*** relating to those current liabilities, amounting to €10 million as of December 31, 2013 and December 31, 2012;

- And as a matching entry, an increase in ***Shareholders' equity attributable to equity holders of Sanofi*** of €19 million as of December 31, 2013 and €20 million as of December 31, 2012.

The effects on the consolidated income statement for the year ended December 31, 2013 are presented below:

(€ million)	As published December 31, 2013 (12 months)	Impact of IFRIC 21	After IFRIC 21 December 31, 2013 (12 months)
Cost of sales	(10,990)	(1)	(10,991)
Gross profit	**22,316**	**(1)**	**22,315**
Research and development expenses	(4,770)	—	(4,770)
Selling and general expenses	(8,602)	(1)	(8,603)
Other operating expenses	(242)	1	(241)
Operating income	**5,106**	**(1)**	**5,105**
Income before tax and associates and joint ventures	**4,603**	**(1)**	**4,602**
Income tax expense	(763)	—	(763)
Net income	**3,875**	**(1)**	**3,874**
Net income attributable to equity holders of Sanofi	**3,717**	**(1)**	**3,716**
Basic earnings per share (in euros)	*2.81*	—	*2.81*
Diluted earnings per share (in euros)	*2.78*	*(0.01)*	*2.77*

The effects on the consolidated income statement for the first half of 2013 are presented below:

(€ million)	As published June 30, 2013 (6 months)	Impact of IFRIC 21	After IFRIC 21 June 30, 2013 (6 months)
Cost of sales	(5,214)	(7)	(5,221)
Gross profit	**11,029**	**(7)**	**11,022**
Research and development expenses	(2,341)	(1)	(2,342)
Selling and general expenses	(4,438)	(8)	(4,446)
Other operating expenses	(177)	—	(177)
Operating income	**2,161**	**(16)**	**2,145**
Income before tax and associates and joint ventures	**1,884**	**(16)**	**1,868**
Income tax expense	(356)	5	(351)
Net income	**1,532**	**(11)**	**1,521**
Net income attributable to equity holders of Sanofi	**1,448**	**(11)**	**1,437**
Basic earnings per share (in euros)	*1.09*	—	*1.09*
Diluted earnings per share (in euros)	*1.08*	*(0.01)*	*1.07*

The effects on the consolidated statement of comprehensive income are limited to the effects on ***Net income***.

Because these effects do not represent cash inflows or outflows, there is no impact on net cash provided by operating activities for the first half of 2013 and the year ended December 31, 2013 as reported in the consolidated statement of cash flows. Consequently, these effects are reflected in the consolidated statement of cash flows in the line items ***Net income attributable to equity holders of Sanofi***, ***Operating cash flow before changes in working capital*** and ***Net change in other current assets, current financial assets and other current liabilities***.

A.2. USE OF ESTIMATES

The preparation of financial statements requires management to make reasonable estimates and assumptions based on information available at the date of the finalization of the financial statements. Those estimates and assumptions may affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements, and disclosures of contingent assets and contingent liabilities as at the date of the review of the financial statements. Examples of estimates and assumptions include:

- amounts deducted from sales for projected sales returns, chargeback incentives, rebates and price reductions;
- impairment of property, plant and equipment, intangible assets, and investments in associates and joint ventures;
- the valuation of goodwill, and the valuation and useful life of acquired intangible assets;
- the amount of post-employment benefit obligations;
- the amount of provisions for restructuring, litigation, tax risks and environmental risks;
- the amount of deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences;
- the measurement of contingent consideration.

For half-year financial reporting purposes, and as allowed under IAS 34, Sanofi has determined income tax expense on the basis of an estimate of the effective tax rate for the full financial year. This rate is applied to business operating income minus net financial expenses, and before (i) the share of profit/loss of associates and joint ventures and (ii) net income attributable to non-controlling interests. The estimated full-year effective tax rate is based on the tax rates that will be applicable to projected pre-tax profits or losses arising in the various tax jurisdictions in which Sanofi operates.

Actual results could vary from these estimates.

A.3. SEASONAL TRENDS

Sanofi's activities are not subject to significant seasonal fluctuations.

A.4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Under IFRS 7 (Financial Instruments: Disclosures), fair value measurements must be classified using a hierarchy based on the inputs used to measure the fair value of the instrument. This hierarchy has three levels:

- Level 1: use of quoted prices in active markets for identical instruments (without modification or repackaging);
- Level 2: use of quoted prices in active markets for similar assets and liabilities, and valuation techniques in which all important inputs are derived from observable market data;
- Level 3: use of valuation techniques in which not all important inputs are derived from observable market data.

The table below sets forth the principles used to measure the fair value of the principal financial assets and liabilities recognized by the Group in its balance sheet:

Note	Type of financial instrument	Measurement principle	Level in IFRS 7 fair value hierarchy	Valuation technique	Method used to determine fair value			
						Market data		
					Valuation model	Exchange rate	Interest rate	Volatility
B.6.	Available-for-sale financial assets (quoted equity securities)	Fair value	1	Market value	Quoted market price	N/A		
B.6.	Available-for-sale financial assets (unquoted debt securities)	Fair value	2	Income approach	Present value of future cash flows	N/A	Mid swap + z-spread for bonds of comparable risk and maturity	N/A
B.6.	Long-term loans and advances	Amortized cost	N/A	N/A	The amortized cost of long-term loans and advances at the balance sheet date is not materially different from their fair value.			
B.6.	Financial assets recognized under the fair value option [1]	Fair value	1	Market value	Net asset value	N/A		
B.10.	Forward currency contracts	Fair value	2	Income approach	Present value of future cash flows	ECB Fixing	< 1year: Mid Money Market > 1 year: Mid Zero Coupon	N/A
B.10.	Currency options	Fair value	2		Options with no knock-out feature : Garman & Kohlhagen Knock-out options: Merton, Reiner & Rubinstein	ECB Fixing	< 1 year: Mid Money Market > 1 year: Mid Zero Coupon	Mid in-the-money
B.10.	Interest rate swaps	Fair value	2		Present value of future cash flows	N/A	< 1 year: Mid Money Market and LIFFE interest rate futures > 1 year: Mid Zero Coupon	N/A
B.10.	Cross-currency swaps	Fair value	2		Present value of future cash flows	ECB Fixing	< 1 year: Mid Money Market and LIFFE interest rate futures > 1 year: Mid Zero Coupon	N/A
B.9.	Investments in collective investment schemes	Fair value	1	Market value	Net asset value	N/A		
B.9.	Negotiable debt instruments, commercial paper, sight deposits and term deposits	Amortized cost	N/A	N/A	Because these instruments have a maturity of less than 3 months, amortized cost is regarded as an acceptable approximation of fair value as disclosed in the notes to the consolidated financial statements.			
B.9.	Financial liabilities	Amortized cost[2]	N/A	N/A	For financial liabilities with a maturity of less than 3 months, amortized cost is regarded as an acceptable approximation of fair value as disclosed in the notes to the consolidated financial statements. For financial liabilities with a maturity of more than 3 months, fair value as disclosed in the notes to the consolidated financial statements is determined either by reference to quoted market prices at the balance sheet date (quoted instruments) or by discounting the future cash flows based on observable market data at the balance sheet date (unquoted instruments).			
B.11.	Liabilities related to business combinations and to non-controlling interests (CVRs)	Fair value	1	Market value	Quoted market price	N/A		
B.11.	Liabilities related to business combinations and to non-controlling interests (except CVRs)	Fair value[3]	3	Income approach	Contingent consideration payable in a business combination is a financial liability under IAS 32. The fair value of such liabilities is determined by adjusting the contingent consideration at the balance sheet date using the method described in Note B.11.			

(1) These assets are held to fund a deferred compensation plan offered to certain employees.

(2) In the case of debt designated as a hedged item in a fair value hedging relationship, the carrying amount in the consolidated balance sheet includes changes in fair value attributable to the hedged risk(s).

(3) For business combinations completed prior to application of the revised IFRS 3, contingent consideration is recognized when payment becomes probable. See Note B.3.1. to the consolidated financial statements for the year ended December 31, 2013.

B/ Significant information for the first half of 2014

B.1. IMPACT OF CHANGES IN SCOPE OF CONSOLIDATION

- **Regeneron Pharmaceuticals Inc (Regeneron)**

During the first half of 2014, Sanofi acquired 4.7 million shares of the biopharmaceutical company Regeneron Pharmaceuticals Inc, raising its equity interest in Regeneron to 20.3% as of June 30, 2014, compared with 15.9% as of December 31, 2013. This interest has been accounted for by the equity method since the start of April 2014, following the nomination of a Sanofi's designee to the Regeneron Board of Directors. Previously, the investment in Regeneron was reported in the balance sheet in the "Available-for-sale financial assets" category and measured at market value in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). As of the date on which the equity method was first applied, the investment was measured at acquisition cost in accordance with IAS 28 (Investments in Associates and Joint Ventures). Under IAS 28, the cost of the investment is equivalent to the aggregate amount of the successive acquisition prices paid (including acquisition-related costs) for the interests in Regeneron. Consequently, changes in the market value of the investment in Regeneron, which were previously recognized in "Other comprehensive income", were reversed out on first-time application of the equity method.

The main impacts of the switch to the equity method in accounting for the Regeneron investment during the first half of 2014 are set forth below:

(€ million)	December 31, 2013	Reclassification from available-for-sale financial assets[2]	Acquisitions during the first half of 2014[3]	Other movements[4]	June 30, 2014[5]
Investments in associates and joint ventures	—	256	1,050	(4)	1,302
Available-for-sale financial assets	3,157	(3,157)	—	—	—
Shareholders' equity [1]	2,607	(2,607)	—	(4)	(4)
Deferred tax liabilities	294	(294)	—	—	—
Historical acquisition cost of the investment	256	—	1,050	—	1,306

(1) Amount net of taxes.
(2) Reversal of changes in the value of the investment, previously recognized in "Other comprehensive income".
(3) Acquisition price (including acquisition-related costs) of the 4.7 million shares acquired during the first half of 2014.
(4) Includes -€7 million for the share of losses for the period, including the impact of the amortization of fair value adjustments to the acquired intangible assets and inventories of Regeneron, proportionate to the percentage interest acquired.
(5) Market value of the shares held as of June 30, 2014: €4,234 million.

Goodwill is calculated on each step of the acquisition of the investment, and represents the excess of the acquisition price over the share of the identifiable net assets acquired, measured in accordance with IFRS 3 (Business Combinations). On first-time application of the equity method, the percentage interest acquired of the fair value of Regeneron's intangible assets (net of taxes) was estimated at approximately €670 million. As of that date, the provisional amount of goodwill arising on the investment in Regeneron was €350 million. This amount is included in "***Investments in associates and joint ventures***" in the consolidated balance sheet. Since July 1, 2014 the Sanofi group has acquired a further 1.7 million Regeneron shares at a value of €396 million (see Note C.). Those acquisitions have increased the equity interest held by Sanofi to 22%.

- **Other changes in the scope of consolidation**

The impact of the other acquisitions during the period is not material at Group level.

Sanofi made no material divestments of businesses or companies during the period.

B.2. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment during the first half of 2014 amounted to €417 million. Of this amount, €330 million was invested in the Pharmaceuticals segment, mainly in industrial facilities (€192 million). The Vaccines segment accounted for €67 million of acquisitions of property, plant and equipment during the period, and the Animal Health segment for €20 million.

The Group did not recognize any material impairment losses against property, plant and equipment during the first half of 2014.

Irrevocable orders for property, plant and equipment amounted to €340 million as of June 30, 2014.

B.3. GOODWILL AND OTHER INTANGIBLE ASSETS

Movements in intangible assets other than goodwill during the first half of 2014 were as follows:

(€ million)	Acquired R&D	Products, trademarks and other rights	Software	Total other intangible assets
Gross value at January 1, 2014	**4,502**	**48,103**	**1,052**	**53,657**
Acquisitions and other increases	83	39	45	167
Disposals and other decreases	(12)	(49)	(31)	(92)
Currency translation differences	32	366	6	404
Transfers[2]	(67)	65	56	54
Gross value at June 30, 2014	**4,538**	**48,524**	**1,128**	**54,190**
Accumulated amortization & impairment at January 1, 2014	**(2,509)**	**(34,968)**	**(785)**	**(38,262)**
Amortization expense	—	(1,301)	(43)	(1,344)
Impairment losses, net of reversals[1]	(54)	(20)	—	(74)
Disposals and other decreases	12	48	31	91
Currency translation differences	(18)	(267)	(5)	(290)
Transfers[2]	—	—	(57)	(57)
Accumulated amortization & impairment at June 30, 2014	**(2,569)**	**(36,508)**	**(859)**	**(39,936)**
Carrying amount at January 1, 2014	1,993	13,135	267	15,395
Carrying amount at June 30, 2014	**1,969**	**12,016**	**269**	**14,254**

(1) See Note B.4.
(2) The "Transfers" line mainly relates to acquired research and development that came into commercial use during the period and is being amortized from the date of marketing approval.

Acquisitions of other intangible assets (excluding software) in the first half of 2014 were €122 million.

The item "Products, trademarks and other rights" mainly comprises:

- marketed products, with a carrying amount of €11.5 billion at June 30, 2014 (December 31, 2013: €12.6 billion) and a weighted average amortization period of approximately nine years;
- trademarks, with a carrying amount of €0.4 billion at June 30, 2014 (December 31, 2013: €0.4 billion) and a weighted average amortization period of approximately thirteen years.

Key data for the principal marketed products, representing 90% of the carrying amount of this item as of June 30, 2014, are as follows:

(€ million)	Gross value	Amortization and impairment	Carrying amount at June 30, 2014	Amortization period[1] (in years)	Residual amortization period[2] (in years)	Carrying amount at December 31, 2013
Genzyme	8,122	(3,017)	5,105	10	8	5,489
Aventis	31,182	(28,965)	2,217	8	5	2,695
Merial	3,614	(1,640)	1,974	10	6	2,137
Chattem	1,096	(258)	838	22	19	859
Zentiva	895	(605)	290	9	5	335
Total: principal marketed products	**44,909**	**(34,485)**	**10,424**			**11,515**

(1) Weighted averages. Amortization periods for these products vary between 1 and 25 years.
(2) Weighted averages.

Goodwill amounted to €37,421 million as of June 30, 2014, versus €37,134 million as of December 31, 2013. The increase during the first half of 2014 comprised €64 million arising on acquisitions completed during the period, and currency translation differences of €223 million.

B.4. IMPAIRMENT OF INTANGIBLE ASSETS

The results of impairment tests conducted in accordance with IAS 36 (Impairment of Assets) as of June 30, 2014 led to the recognition of a net impairment loss of €74 million.

This mainly relates to the discontinuation of development projects.

B.5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

For definitions of the terms “associate” and “joint venture”, refer to Note B.1. to the consolidated financial statements for the year ended December 31, 2013.

Investments in associates and joint ventures are as follows:

(€ million)	% Interest	June 30, 2014	December 31, 2013
Regeneron Pharmaceuticals Inc. [1]	20.3	1,302	—
Sanofi Pasteur MSD	50.0	270	277
InfraServ GmbH & Co. Höchst KG	31.2	80	88
Entities and companies managed by Bristol-Myers Squibb[2]	49.9	37	43
Other investments	—	41	40
Total		**1,730**	**448**

(1) See Note B.1.
(2) Under the terms of the agreements with Bristol-Myers Squibb (BMS) (see Note C.1. to the consolidated financial statements for the year ended December 31, 2013), the Group’s share of the net assets of entities majority-owned by BMS is recorded in ***Investments in associates and joint ventures***.

The financial statements include commercial transactions between the Group and certain of its associates and joint ventures that are regarded as related parties. The principal transactions and balances of this nature are summarized below:

(€ million)	June 30, 2014	June 30, 2013	December 31, 2013
Sales	48	73	213
Royalties	16	8	22
Accounts receivable	45	48	28
Purchases and other expenses[1]	217	141	280
Accounts payable	21	30	27
Other liabilities[1]	104	109	18

(1) These items mainly comprise transactions with companies and entities managed by BMS and (from April 2014) with Regeneron.

B.6. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets comprise the following items:

(€ million)	June 30, 2014	December 31, 2013
Available-for-sale financial assets[1][2]	935	3,699
Pre-funded pension obligations	15	15
Long-term loans and advances	651	676
Financial assets recognized under the fair value option	185	167
Derivative financial instruments	283	269
Total	**2,069**	**4,826**

(1) Sanofi having acquired significant influence over Regeneron Pharmaceuticals Inc., the investment in that entity is recognized in ***Investments in associates and joint ventures*** (see Notes B.1. and B.5.) with effect from April 2014.

(2) As of June 30, 2014, this line includes €421 million in respect of a 12% equity interest in Alnylam Pharmaceuticals, acquired under the terms of the agreement between Genzyme and Alnylam signed in January 2014 (see Note B.13.).

B.7. ACCOUNTS RECEIVABLE

Accounts receivable break down as follows:

(€ million)	June 30, 2014	December 31, 2013
Gross value	7,277	6,968
Allowances	(140)	(137)
Net value	**7,137**	**6,831**

The impact of allowances (net of reversals) against accounts receivable was a net charge of €11 million in the first half of 2014, compared with a net charge of €14 million in the first half of 2013.

The table below shows the ageing profile of overdue accounts receivable, based on gross value:

(€ million)	Overdue accounts Gross value	Overdue <1 month	Overdue from 1 to 3 months	Overdue from 3 to 6 months	Overdue from 6 to 12 months	Overdue >12 months
June 30, 2014	875	268	206	150	106	145
December 31, 2013	952	265	222	173	124	168

Amounts overdue by more than one month relate mainly to public-sector customers.

Some Sanofi subsidiaries have assigned receivables to factoring companies or banks, without recourse. The amount of receivables that met the conditions described in Note B.8.7. to the 2013 consolidated financial statements and hence were derecognized was €299 million as of June 30, 2014, versus €348 million as of December 31, 2013. Residual guarantees relating to these transfers were immaterial as of June 30, 2014.

B.8. CONSOLIDATED SHAREHOLDERS' EQUITY

B.8.1. Share capital

As of June 30, 2014, the share capital amounted to €2,641,619,208, and consisted of 1,320,809,604 shares (the total number of shares outstanding) with a par value of €2.

Treasury shares held by the Group are as follows:

	Number of shares in million	% of share capital for the period
June 30, 2014	8.7	0.66%
December 31, 2013	3.6	0.27%
June 30, 2013	6.2	0.46%
January 1, 2013	3.1	0.24%

A total of 4,010,192 new shares were issued during the first half of 2014 as a result of the exercise of options under Sanofi stock subscription option plans.

A total of 615,359 restricted shares vested and were issued in the first half of 2014 under restricted share plans, of which 609,927 were awarded as part of the March 1, 2010 plan.

B.8.2. Repurchase of Sanofi shares

The shareholders' Annual General Meeting of May 5, 2014 authorized a share repurchase program for a period of 18 months. Under this program (and this program only), Sanofi repurchased 5,222,421 of its own shares during May and June 2014 for a total of €410 million.

The shareholders' Annual General Meeting of May 3, 2013 authorized a share repurchase program for a period of 18 months. Under this program (and this program only), Sanofi repurchased 8,007,926 of its own shares during the first half of 2014 for a total of €600 million.

In addition, transactions carried out under the liquidity contract in the first half of 2014 had a negative effect of €2 million on equity.

B.8.3. Reduction in share capital

On April 28, 2014, the Board of Directors approved the cancellation of 8,136,828 treasury shares (€605 million including additional paid-in capital), representing 0.62% of the share capital as of June 30, 2014.

These cancellations had no effect on consolidated shareholders' equity.

B.8.4. Performance share plan

These plans are accounted for in accordance with the policies described in Note B.24.3. to the consolidated financial statements for the year ended December 31, 2013. The principal features of such plans are as follows:

Type of plan	2014 Performance share plan
Date of Board meeting approving the plan	March 5, 2014
Total number of shares awarded	3,908,135
Of which subject to a 4-year service period	2,605,515
Fair value per share awarded [1]	59.68
Of which subject to a 3-year service period	1,302,620
Fair value per share awarded [1]	63.26
Fair value of plan at the date of grant (€ million)	**238**

[1] Quoted market price per share at the date of grant, adjusted for dividends expected during the vesting period.

The total expense recognized in the first half of 2014 for all restricted share plans was €79 million, versus €73 million in the first half of 2013.

The number of shares in process of vesting as of June 30, 2014 was 15,568,645, comprising 3,880,015 for the 2014 plans; 4,160,130 for the 2013 plans; 4,381,450 for the 2012 plans; 1,712,170 for the 2011 plans; and 1,434,880 for the 2010 plans.

On March 5, 2014, the Board of Directors approved a performance share unit (PSU) plan of 430,515 PSUs, vesting at the end of a three-year service period and subject to performance conditions.

Because PSUs are cash settled instruments, they are measured at the date of grant, at each reporting date, and at the settlement date. The fair value per PSU awarded is the market price of the share as of the relevant date, adjusted for dividends expected during the vesting period.

The fair value of the PSU plan is €31 million. This amount is being recognized in profit or loss over the vesting period, with a corresponding liability recognized in ***Other non-current liabilities***. The expense recognized in the six months ended June 30, 2014 was €4 million.

B.8.5. Stock option plan

On March 5, 2014 the Board of Directors granted 1,009,250 stock subscription options at an exercise price of €73.48. The vesting period is four years, and the plan expires on March 5, 2024.

The following assumptions were used in determining the fair value of this plan:

- dividend yield: 4.21%;
- plan maturity: 7 years;
- volatility of Sanofi shares, computed on a historical basis: 27.47%;
- risk-free interest rate: 1.423%.

On this basis, the fair value of one option is €12.61, and the fair value of the stock option plan awarded in March 2014 is €13 million. This amount is being charged to profit or loss over the vesting period, with the matching entry recorded directly in equity.

The total expense recognized for stock option plans in the first half of 2014 was €6 million, compared with €12 million in the first half of 2013.

The table below provides summary information about options outstanding and exercisable as of June 30, 2014:

	Outstanding			Exercisable	
Range of exercise prices per share	Number of options	Average residual life (in years)	Weighted average exercise price per share (€)	Number of options	Weighted average exercise price per share (€)
From €1.00 to €10.00 per share	13,070	1.14	7.74	13,070	7.74
From €10.00 to €20.00 per share	28,280	2.44	14.77	28,280	14.77
From €30.00 to €40.00 per share	177,201	4.75	38.08	177,201	38.08
From €40.00 to €50.00 per share	3,771,011	4.67	45.09	3,771,011	45.09
From €50.00 to €60.00 per share	7,396,239	6.00	53.95	5,755,689	54.12
From €60.00 to €70.00 per share	11,921,390	2.94	64.72	11,921,390	64.72
From €70.00 to €80.00 per share	9,334,079	2.51	70.86	7,554,854	70.38
Total	**32,641,270**			**29,221,495**	
of which stock purchase options	*218,551*				
of which stock subscription options	*32,422,719*				

B.8.6. Number of shares used to compute diluted earnings per share

Diluted earnings per share is computed using the number of shares outstanding plus stock options, restricted shares and performance shares with a potentially dilutive effect.

(in million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	December 31, 2013 (12 months)
Average number of shares outstanding	1,317.2	1,323.9	1,323.1
Adjustment for options with potentially dilutive effect	6.3	9.8	8.9
Adjustment for restricted shares	10.3	6.8	7.1
Average number of shares used to compute diluted earnings per share	**1,333.8**	**1,340.5**	**1,339.1**

As of June 30, 2014, 1.8 million stock options were excluded from the calculation of diluted earnings per share because they did not have a potentially dilutive effect, versus 0.8 million as of December 31, 2013 and 0.8 million as of June 30, 2013.

B.8.7. Other comprehensive income

Movements in other comprehensive income were as follows:

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	December 31, 2013 (12 months)
Balance, beginning of period	**(1,745)**	**(1,596)**	**(1,596)**
Attributable to equity holders of Sanofi	*(1,707)*	*(1,572)*	*(1,572)*
Attributable to non-controlling interests	*(38)*	*(24)*	*(24)*
Actuarial gains/(losses):			
• Impact of asset ceiling	—	—	—
• Actuarial gains/(losses) excluding associates and joint ventures	(477)	721	809
• Actuarial gains/(losses) of associates and joint ventures	—	—	(2)
• Tax effect	153	(138)	(149)
Items not subsequently reclassifiable to profit or loss	**(324)**	**583**	**658**
Available-for-sale financial assets:			
• Change in fair value	(3,101) (1)/(2)	754	1,208
• Tax effect	329 (1)	(74)	(209)
Cash flow hedges:			
• Change in fair value	(2) (3)	(3)	(3)
• Tax effect	1	1	1
Change in currency translation differences:			
• Currency translation differences on foreign subsidiaries	377	(329)	(1,804)
• Hedges of net investments in foreign operations	—	—	—
• Tax effect	—	—	—
Items subsequently reclassifiable to profit or loss	**(2,396)**	**349**	**(807)**
Balance, end of period	**(4,465)**	**(664)**	**(1,745)**
Attributable to equity holders of Sanofi	*(4,429)*	*(635)*	*(1,707)*
Attributable to non-controlling interests	*(36)*	*(29)*	*(38)*

(1) Mainly comprises the effect of switching to the equity method of accounting for the investment in Regeneron Pharmaceuticals Inc. (see Note B.1.).
(2) Includes a reclassification of €(78) million to financial income/expenses in the first half of 2014 (see Note B.13.).
(3) Reclassifications to profit or loss were immaterial in the first half of 2014 and in 2013.

B.9. DEBT, CASH AND CASH EQUIVALENTS

Changes in the Group's financial position during the period were as follows:

(€ million)	June 30, 2014	December 31, 2013
Long-term debt	10,113	10,414
Short-term debt and current portion of long-term debt	4,683	4,176
Interest rate and currency derivatives used to hedge debt	(296)	(290)
Total debt	14,500	**14,300**
Cash and cash equivalents[1]	(4,306)	(8,257)
Debt, net of cash and cash equivalents	**10,194**	**6,043**

(1) Includes €201 million held by Venezuelan subsidiaries as of June 30, 2014 (€137 million as of December 31, 2013).

"Debt, net of cash and cash equivalents" is a financial indicator used by management and investors to measure the company's overall net indebtedness.

B.9.1. Debt at value on redemption

A reconciliation of the carrying amount of debt to value on redemption as of June 30, 2014 is shown below:

(€ million)	Carrying amount June 30, 2014	Amortized cost	Adjustment to debt measured at fair value	Value on redemption	
				June 30, 2014	December 31, 2013
Long-term debt	10,113	58	(220)	9,951	10,276
Short-term debt and current portion of long-term debt	4,683	(1)	(10)	4,672	4,157
Interest rate and currency derivatives used to hedge debt	(296)	—	180	(116)	(119)
Total debt	**14,500**	**57**	**(50)**	**14,507**	**14,314**
Cash and cash equivalents	(4,306)	—	—	(4,306)	(8,257)
Interest rate and currency derivatives used to hedge cash and cash equivalents	—	—	—	—	—
Debt, net of cash and cash equivalents	**10,194**	**57**	**(50)**	**10,201**	**6,057**

The table below shows an analysis of debt, net of cash and cash equivalents by type, at value on redemption:

(€ million)	June 30, 2014			December 31, 2013		
	Non-current	Current	Total	Non-current	Current	Total
Bond issues	9,406	2,426	11,832	9,726	3,111	12,837
Other bank borrowings	485	513	998	487	578	1,065
Commercial paper	—	1,317	1,317	—	—	—
Finance lease obligations	47	13	60	50	13	63
Other borrowings	13	4	17	13	4	17
Bank credit balances	—	399	399	—	451	451
Interest rate and currency derivatives used to hedge debt	(106)	(10)	(116)	(113)	(6)	(119)
Total debt	**9,845**	**4,662**	**14,507**	**10,163**	**4,151**	**14,314**
Cash and cash equivalents	—	(4,306)	(4,306)	—	(8,257)	(8,257)
Interest rate and currency derivatives used to hedge cash and cash equivalents	—	—	—	—	—	—
Debt, net of cash and cash equivalents	**9,845**	**356**	**10,201**	**10,163**	**(4,106)**	**6,057**

Principal financing and debt reduction transactions during the period

Two bond issues were redeemed on maturity during the first half of 2014:

- a $750 million fixed-rate bond issue carried out in March 2011, which matured on March 28, 2014;
- a $750 million floating-rate bond issue carried out in March 2011, which matured on March 28, 2014.

Sanofi had the following arrangements in place as of June 30, 2014 to manage its liquidity in connection with current operations:

- a syndicated credit facility of €3 billion, drawable in euros, now due to expire on December 24, 2014 following the exercise of a second and final one-year extension option on July 22, 2013;
- a syndicated credit facility of €7 billion, drawable in euros or U.S. dollars, expiring December 20, 2018, and with two one-year extension options.

None of these facilities was drawn down as of June 30, 2014.

Sanofi also has in place two commercial paper programs, one in France (€6 billion) and the other in the United States ($10 billion). Only the U.S. program was drawn down as of June 30, 2014, in an amount of $1.8 billion (average drawdown over the period: $3.6 billion).

The financing arrangements in place as of June 30, 2014 at the level of the Sanofi parent company (which centrally manages the bulk of the Group's financing needs) are not subject to covenants regarding financial ratios, and contain no clauses linking credit spreads or fees to Sanofi's credit rating.

B.9.2. Market value of debt

The market value of debt, net of cash and cash equivalents and of derivatives, was €10,649 million as of June 30, 2014 (versus €6,224 million as of December 31, 2013). This compares with a value on redemption of €10,201 million (versus €6,057 million as of December 31, 2013).

B.10. DERIVATIVE FINANCIAL INSTRUMENTS

B.10.1. Currency derivatives used to manage operational risk exposures

The table below shows operational currency hedging instruments in place as of June 30, 2014, with the notional amount translated into euros at the relevant closing exchange rate.

As of June 30, 2014			Of which derivatives designated as cash flow hedges			Of which derivatives not eligible for hedge accounting	
(€ million)	Notional amount	Fair Value	Notional amount	Fair Value	Of which recognized in equity	Notional amount	Fair Value
Forward currency sales	**2,819**	**(14)**	**—**	**—**	**—**	**2,819**	**(14)**
• *of which U.S. dollar*	*1,033*	—	—	—	—	*1,033*	—
• *of which Russian rouble*	*254*	*(6)*	—	—	—	*254*	*(6)*
• *of which Singapore dollar*	*153*	—	—	—	—	*153*	—
• *of which Japanese yen*	*236*	*(1)*	—	—	—	*236*	*(1)*
• *of which Chinese yuan renminbi*	*308*	—	—	—	—	*308*	—
Forward currency purchases	**579**	**6**	**—**	**—**	**—**	**579**	**6**
• *of which Hungarian forint*	*66*	—	—	—	—	*66*	—
• *of which Russian rouble*	*70*	4	—	—	—	*70*	4
• *of which Pound sterling*	*59*	1	—	—	—	*59*	1
• *of which U.S. dollar*	*83*	—	—	—	—	*83*	—
• *of which Singapore dollar*	*66*	—	—	—	—	*66*	—
Total	**3,398**	**(8)**	**—**	**—**	**—**	**3,398**	**(8)**

These positions primarily hedge material foreign-currency cash flows arising after the balance sheet date in relation to transactions carried out during the six months to June 30, 2014 and recognized in the consolidated balance sheet as of that date. Gains and losses on these hedging instruments (forward contracts) are calculated and recognized in parallel with the recognition of gains and losses on the hedged items. Consequently, the commercial foreign exchange gain or loss to be recognized on these items (hedges and hedged transactions as of June 30, 2014) in the second half of 2014 will not be material.

B.10.2. Currency and interest rate derivatives used to manage financial risk exposures

Cash pooling arrangements for foreign subsidiaries outside the euro zone, and some of the Group's financing activities, expose certain entities to financial foreign exchange risk. This is the risk of changes in the value of loans and borrowings denominated in a currency other than the functional currency of the lender or borrower.

This foreign exchange risk is hedged by firm financial instruments (currency swaps or forward contracts) contracted with banks.

The table below shows the amounts outstanding on financial foreign exchange risk hedging instruments as of June 30, 2014, with the notional amount translated into euros at the exchange rate on that date:

As of June 30, 2014 (€ million)	Notional amount	Fair Value	Expiry
Forward currency sales	**3,561**	**3**	
• *of which U.S. dollar*	*2,478*	*5*	*2014*
• *of which Japanese yen*	*687*	*(2)*	*2015*
• *of which Australian dollar*	*121*	(1)	*2014*
Forward currency purchases	**1,543**	**1**	
• *of which Singapore dollar*	*420*	(1)	*2014*
• *of which Pound Sterling*	*378*	*2*	*2015*
• *of which Swiss franc*	*157*	—	*2014*
Total	**5,104**	**4**	

To limit risk and optimize the cost of its short-term and medium-term net debt, Sanofi uses derivative instruments that alter the interest rate and/or currency structure of its debt and cash. The table below shows instruments of this type in place as of June 30, 2014:

	Notional amounts by expiry date As of June 30, 2014								Of which derivatives designated as fair value hedges		Of which derivatives designated as cash flow hedges		
(€ million)	2014	2015	2016	2017	2019	2020	Total	Fair value	Notional amount	Fair value	Notional amount	Fair Value	Of which recognized in equity
Interest rate swaps													
Interest rate swap, pay floating / receive 2.73%	—	—	500	—	—	—	500	24	500	24	—	—	—
Interest rate swap, pay floating / receive 2.38%	1,200	—	1,000	—	800	—	3,000	191	3,000	191	—	—	—
Interest rate swap, pay floating / receive 1.15%	—	—	—	428	—	—	428	—	—	—	—	—	—
Interest rate swap, pay floating / receive 0.34%	366	—	—	—	—	—	366	1	366	1	—	—	—
Interest rate swap, pay floating / receive 2.23%	—	—	—	—	—	366	366	7	366	7	—	—	—
Interest rate swap, pay 1.22% / receive floating	—	—	—	366	—	—	366	(3)	—	—	366	(3)	(1)
Cross-currency swaps													
- pay € 4.87% / receive CHF 3.38%	—	244	—	—	—	—	244	84	—	—	244	84	—
Currency swaps[1]													
- pay € / receive USD	1,317	—	—	—	—	—	1,317	(8)	—	—	—	—	—
Total	**2,883**	**244**	**1,500**	**794**	**800**	**366**	**6,587**	**296**	**4,232**	**223**	**610**	**81**	**(1)**

(1) Currency swaps used to hedge drawdowns under U.S. dollar-denominated commercial paper programs (see Note B.9.1.).

B.11. LIABILITIES RELATED TO BUSINESS COMBINATIONS AND TO NON-CONTROLLING INTERESTS

A description of the nature of the liabilities included in the line item ***Liabilities related to business combinations and to non-controlling interests*** is provided in Note B.8.5. to the consolidated financial statements for the year ended December 31, 2013.

The liabilities related to business combinations and to non-controlling interests reported in the table below are classified as level 3 instruments under IFRS 7 (see Note A.4.), except for the CVRs issued in connection with the Genzyme acquisition which are classified as level 1 instruments.

Movements in liabilities related to business combinations and to non-controlling interests during the first half of 2014 were as follows:

		Liabilities related to business combinations			
(€ million)	Liabilities related to non-controlling interests[1]	CVRs issued in connection with the acquisition of Genzyme[2]	Bayer contingent consideration arising from the Genzyme acquisition	Other	Total
Balance at January 1, 2014	**148**	**59**	**650**	**51**	**908** [4]
New business combinations	54	—	—	—	54
Payments made	—	—	(2)	(2)	(4)
Fair value remeasurements through profit or loss (including unwinding of discount)[3]	—	28	104	—	132
Other movements	(7)	—	—	—	(7)
Balance at June 30, 2014	**195**	**87**	**752**	**49**	**1,083**
Split as follows:					
• Current					109
• Non-current					974

(1) Put options granted to non-controlling interests and commitment to future buyout of the non-controlling interests of BMS.
(2) On the basis of the quoted price of one CVR of $0.50 at June 30, 2014 and $0.34 at December 31, 2013.
(3) Amounts reported in the income statement line item ***Fair value remeasurement of contingent consideration liabilities***.
(4) As of January 1, 2014, this comprised €884 million due after more than one year and €24 million due within less than one year.

Liabilities related to business combinations and to non-controlling interests as of June 30, 2014 mainly comprised the Bayer contingent consideration liability arising from the acquisition of Genzyme in 2011, amounting to €752 million.

As of June 30, 2014, Bayer was still entitled to receive the following potential payments:

- a percentage of sales of alemtuzumab up to a maximum of $1,250 million or over a maximum period of ten years, whichever is achieved first;
- milestone payments based on specified levels of worldwide sales of alemtuzumab beginning in 2021, unless Genzyme exercises its right to buy out these milestone payments by making a one-time payment not exceeding $900 million.

The fair value of this liability was measured at €752 million as of June 30, 2014 (versus €650 million as of December 31, 2013).

The fair value of the liability to Bayer is determined by applying these contractual terms to sales projections which have been weighted to reflect the probability of success and discounted. The fair value as reported takes account of the resubmitted application for approval of Lemtrada™, currently under review by the U.S. Food and Drug Administration (FDA). If the discount rate were to fall by one percentage 1 point, the fair value of the liability to Bayer would increase by approximately 5%.

B.12. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions and other non-current liabilities break down as follows:

(€ million)	Provisions for pensions and other post employment benefits	Provisions for other long term benefits	Restructuring provisions	Other provisions	Other non-current liabilities	Total
Balance at January 1, 2014	**4,025**	**543**	**1,061**	**3,008**	**98**	**8,735**
Changes in scope of consolidation	1	—	—	—	—	1
Increases in provisions and other liabilities	111[1]	81	34	128[2]	2	356
Provisions utilized	(202)[1]	(46)	(6)	(45)	—	(299)
Reversals of unutilized provisions	(5)[1]	(2)	—	(95)[2]	—	(102)
Transfers[3]	(1)	1	(175)	(75)	—	(250)
Net interest on net defined-benefit liabilities and unwinding of discount	66	4	12	24	—	106
Unrealized gains and losses	—	—	—	2	—	2
Currency translation differences	18	—	1	18	3	40
Actuarial gains/losses on defined-benefit plans	477	—	—	—	—	477
Balance at June 30, 2014	**4,490**	**581**	**927**	**2,965**	**103**	**9,066**

(1) As regards provisions for pensions and other post-employment benefits, the "increases in provisions" line corresponds to rights vesting in employees during the period, and past service cost; the "provisions utilized" line corresponds to contributions paid to pension funds, and plan settlements; and the "reversals of unutilized provisions" line corresponds to plan curtailments.

(2) Amounts charged and reversals during the first half of 2014 are largely due to reassessments of tax risks and the resolution of various procedures underway with the tax authorities of several countries.

(3) Includes in particular transfers between current and non-current.

Provisions for pensions and other post employment benefits

For disclosures about the sensitivity of pension and other employee benefit obligations, and the assumptions used as of December 31, 2013, see Note D.19.1. to the consolidated financial statements for the year ended December 31, 2013.

The principal assumptions used (in particular, discount rates and the market value of plan assets) for the euro zone, the United States and the United Kingdom were reviewed as of June 30, 2014 to take into account changes during the first half of 2014.

Actuarial gains and losses on pensions and other post-employment benefits recognized directly in equity are as follows (amounts reported before tax):

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	December 31, 2013 (12 months)
Actuarial gains/(losses) on plan assets	319	96	234
Actuarial gains/(losses) on benefit obligations	(796) [1]	625	575
Decrease/(increase) in provision	**(477)**	**721**	**809**

(1) The movement during the first half of 2014 includes the decrease in discount rates (between -0.25% and -0.75%).

B.13. OFF BALANCE SHEET COMMITMENTS

Sanofi has entered into commitments with third parties under collaboration agreements (see Note D.21.1. to the consolidated financial statements for the year ended December 31, 2013).

Commitments relating to research projects under new collaboration agreements entered into during the period amount to €0.4 billion, while payments contingent on the attainment of specified sales targets once a product reaches the market amount to €0.7 billion.

Potential milestone payments relating to development projects under collaboration agreements entered into during the first half of 2014 amount to €0.9 billion.

The principal commitments entered into during the period are described below:

- On January 13, 2014, Sanofi and its subsidiary Genzyme substantially extended their strategic agreement with Alnylam Pharmaceuticals, Inc. (Alnylam) to develop and commercialize treatments for rare genetic diseases. Genzyme obtained significant rights to Alnylam's pipeline of candidate drugs in the pre-clinical and clinical phases. Alnylam retains the rights over the majority of its products in North America and Western Europe and will be able, via Genzyme's global infrastructure in rare diseases, to significantly expand the opportunities for development and commercialization of its genetic drugs portfolio.

- On March 11, 2014, Sanofi and UCB announced that they had entered into a scientific and strategic collaboration for the discovery and development of innovative anti-inflammatory small molecules, which have the potential to treat a wide range of immune-mediated diseases in areas such as gastroenterology and arthritis.

- On May 28, 2014, Sanofi and Eli Lilly and Company announced an agreement to pursue regulatory approval for non-prescription Cialis® (tadalafil). Cialis® is currently available by prescription only worldwide for the treatment of men with erectile dysfunction.

In June 2014, Sanofi and Merrimack Pharmaceuticals Inc. ended their exclusive worldwide license and collaboration agreement on MM-121 for the management of solid tumors. MM-121 is the first fully-human monoclonal antibody to target cancerous cells that overexpress or amplify ErB3 (or HER3).

B.14. LEGAL AND ARBITRAL PROCEEDINGS

Sanofi and its affiliates are involved in litigation, arbitration and other legal proceedings. These proceedings typically are related to product liability claims, intellectual property rights (particularly claims against generic companies seeking to limit the patent protection of Sanofi products), competition law and trade practices, commercial claims, employment and wrongful discharge claims, tax assessment claims, waste disposal and pollution claims, and claims under warranties or indemnification arrangements relating to business divestitures.

The matters discussed below constitute the most significant developments since publication of the disclosures concerning legal proceedings in the Company's financial statements for the year ended December 31, 2013.

a) Patents

- *Ramipril Canada Patent Litigation*

In March 2014, the Federal Court of Appeals dismissed Sanofi's appeal. In May 2014, Sanofi filed an application for leave to appeal to the Supreme Court of Canada seeking a proper interpretation of Section 8 and the accounting of damages thereunder.

In May 2014, Apotex executed a settlement agreement in satisfaction of FCA Judgment increasing Apotex's damages award, and costs of all appeals (not including costs associated with underlying trial). The rest of the proceeding is ongoing.

b) Government Investigations, Competition Law and Regulatory Claims

- *Lovenox® Antitrust Litigation*

In March 2014, the Court issued an order granting Sanofi US's motion for summary judgment on liability and dismissing the case. In April 2014, Eisai filed a notice of appeal to the Court of Appeals.

c) Other litigation and arbitration

- *CVR Class Action*

In June 2014, Sanofi filed a motion to dismiss the case for failure to state a claim.

- *Merial Heartgard® Advertisement Claim*

In May 2014, the parties executed a settlement agreement and the case was dismissed with prejudice.

- *Merial Frontline® Advertisement Claim*

In May 2014, the Court of Appeals affirmed the lower court's decision in favor of Merial Limited. The case is now closed.

B.15. RESTRUCTURING COSTS

Restructuring costs break down as follows:

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	December 31, 2013 (12 months)
Employee-related expenses	70	121	169
Expenses related to property, plant and equipment	24	20	46
Compensation for early termination of contracts (other than contracts of employment)	1	5	26
Decontamination costs	—	—	12
Other restructuring costs	40	13	47
Total	**135**	**159**	**300**

B.16. FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise the following items:

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	December 31, 2013 (12 months)
Cost of debt[1]	(177)	(194)	(366)
Interest income	33	24	49
Cost of debt, net of cash and cash equivalents	**(144)**	**(170)**	**(317)**
Non-operating foreign exchange gains/(losses)	6	1	5
Unwinding of discount on provisions[2]	(36)	(36)	(72)
Interest cost on the net defined-benefit plan liability	(70)	(79)	(159)
Gains/(losses) on disposals of financial assets	81[3]	4	50
Impairment losses on financial assets, net of reversals	(5)	—	(8)
Other items	33[4]	3	(2)
Net financial income/(expenses)	**(135)**	**(277)**	**(503)**
Comprising: Financial expenses	**(292)**	**(311)**	**(612)**
Financial income	**157**	**34**	**109**

(1) Includes net gain on interest and currency derivatives used to hedge debt: €42 million for the six months ended June 30, 2014, €91 million for the year ended December 31, 2013, and €45 million for the six months ended June 30, 2013.
(2) Primarily provisions for environmental risks and restructuring provisions (see Note B.12.).
(3) Mainly comprises the gain arising on the disposal of the equity interest in Isis Pharmaceuticals.
(4) Includes gain arising on the acquisition of shares in Alnylam, representing the difference between the quoted market value of the shares on the transaction date and the transaction price.

The impact of hedge ineffectiveness during the six months ended June 30, 2014 was immaterial.

B.17. INCOME TAX EXPENSE

The Group has opted for tax consolidations in a number of countries, principally France, Germany, the United Kingdom and the United States.

The table below shows the split of income tax expense between current and deferred taxes:

(€ million)	June 30, 2014 (6 months)	June 30, 2013[1] (6 months)	December 31, 2013[1] (12 months)
Current taxes	(1,247)	(959)	(1,775)
Deferred taxes	623	608	1,012
Total	**(624)**	**(351)**	**(763)**
Income before tax and associates and joint ventures	**2,539**	**1,868**	**4,602**

(1) Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).

The difference between the effective tax rate and the standard corporate income tax rate applicable in France is explained as follows:

(as a percentage)	June 30, 2014[2] (6 months)	June 30, 2013[1]/[2] (6 months)	December 31, 2013[1] (12 months)
Standard tax rate applicable in France	34.4	34.4	34.4
Difference between standard French tax rate and other tax rates applicable to the Group [3]	(11.0)	(16.2)	(11.9)
Tax rate differential on intragroup margin in inventory[4]	(1.4)	0.6	1.3
Tax effects of the share of profits reverting to BMS[5]	(0.8)	(1.4)	(1.1)
Contribution on distributed income (3%) [6]	4.3	5.8	2.4
CVAE tax in France[7]	1.1	1.8	1.3
Re-estimates of tax exposures	—	(6.0)	(6.5)
Fair value remeasurement of contingent consideration liabilities	0.4	1.3	(2.9)
Other items[8]	(2.4)	(1.5)	(0.4)
Effective tax rate	**24.6**	**18.8**	**16.6**

(1) Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).
(2) Rate calculated on the basis of the estimated effective tax rate for the full financial year (see Note A.2.).
(3) The difference between the standard French tax rate and other tax rates applicable to the Group is due partly to the fact that many of the countries where Sanofi operates have lower tax rates than France, and partly to the fact that royalty income is taxed at reduced rates in some countries (including France)
(4) When intragroup margin included in inventory is eliminated, a deferred tax asset is recognized on the basis of the tax rate applicable to the subsidiary that holds the inventory, which may differ from the tax rate of the subsidiary that generated the eliminated intragroup margin.
(5) Reported on the line ***Attributable to non-controlling interests*** in the consolidated income statement.
(6) Entities liable to corporate income tax in France are also liable to pay an additional tax contribution on amounts distributed by the entity.
(7) Net impact on the effective tax rate (current taxes, impact of the tax deduction, and deferred taxes).
(8) "Other items" includes the net impact (current and deferred taxes) of the *Contribution Exceptionnelle* in France, which is immaterial at Group level.

B.18. SEGMENT INFORMATION

Sanofi has three operating segments: Pharmaceuticals, Human Vaccines (Vaccines), and Animal Health. All other activities are combined in a separate segment, "Other".

The Pharmaceuticals segment covers research, development, production and marketing of medicines, including activities acquired with Genzyme. Sanofi's pharmaceuticals portfolio consists of flagship products, plus a broad range of prescription medicines, generic medicines, and consumer health products. This segment also includes all associates and joint ventures whose activities are related to pharmaceuticals, in particular Regeneron Pharmaceuticals Inc. and the entities majority owned by BMS.

The Vaccines segment is wholly dedicated to vaccines, including research, development, production and marketing. This segment includes the Sanofi Pasteur MSD joint venture.

The Animal Health segment comprises the research, development, production and marketing activities of Merial, which offers a complete range of medicines and vaccines for a wide variety of animal species.

The "Other" segment consists of all activities that are not reportable segments as defined in IFRS 8.

Inter-segment transactions are not material.

B.18.1. Segment results

Sanofi reports segment results on the basis of "Business operating income". This indicator, which complies with IFRS 8, is used internally to measure operational performance and allocate resources.

Business operating income is derived from ***Operating income***, adjusted as follows:

- the amounts reported in the line items ***Restructuring costs***, ***Fair value remeasurement of contingent consideration liabilities*** and ***Other gains and losses, and litigation*** are eliminated;
- amortization and impairment losses charged against intangible assets (other than software) are eliminated;
- the share of net profits/losses from associates and joint ventures is added;
- the share attributable to non-controlling interests is deducted;
- other acquisition-related effects (primarily the workdown of acquired inventories remeasured at fair value at the acquisition date, and the impact of acquisitions on investments in associates and joint ventures) are eliminated;
- restructuring costs relating to associates and joint ventures are eliminated.

Segment results are shown in the tables below:

	June 30, 2014 (6 months)				
(€ million)	Pharmaceuticals	Vaccines	Animal Health	Other	Total
Net sales	**13,517**	**1,346**	**1,054**	—	**15,917**
Other revenues	126	14	14	—	154
Cost of sales	(4,046)	(700)	(378)	—	(5,124)
Research and development expenses	(2,025)	(230)	(72)	—	(2,327)
Selling and general expenses	(3,721)	(271)	(341)	—	(4,333)
Other operating income and expenses	19	1	17	(8)	29
Share of profit/(loss) of associates and joint ventures	33	6	—	—	39
Net income attributable to non-controlling interests	(65)	—	—	—	(65)
Business operating income	**3,838**	**166**	**294**	**(8)**	**4,290**

(€ million)	June 30, 2013 [1] (6 months) Pharmaceuticals	Vaccines	Animal Health	Other	Total
Net sales	**13,522**	**1,457**	**1,083**	**—**	**16,062**
Other revenues	155	12	14	—	181
Cost of sales	(4,174)	(695)	(346)	—	(5,215)
Research and development expenses	(2,008)	(249)	(85)	—	(2,342)
Selling and general expenses	(3,801)	(301)	(344)	—	(4,446)
Other operating income and expenses	130	7	(1)	34	170
Share of profit/(loss) of associates and joint ventures	27	(4)	(2)	—	21
Net income attributable to non-controlling interests	(86)	—	—	—	(86)
Business operating income	**3,765**	**227**	**319**	**34**	**4,345**

(1) Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).

(€ million)	December 31, 2013 [1] (12 months) Pharmaceuticals	Vaccines	Animal Health	Other	Total
Net sales	**27,250**	**3,716**	**1,985**	**—**	**32,951**
Other revenues	295	30	30	—	355
Cost of sales	(8,518)	(1,776)	(689)	—	(10,983)
Research and development expenses	(4,087)	(518)	(165)	—	(4,770)
Selling and general expenses	(7,362)	(588)	(653)	—	(8,603)
Other operating income and expenses	422	3	(1)	26	450
Share of profit/(loss) of associates and joint ventures	48	41	(4)	—	85
Net income attributable to non-controlling interests	(162)	1	(1)	—	(162)
Business operating income	**7,886**	**909**	**502**	**26**	**9,323**

(1) Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).

The table below shows the reconciliation between ‘‘Business operating income’’ and ***Income before tax and associates and joint ventures***, in accordance with IFRS 8:

(€ million)	June 30, 2014 (6 months)	June 30, 2013[1] (6 months)	December 31, 2013[1] (12 months)
Business operating income	**4,290**	**4,345**	**9,323**
Share of profit/(loss) of associates and joint ventures[2]	(39)	(21)	(85)
Net income attributable to non-controlling interests[3]	65	86	162
Amortization of intangible assets	(1,301)	(1,543)	(2,914)
Impairment of intangible assets	(74)	(440)	(1,387)
Fair value remeasurement of contingent consideration liabilities	(132)	(117)	314
Expenses arising from the impact of acquisitions on inventories[4]	—	(6)	(8)
Restructuring costs	(135)	(159)	(300)
Other gains and losses, and litigation	—	—	—
Operating income	**2,674**	**2,145**	**5,105**
Financial expenses	(292)	(311)	(612)
Financial income	157	34	109
Income before tax and associates and joint ventures	**2,539**	**1,868**	**4,602**

(1) Includes the impact of first-time application of IFRIC 21 (see Note A.1.3.).
(2) Excluding (i) restructuring costs of associates and joint ventures and (ii) expenses arising from the impact of acquisitions on associates and joint ventures.
(3) Excluding the share of the adjustments listed in the table above attributable to non-controlling interests.
(4) This line records the impact of the workdown of acquired inventories remeasured at fair value at the acquisition date.

B.18.2. Other segment information

The tables below show the split by operating segment of (i) the carrying amount of investments in associates and joint ventures accounted for by the equity method, (ii) acquisitions of property, plant and equipment, and (iii) acquisitions of intangible assets.

The principal associates and joint ventures are: for the Pharmaceuticals segment, the entities majority owned by BMS (see Note C.1. to the consolidated financial statements for the year ended December 31, 2013), Regeneron Pharmaceuticals Inc. (with effect from April 2014), and Infraserv GmbH & Co. Höchst KG; and for the Vaccines segment, Sanofi Pasteur MSD.

Acquisitions of intangible assets and property, plant and equipment correspond to acquisitions made during the period.

	June 30, 2014			
(€ million)	Pharmaceuticals	Vaccines	Animal Health	Total
Investments in associates and joint ventures	1,452	274	4	1,730
Acquisitions of property, plant and equipment	353	100	31	484
Acquisitions of other intangible assets	114	32	7	153

	June 30, 2013			
(€ million)	Pharmaceuticals	Vaccines	Animal Health	Total
Investments in associates and joint ventures	207	275	4	486
Acquisitions of property, plant and equipment	417	91	40	548
Acquisitions of other intangible assets	171	6	3	180

	December 31, 2013			
(€ million)	Pharmaceuticals	Vaccines	Animal Health	Total
Investments in associates and joint ventures	163	281	4	448
Acquisitions of property, plant and equipment	820	205	71	1,096
Acquisitions of other intangible assets	264	17	21	302

B.18.3. Information by geographical region

The geographical information on net sales provided below is based on the geographical location of the customer.

In accordance with IFRS 8, the non-current assets reported below exclude financial instruments, deferred tax assets, and pre-funded pension obligations.

	June 30, 2014					
(€ million)	Total	Europe	*Of which France*	North America	*Of which United States*	Other countries
Net sales	**15,917**	**5,145**	***1,255***	**5,245**	***4,984***	**5,527**
Non-current assets:						
– property, plant and equipment	10,090	6,370	*3,877*	2,534	*2,162*	1,186
– goodwill [1]	36,214	15,022		14,207		6,985
– other intangible assets	14,254	3,231		7,654		3,369

[1] Excludes the goodwill allocated in full to the Animal Health cash generating unit (see Note D.5. to the consolidated financial statements for the year ended December 31, 2013), which amounted to €1,207 million as of June 30, 2014.

	June 30, 2013					
(€ million)	Total	Europe	*Of which France*	North America	*Of which United States*	Other countries
Net sales	**16,062**	**5,277**	***1,320***	**5,076**	***4,797***	**5,709**
Non-current assets:						
– property, plant and equipment	10,409	6,548	*3,993*	2,676	*2,291*	1,185
– goodwill [1]	36,877	15,021		14,852		7,004
– other intangible assets	18,266	4,003		10,266		3,997

[1] Excludes the goodwill allocated in full to the Animal Health cash generating unit (see Note D.5. to the consolidated financial statements for the year ended December 31, 2013), which amounted to €1,267 million as of June 30, 2013.

	December 31, 2013					
(€ million)	Total	Europe	*Of which France*	North America	*Of which United States*	Other countries
Net sales	**32,951**	**10,504**	***2,571***	**11,006**	***10,433***	**11,441**
Non-current assets:						
– property, plant and equipment	10,182	6,509	*3,969*	2,553	*2,186*	1,120
– goodwill [1]	35,939	15,023		14,071		6,845
– other intangible assets	15,395	3,531		8,256		3,608

[1] Excludes the goodwill allocated in full to the Animal Health cash generating unit (see Note D.5. to the consolidated financial statements for the year ended December 31, 2013), which amounted to €1,195 million as of December 31, 2013.

As stated in Notes B.6.1. and D.5. to the consolidated financial statements for the year ended December 31, 2013, France is not a cash generating unit (CGU). Consequently, information about goodwill is provided for Europe.

B.18.4. Net sales

Sanofi's net sales comprise the net sales generated by the Pharmaceuticals, Vaccines and Animal Health segments.

The table below shows net sales of flagship products and of the other major products of the Pharmaceuticals segment:

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	December 31, 2013 (12 months)
Lantus®	3,005	2,747	5,715
Apidra®	152	134	288
Amaryl®	182	193	375
Insuman®	65	65	132
BGM	32	23	48
Lyxumia®	11	1	9
Other products	3	—	1
Total: Diabetes	**3,450**	**3,163**	**6,568**
Taxotere®	136	222	409
Eloxatin®	93	119	221
Jevtana®	132	106	231
Thymoglobulin®	106	96	198
Mozobil®	51	51	101
Zaltrap®	31	25	53
Other products	131	125	252
Total: Oncology	**680**	**744**	**1,465**
Cerezyme®	343	342	688
Myozyme®/Lumizyme®	254	242	500
Fabrazyme®	221	183	383
Aldurazyme®	86	78	159
Other products	119	120	244
Total: Rare Diseases	**1,023**	**965**	**1,974**
Aubagio®	175	53	166
Lemtrada™	11	—	—
Other products	—	—	2
Total: Multiple Sclerosis	**186**	**53**	**168**
Total: Genzyme	**1,209**	**1,018**	**2,142**
Plavix®	912	943	1,857
Lovenox®	837	864	1,703
Aprovel®/ CoAprovel®	372	479	882
Renagel®/Renvela®	309	346	750
Allegra®	119	248	406
Stilnox®/Ambien®/Ambien CR®/Myslee® range	151	193	391
Depakine ®	191	209	405
Synvisc®/Synvisc-One®	163	182	371
Tritace®	143	158	307
Multaq®	139	131	269
Lasix®	81	83	172
Targocid®	75	88	166
Orudis®	83	73	144
Cordarone®	65	72	141
Xatral®	47	51	101
Actonel®	41	52	100
Auvi-Q™/Allerject™	26	19	51
Other prescription products	1,836	2,143	4,230
Total: Other prescription products	**5,590**	**6,334**	**12,446**
Consumer Health Care	**1,701**	**1,540**	**3,004**
Generics	**887**	**723**	**1,625**
Total: Pharmaceuticals	**13,517**	**13,522**	**27,250**

The table below shows net sales of the principal vaccine types sold by the Vaccines segment:

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	December 31, 2013 (12 months)
Polio/Pertussis/Hib Vaccines	495	563	1,148
Influenza Vaccines	194	172	929
Meningitis/Pneumonia Vaccines	171	203	496
Adult Booster Vaccines	164	209	391
Travel and Endemics Vaccines	178	172	382
Other Vaccines	144	138	370
Total: Vaccines	**1,346**	**1,457**	**3,716**

The table below shows net sales of the principal products sold by the Animal Health segment:

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	December 31, 2013 (12 months)
Frontline® and other fipronil products	340	364	611
Nexgard™	58	—	—
Vaccines	334	361	727
Avermectin	212	245	413
Other Animal Health products	110	113	234
Total: Animal Health	**1,054**	**1,083**	**1,985**

B.18.5. Split of sales

The three largest customers accounted for approximately 7.9%, 7.3% and 4.6% respectively of the Group's gross sales in the first half of 2014.

C/ Events subsequent to June 30, 2014

Since July 1, 2014, the Sanofi Group has acquired a further 1.7 million Regeneron shares at a value of €396 million. These acquisitions have increased the equity interest held by Sanofi to 22% (see Note B.1.).

2 HALF-YEAR MANAGEMENT REPORT

A/ Significant events of the first half of 2014

A.1. PHARMACEUTICALS

A.1.1. Acquisitions and alliances

Developments in acquisitions and alliances during the first half of 2014 were as follows:

- In January 2014, Sanofi and **Regeneron Pharmaceuticals, Inc.** (Regeneron) amended the Investor Agreement that has existed between the two companies since 2007. Under the terms of the amended agreement, Sanofi retains the right to acquire up to 30% of Regeneron's capital stock (consisting of the outstanding shares of common stock and the shares of Class A stock). Having passed the threshold of 20% ownership of the capital stock, Sanofi exercised its right under the amended agreement to designate an independent director, who has been appointed to the Board of Directors of Regeneron. The interest held by Sanofi in Regeneron has been consolidated by the equity method since the start of April 2014 (see Note B.1. to the condensed half-year consolidated financial statements).
- In January 2014, Sanofi announced that Genzyme and **Alnylam Pharmaceuticals, Inc.** (Alnylam) had extended their collaboration, initiated in 2012, to develop and commercialize treatments for rare genetic diseases. Under the terms of this strategic agreement, Genzyme obtained significant rights to Alnylam's development pipeline, while Alnylam retains the rights over the majority of its products in North America and Western Europe. Genzyme also has options to co-commercialize some products with Alnylam. In addition, Genzyme became a major shareholder in Alnylam with an equity interest of approximately 12% representing an investment of approximately $700 million. Starting January 1, 2015, Alnylam will also receive R&D funding for programs where Genzyme has elected to opt in for development or commercialization, and may also receive milestone payments and royalties.
- In March 2014, Sanofi and **UCB** announced that they had entered into a scientific and strategic collaboration for the discovery and development of innovative anti-inflammatory small molecules, which have the potential to treat a wide range of immune-mediated diseases in areas such as gastroenterology and arthritis. Under the terms of the agreement, Sanofi and UCB will share costs and profits on a 50/50 basis. UCB received an upfront payment and may also receive preclinical and clinical milestone payments, with the total amount to be received potentially exceeding €100 million.
- In May 2014, Sanofi and Eli Lilly and Company (Eli Lilly) announced an agreement to pursue regulatory approval for non-prescription **Cialis®** (tadalafil). Cialis® is currently available by prescription only worldwide for the treatment of men with erectile dysfunction. Under the terms of the agreement, Sanofi acquired exclusive rights to seek approval for Cialis® as an over-the-counter (OTC) product in the United States, Europe, Canada and Australia. Sanofi also holds exclusive rights to market Cialis® OTC once the company has obtained all the necessary regulatory approvals. If approval is obtained, Sanofi intends to make Cialis® available without prescription once certain patents have expired.

- In June 2014, Sanofi and **Medtronic, Inc.** (Medtronic) announced that they had signed a memorandum of understanding to enter into a global strategic alliance in diabetes, aimed at improving patient experience and outcomes for people with diabetes around the world. The alliance, implementation of which is subject to the signature of a definitive agreement, will initially focus on two key priorities: firstly development of drug-device combinations, and secondly delivery of care management services to improve adherence, simplify insulin treatment, and help people with diabetes better manage their condition. Implementation of the alliance is subject to the negotiation and execution of a definitive agreement between both companies.

A.1.2. Filings for marketing authorization for new products

- In March 2014, **SAR650984**, an anti-CD38 monoclonal antibody, was granted orphan drug status by the European Medicines Agency (EMA) for the treatment of myeloma.
- In May 2014, Sanofi and its subsidiary Genzyme announced that the United States Food and Drug Administration (FDA) had accepted for review the resubmission of the supplemental Biologics License Application (sBLA) seeking approval of **Lemtrada™** [(1)] (alemtuzumab) for the treatment of relapsing forms of multiple sclerosis (MS). A six-month review period has been assigned for the sBLA, and Genzyme expects the FDA's decision in the fourth quarter of 2014. The resubmission was filed at the start of May 2014 following constructive discussions with the FDA; it is based on data from the same clinical studies included in the original sBLA, but provides supplemental analyses and additional information to specifically address issues previously noted by the FDA in its Complete Response Letter of December 27, 2013. Genzyme had previously indicated its intention to appeal against that Complete Response Letter, but no longer intends to do so following the resubmission.
- In June 2014, the EMA accepted for review the new drug application in the European Union for **Toujeo®** (insulin glargine [rDNA origin] injection, 300 U/ml), the clinical trial results for which are described in A.1.3. below. In early July 2014, the FDA accepted for review a new drug application in the United States for Toujeo®.

The following recommendation was obtained from regulatory authorities during the first half of 2014:

- In April 2014, the EMA's Committee for Orphan Medicinal Products adopted a positive opinion recommending ALM-TTRsc/**SAR438714**, a product currently in Phase II for the treatment of familial amyloid cardiomyopathy, for orphan drug status.

A.1.3. Research and Development

For an update on our research and development (R&D) pipeline, refer to the appendix presented in Section G of this half-year management report.

The principal clinical trial results announced during the first half of 2014 were as follows:

- In March 2014, Sanofi and Regeneron presented results from ODYSSEY MONO, a Phase III clinical study of **alirocumab**, an investigational monoclonal antibody targeting PCSK9 (proprotein convertase subtilisin/kexin type 9), to the American College of Cardiology.
- In March 2014, Sanofi and Regeneron presented positive data from a Phase IIa study of **dupilumab**, a human monoclonal antibody for the treatment of atopic dermatitis (eczema), to the American Academy of Allergy, Asthma and Immunology.
- In April 2014, Sanofi and its subsidiary Genzyme announced new magnetic resonance imaging (MRI) data from the **Lemtrada™**[(1)] (alemtuzumab) clinical development program. In Lemtrada™ patients from two Phase III clinical trials (treatment-naïve patients, and patients with active disease on another therapy), the effects observed after two years across all key MRI measures of disease activity were maintained during the first year of the extension study (in particular, the rate of brain atrophy continued to slow and the number of new multiple sclerosis lesions continued to reduce).

(1) Lemtrada™ is a registered trademark of Genzyme Corporation, a Sanofi Group company.

- In June 2014, Sanofi and Regeneron presented positive data from the SARIL-RA-MOBILITY Phase III clinical study of **sarilumab**, an investigational drug for the treatment of rheumatoid arthritis.
- In June 2014, Sanofi announced positive Phase III results for the investigational drug **Toujeo®** (insulin glargine [rDNA origin] injection, 300 U/ml). The results of this pooled analysis, covering three different populations of Type 2 diabetes patients, showed significantly fewer low blood sugar events (hypoglycemia) at any time of day, including night-time events, compared with Lantus® (insulin glargine [rDNA origin] injection, 100 U/ml).

During the first half of 2014, the following decisions were taken in respect of development projects:

- Development of SAR339658, an anti-VLA 2 monoclonal antibody, was discontinued in ulcerative colitis. Sanofi will now evaluate this product in multiple sclerosis by initiating a Phase II clinical study.
- Development of SAR3419 in acute lymphoblastic leukemia was discontinued.
- Sanofi decided not to exercise its license option for RetinoStat®.
- Sanofi returned to Merrimack Pharmaceuticals the rights for the MM-121 monoclonal antibody.
- Sanofi decided not to pursue the development of SAR100842 in systemic sclerosis.

A.2. HUMAN VACCINES (Vaccines)

- In February 2014 UNICEF, which procures vaccines to meet global needs, announced a decision to purchase significant quantities of **inactivated polio vaccine (IPV)** from Sanofi Pasteur and make it available according to individual countries' needs and vaccination plans, at prices determined using a price support mechanism based on financial contributions from Sanofi Pasteur and the Bill & Melinda Gates Foundation. To achieve the goal of polio eradication by 2018, the World Health Organization (WHO) recommends that by end 2015, all children routinely receive at least one dose of IPV in over 120 countries that only use Oral Polio Vaccine (OPV).
- In March 2014, Sanofi Pasteur signed a long-term strategic co-operation agreement with the South Korean company **SK Chemical Co.** (SK Chemical) for the research, development, production and commercialization of a pneumococcal conjugate vaccine (PCV). Under the terms of the agreement, SK Chemical received an upfront payment of $23 million. The two companies will jointly invest in the development of a PCV. If the project is a success, SK Chemical will produce the new vaccine and Sanofi Pasteur will launch the product worldwide, with profits shared (other than in Korea, where SK Chemical will have exclusive marketing rights).
- In April 2014, Sanofi Pasteur announced that the first of two pivotal Phase III efficacy studies of its **dengue vaccine** candidate, conducted in Asia, had achieved its primary clinical endpoint. The study demonstrated a significant reduction of 56% in dengue cases. Initial safety data are consistent with the good safety profile observed in previous studies.
- In May 2014, Sanofi Pasteur's pentavalent pediatric vaccine **Shan5™**, developed and produced by the company's subsidiary Shantha Biotechnics in Hyderabad (India), had received pre-qualification status from the World Health Organization (WHO). This status entitles Shan5™ to bid for tenders from United Nations agencies, principally UNICEF. The vaccine was granted marketing approval in India in March 2014.
- Sanofi Pasteur and KaloBios entered into a negotiated agreement terminating their license and collaboration agreement for the development of KB001-A (a monoclonal antibody targeting ***Pseudomonas aeruginosa***). As a result of the transaction, KaloBios regained full global rights to the product in all indications.

A.3. ANIMAL HEALTH

- On February 11, 2014, the European Commission approved **NexGard™** (afoxolaner), an oral treatment for flea and tick infestations in dogs. NexGard™ is also indicated as a treatment for flea allergy dermatitis.

A.4. OTHER SIGNIFICANT EVENTS OF THE FIRST HALF OF 2014

A.4.1. Legal and arbitral proceedings

For a description of the most significant developments in legal and arbitral proceedings since publication of the financial statements for the year ended December 31, 2013, refer to Note B.14. to the condensed half-year consolidated financial statements.

The following events have occurred in respect of litigation, arbitration and other legal proceedings in which Sanofi and its affiliates are involved:

Patents

- Lantus® and Lantus® SoloStar® patent litigation

  On January 30, 2014, following the filing by Eli Lilly of an NDA (505(b)(2) New Drug Application) with the FDA for an insulin glargine drug product, Sanofi filed a patent infringement suit against Eli Lilly in the United States District Court for the District of Delaware, where Sanofi alleged infringement of four patents covering Lantus® and Lantus® SoloStar® products. This suit resulted in a stay during which the FDA cannot approve Eli Lilly's NDA. The stay is expected to expire the earlier of (i) a court decision in favor of Eli Lilly or (ii) June 2016.

  On July 7, 2014 Sanofi filed a new patent infringement suit against Eli Lilly in the United States District Court for the District of Delaware, following its filing of a second NDA (505 (b)(2) New Drug Application) with the FDA. This NDA is directed to a 3 ml cartridge of insulin glargine. Sanofi alleges infringement of seven patents covering Lantus® and Lantus® SoloStar®. This suit resulted in a stay during which the FDA cannot approve Eli Lilly's NDA. The stay is expected to expire the earlier of (i) a court decision in favor of Eli Lilly or (ii) November 2016.

  In July 2014, Eli Lilly started a parallel litigation in Europe by filing an invalidation action on two medical device patents in the United Kingdom.

- Apotex settlement claim

  In June 2014, the arbitration panel decided in favor of Sanofi and BMS, rejecting Apotex's breach of the March 2006 contract claim against Sanofi and BMS in connection with the first attempted settlement of the Plavix® patent litigation. As a consequence, the underlying New Jersey court case was dismissed with prejudice. The case is closed.

A.4.2. Annual General Meeting

- On May 5, 2014, the Annual General Meeting of Sanofi shareholders was held in Paris, France. All of the resolutions were adopted, including the distribution of a cash dividend of €2.80 per share payable from May 15, 2014. The meeting also approved the appointment of Patrick Kron as an independent Director and the reappointment of Christopher Viehbacher, Robert Castaigne and Christian Mulliez as Directors, to serve for a four-year term of office (i.e. until the Annual General Meeting held to approve the financial statements for the year ended December 31, 2017).

B/ Events subsequent to the balance sheet date (June 30, 2014)

- On July 30, 2014, Sanofi and Regeneron announced that nine new Phase III ODYSSEY trials of **alirocumab** (an investigational anti-PCSK9 inhibitor) in people with hypercholesterolemia had met their primary efficacy endpoint of a greater percent reduction from baseline in low-density lipoprotein cholesterol (LDL-C) at 24 weeks compared to placebo or active comparator.
- On July 31, Sanofi disclosed its intent to purchase, directly or through its subsidiaries, additional shares of Regeneron Common Stock to progressively increase its beneficial ownership in 2014 and 2015 up to the maximum allowed under the Amended Investor Agreement entered into in January 2014 (30% of Shares of Then Outstanding Common Stock, as defined therein). Sanofi made no commitment in terms of the timing of such transactions, which will depend on market conditions including the price and availability of shares of Common Stock, and on such other factors considered relevant to Sanofi.

C/ Consolidated financial statements for the first half of 2014

For definitions of financial indicators, refer to the appendix provided in Section F of this report. Unless otherwise indicated, all financial data in this report are presented in accordance with international financial reporting standards (IFRS), including international accounting standards and interpretations (see Note A. to the condensed half-year consolidated financial statements).

C.1. CONSOLIDATED RESULTS OF OPERATIONS

Consolidated income statements for the six months to June 30, 2013 and 2014

(€ million)	June 30, 2014 (6 months)	as % of net sales	June 30, 2013[1] (6 months)	as % of net sales
Net sales	**15,917**	**100.0%**	**16,062**	**100.0%**
Other revenues	154	1.0%	181	1.1%
Cost of sales	(5,124)	(32.2%)	(5,221)	(32.5%)
Gross profit	**10,947**	**68.8%**	**11,022**	**68.6%**
Research & development expenses	(2,327)	(14.6%)	(2,342)	(14.6%)
Selling & general expenses	(4,333)	(27.2%)	(4,446)	(27.7%)
Other operating income	116		347	
Other operating expenses	(87)		(177)	
Amortization of intangible assets	(1,301)		(1,543)	
Impairment of intangible assets	(74)		(440)	
Fair value remeasurement of contingent consideration liabilities	(132)		(117)	
Restructuring costs	(135)		(159)	
Other gains and losses, and litigation	—		—	
Operating income	**2,674**	**16.8%**	**2,145**	**13.4%**
Financial expenses	(292)		(311)	
Financial income	157		34	
Income before tax and associates and joint ventures	**2,539**	**16.0%**	**1,868**	**11.6%**
Income tax expense	(624)		(351)	
Share of profit / (loss) of associates and joint ventures	7		4	
Net income	**1,922**	**12.1%**	**1,521**	**9.5%**
Attributable to non-controlling interests	61		84	
Net income attributable to equity holders of Sanofi	**1,861**	**11.7%**	**1,437**	**8.9%**
Average number of shares outstanding (million)	1,317.2		1,323.9	
Average number of shares outstanding after dilution (million)	1,333.8		1,340.5	
Basic earnings per share (in euros)	1.41		1.09	
Diluted earnings per share (in euros)	1.40		1.07	

[1] Includes the impact of first-time application of IFRIC 21.

C.2. SEGMENT INFORMATION

Operating segments

In accordance with IFRS 8 “Operating Segments”, the segment information reported by Sanofi is prepared on the basis of internal management data provided to the Chief Executive Officer, who is the Group’s chief operating decision maker. The performance of these segments is monitored individually using internal reports and common indicators. The operating segment disclosures required under IFRS 8 are provided in Note B.18. to the condensed half-year consolidated financial statements.

We have defined our operating segments as “Pharmaceuticals”, “Human Vaccines” (Vaccines) and “Animal Health”. Our other identified segments are categorized as “Other”.

Segment results

We report segment results on the basis of “Business Operating Income”. This indicator, adopted in compliance with IFRS 8, is used internally to measure operational performance and to allocate resources. “Business Operating Income” is derived from ***Operating income***, adjusted as follows:

- the amounts reported in the line items ***Restructuring costs***, ***Fair value remeasurement of contingent consideration liabilities*** and ***Other gains and losses, and litigation*** are eliminated;
- amortization and impairment losses charged against intangible assets (other than software) are eliminated;
- the share of profits/losses of associates and joint ventures is added;
- the share attributable to non-controlling interests is deducted;
- other acquisition-related effects (primarily, the workdown of acquired inventories remeasured at fair value at the acquisition date, and the impact of acquisitions on investments in associates and joint ventures) are eliminated; and
- restructuring costs relating to associates and joint ventures are eliminated.

The following table (in accordance with IFRS 8) reconciles our “Business Operating Income” to our ***Income before tax and associates and joint ventures***:

(€ million)	June 30, 2014 (6 months)	June 30, 2013[1] (6 months)	December 31, 2013[1] (12 months)
Business operating income	**4,290**	**4,345**	**9,323**
Share of profit/(loss) of associates and joint ventures[2]	(39)	(21)	(85)
Net income attributable to non-controlling interests[3]	65	86	162
Amortization of intangible assets	(1,301)	(1,543)	(2,914)
Impairment of intangible assets	(74)	(440)	(1,387)
Fair value remeasurement of contingent consideration liabilities	(132)	(117)	314
Expenses arising from the impact of acquisitions on inventories[4]	—	(6)	(8)
Restructuring costs	(135)	(159)	(300)
Operating income	**2,674**	**2,145**	**5,105**
Financial expenses	(292)	(311)	(612)
Financial income	157	34	109
Income before tax and associates and joint ventures	**2,539**	**1,868**	**4,602**

(1) Includes the impact of first-time application of IFRIC 21.
(2) Excluding restructuring costs of associates and joint ventures and expenses arising from the impact of acquisitions on associates and joint ventures.
(3) Excluding the portion attributable to non-controlling interests of the adjustments shown in the table above.
(4) This line comprises the workdown of inventories remeasured at fair value at the acquisition date.

Business net income

We believe that investors' understanding of our operational performance is enhanced by reporting "business net income[1]". This non-GAAP financial measure represents the aggregate business operating income of all of our operating segments, less net financial expenses and the relevant income tax effects.

Business net income for the first half of 2014 totaled €3,084 million (up 0.2% on the 2013 first-half figure of €3,077 million), and represented 19.4% of net sales (versus 19.2% for the first half of 2013).

We also report "business earnings per share", a specific non-GAAP financial measure which we define as business net income divided by the weighted average number of shares outstanding.

Business earnings per share for the first half of 2014 was €2.34, an increase of 0.9% relative to the 2013 first-half figure of €2.32, based on a weighted average number of shares outstanding of 1,317.2 million for the first half of 2014 and 1,323.9 million for the first half of 2013.

The following table reconciles our business net income to ***Net income attributable to equity holders of Sanofi***:

(€ million)		June 30, 2014 (6 months)	June 30, 2013[1] (6 months)	December 31, 2013[1] (12 months)
Business net income		**3,084**	**3,077**	**6,686**
(i)	Amortization of intangible assets	(1,301)	(1,543)	(2,914)
(ii)	Impairment of intangible assets	(74)	(440)	(1,387)
(iii)	Fair value remeasurement of contingent consideration liabilities	(132)	(117)	314
(iv)	Expenses arising from the impact of acquisitions on inventories[2]	—	(6)	(8)
(v)	Restructuring costs	(135)	(159)	(300)
(vi)	Other gains and losses, and litigation	35	—	—
(vii)	Tax effects on the items listed above, comprising :	522	749	1,480
	- amortization of intangible assets	*451*	*490*	*939*
	- impairment of intangible assets	*26*	*180*	*527*
	- fair value remeasurement of contingent consideration liabilities	*14*	*20*	*(85)*
	- expenses arising from the impact of acquisitions on inventories	*—*	*2*	*2*
	- restructuring costs	*44*	*57*	*97*
	- other gains and losses, and litigation	*(13)*	*—*	*—*
(iv) / (viii)	Other tax items[3]	(110)	(109)	(109)
(ix)	Share of items listed above attributable to non-controlling interests	4	2	4
(iv) / (v)	Restructuring costs and expenses arising from the impact of acquisitions on associates and joint ventures[4]	(32)	(17)	(50)
Net income attributable to equity holders of Sanofi		**1,861**	**1,437**	**3,716**

(1) Includes the impact of first-time application of IFRIC 21.
(2) This line comprises the workdown of inventories remeasured at fair value at the acquisition date.
(3) This line corresponds to the tax on dividends distributed to Sanofi shareholders.
(4) This line shows the portion of major restructuring costs incurred by associates and joint ventures, and expenses arising from the impact of acquisitions on associates and joint ventures (workdown of acquired inventories, amortization and impairment of intangible assets, and impairment of goodwill).

(1) Refer to the appendix in section F for a definition.

The following tables present our segment results for the first half of 2014, the first half of 2013 and the year ended December 31, 2013.

First half of 2014

(€ million)	Pharmaceuticals	Vaccines	Animal Health	Other	Total
Net sales	**13,517**	**1,346**	**1,054**	**—**	**15,917**
Other revenues	126	14	14	—	154
Cost of sales	(4,046)	(700)	(378)	—	(5,124)
Research and development expenses	(2,025)	(230)	(72)	—	(2,327)
Selling and general expenses	(3,721)	(271)	(341)	—	(4,333)
Other operating income and expenses	19	1	17	(8)	29
Share of profit/(loss) of associates and joint ventures	33	6	—	—	39
Net income attributable to non-controlling interests	(65)	—	—	—	(65)
Business operating income	**3,838**	**166**	**294**	**(8)**	**4,290**
Financial income and expenses					(170)
Tax expenses					(1,036)
Business net income					**3,084**

First half of 2013[1]

(€ million)	Pharmaceuticals	Vaccines	Animal Health	Other	Total
Net sales	**13,522**	**1,457**	**1,083**	**—**	**16,062**
Other revenues	155	12	14	—	181
Cost of sales	(4,174)	(695)	(346)	—	(5,215)
Research and development expenses	(2,008)	(249)	(85)	—	(2,342)
Selling and general expenses	(3,801)	(301)	(344)	—	(4,446)
Other operating income and expenses	130	7	(1)	34	170
Share of profit/(loss) of associates and joint ventures	27	(4)	(2)	—	21
Net income attributable to non-controlling interests	(86)	—	—	—	(86)
Business operating income	**3,765**	**227**	**319**	**34**	**4,345**
Financial income and expenses					(277)
Tax expenses					(991)
Business net income					**3,077**

(1) Includes the impact of first-time application of IFRIC 21.

Year ended December 31, 2013[1]

(€ million)	Pharmaceuticals	Vaccines	Animal Health	Other	Total
Net sales	**27,250**	**3,716**	**1,985**	**—**	**32,951**
Other revenues	295	30	30	—	355
Cost of sales	(8,518)	(1,776)	(689)	—	(10,983)
Research and development expenses	(4,087)	(518)	(165)	—	(4,770)
Selling and general expenses	(7,362)	(588)	(653)	—	(8,603)
Other operating income and expenses	422	3	(1)	26	450
Share of profit/(loss) of associates and joint ventures	48	41	(4)	—	85
Net income attributable to non-controlling interests	(162)	1	(1)	—	(162)
Business operating income	**7,886**	**909**	**502**	**26**	**9,323**
Financial income and expenses					(503)
Tax expenses					(2,134)
Business net income					**6,686**

(1) Includes the impact of first-time application of IFRIC 21.

The tables below provide an analysis of operating results for the Pharmaceuticals, Vaccines and Animal Health segments:

Pharmaceuticals segment first-half business operating income, 2014 and 2013

(€ million)	June 30, 2014	as % of net sales	June 30, 2013[1]	as % of net sales	Year-on-year change
Net sales	**13,517**	**100.0%**	**13,522**	**100.0%**	**0.0%**
Other revenues	126	0.9%	155	1.2%	-18.7%
Cost of sales	(4,046)	(29.9%)	(4,174)	(30.9%)	-3.1%
Gross profit	**9,597**	**71.0%**	**9,503**	**70.3%**	**+1.0%**
Research and development expenses	(2,025)	(15.0%)	(2,008)	(14.8%)	+0.8%
Selling and general expenses	(3,721)	(27.5%)	(3,801)	(28.1%)	-2.1%
Other operating income and expenses	19		130		
Share of profit/(loss) of associates and joint ventures	33		27		
Net income attributable to non-controlling interests	(65)		(86)		
Business operating income	**3,838**	**28.4%**	**3,765**	**27.8%**	**+1.9%**

(1) Includes the impact of first-time application of IFRIC 21.

Vaccines segment first-half business operating income, 2014 and 2013

(€ million)	June 30, 2014	as % of net sales	June 30, 2013[1]	as % of net sales	Year-on-year change
Net sales	**1,346**	**100.0%**	**1,457**	**100.0%**	**-7.6%**
Other revenues	14	1.0%	12	0.8%	+16.7%
Cost of sales	(700)	(52.0%)	(695)	(47.7%)	+0.7%
Gross profit	**660**	**49.0%**	**774**	**53.1%**	**-14.7%**
Research and development expenses	(230)	(17.1%)	(249)	(17.1%)	-7.6%
Selling and general expenses	(271)	(20.1%)	(301)	(20.7%)	-10.0%
Other operating income and expenses	1		7		
Share of profit/(loss) of associates and joint ventures	6		(4)		
Net income attributable to non-controlling interests	—		—		
Business operating income	**166**	**12.3%**	**227**	**15.6%**	**-26.9%**

(1) Includes the impact of first-time application of IFRIC 21.

Animal Health segment first-half business operating income, 2014 and 2013

(€ million)	June 30, 2014	as % of net sales	June 30, 2013[1]	as % of net sales	Year-on-year change
Net sales	**1,054**	**100.0%**	**1,083**	**100.0%**	**-2.7%**
Other revenues	14	1.3%	14	1.3%	0.0%
Cost of sales	(378)	(35.8%)	(346)	(32.0%)	+9.2%
Gross profit	**690**	**65.5%**	**751**	**69.3%**	**-8.1%**
Research and development expenses	(72)	(6.8%)	(85)	(7.8%)	-15.3%
Selling and general expenses	(341)	(32.4%)	(344)	(31.8%)	-0.9%
Other operating income and expenses	17		(1)		
Share of profit/(loss) of associates and joint ventures	—		(2)		
Net income attributable to non-controlling interests	—		—		
Business operating income	**294**	**27.9%**	**319**	**29.5%**	**-7.8%**

(1) Includes the impact of first-time application of IFRIC 21.

C.3. ANALYSIS OF CONSOLIDATED RESULTS FOR THE FIRST HALF OF 2014

C.3.1. Net sales

Consolidated net sales for the first half of 2014 were €15,917 million, 0.9% lower than in the first half of 2013. Exchange rate movements had an unfavorable effect of 5.8 points, mainly due to the appreciation of the euro against other currencies (particularly the U.S. dollar). At constant exchange rates(1), net sales rose by 4.9%.

Reconciliation of 2014 first-half reported net sales to net sales at constant exchange rates(1)

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	Change
Reported net sales	**15,917**	**16,062**	**-0.9%**
Effect of exchange rates	940		
Net sales at constant exchange rates	**16,857**	**16,062**	**+4.9%**

C.3.1.1. Net sales by business segment

Sanofi's net sales comprise the net sales of the Pharmaceuticals, Human Vaccines (Vaccines) and Animal Health businesses.

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	Change on a reported basis	Change at constant exchange rates
Pharmaceuticals	13,517	13,522	0.0%	+5.9%
Vaccines	1,346	1,457	-7.6%	-2.2%
Animal Health	1,054	1,083	-2.7%	+2.2%
Total	**15,917**	**16,062**	**-0.9%**	**+4.9%**

Pharmaceuticals segment

Net sales of the **Pharmaceuticals** segment for the first half of 2014 were €13,517 million, stable on a reported basis and up 5.9% at constant exchange rates. The stability in net sales reflects the negative effect of exchange rates (€808 million) on the one hand, and the following impacts at constant exchange rates on the other hand:

- the positive performance of our growth platforms (€1,289 million), mainly our Diabetes, Genzyme and Consumer Health Care businesses;
- a recovery in sales at our Generics business in Brazil (€237 million), where 2013 first-half sales were affected by temporary difficulties in distribution channels;
- negative impacts totaling €723 million, including the residual effects of generic competition (mainly on sales of Aprovel® and Allegra®).

(1) Refer to the appendix in section F for a definition.

(€ million)	Indications	June 30, 2014 (6 months)	June 30, 2013 (6 months)	Change on a reported basis	Change at constant exchange rates
Lantus®	Diabetes	3,005	2,747	+9.4%	+14.9%
Apidra®	Diabetes	152	134	+13.4%	+19.4%
Amaryl®	Diabetes	182	193	-5.7%	+2.1%
Insuman®	Diabetes	65	65	0.0%	+4.6%
Blood glucose meters	Diabetes	32	23	+39.1%	+39.1%
Lyxumia®	Diabetes	11	1	—	—
Other products	Diabetes	3	—	—	—
Total: Diabetes		**3,450**	**3,163**	**+9.1%**	**+14.7%**
Taxotere®	Breast, lung, prostate, stomach, and head & neck cancer	136	222	-38.7%	-32.9%
Jevtana®	Prostate cancer	132	106	+24.5%	+28.3%
Eloxatin®	Colorectal cancer	93	119	-21.8%	-15.1%
Thymoglobulin®	Organ rejection	106	96	+10.4%	+15.6%
Mozobil®	Hematologic malignancies	51	51	0.0%	+2.0%
Zaltrap®	Colorectal cancer	31	25	+24.0%	+28.0%
Other products		131	125	+4.8%	+8.7%
Total: Oncology		**680**	**744**	**-8.6%**	**-3.6%**
Cerezyme®	Gaucher disease	343	342	+0.3%	+7.9%
Myozyme® / Lumizyme®	Pompe disease	254	242	+5.0%	+9.1%
Fabrazyme®	Fabry disease	221	183	+20.8%	+28.4%
Aldurazyme®	Mucopolysaccharidosis	86	78	+10.3%	+16.7%
Other products		119	120	-0.8%	+3.3%
Sub-total: Rare diseases		**1,023**	**965**	**+6.0%**	**+12.2%**
Aubagio®	Multiple sclerosis	175	53	+230.2%	+245.3%
Lemtrada™	Multiple sclerosis	11	—	—	—
Sub-total: Multiple sclerosis		**186**	**53**	**+250.9%**	**+266.0%**
Total: Genzyme		**1,209**	**1,018**	**+18.8%**	**+25.4%**
Plavix®	Atherothrombosis	912	943	-3.3%	+4.3%
Lovenox®	Thrombosis	837	864	-3.1%	+0.9%
Aprovel® / CoAprovel®	Hypertension	372	479	-22.3%	-19.2%
Renagel® / Renvela®	Hyperphosphatemia	309	346	-10.7%	-6.6%
Allegra®	Allergic rhinitis, urticaria	119	248	-52.0%	-46.4%
Stilnox® / Ambien® / Myslee®	Sleep disorders	151	193	-21.8%	-15.0%
Depakine®	Epilepsy	191	209	-8.6%	-3.3%
Synvisc® / Synvisc-One®	Arthritis	163	182	-10.4%	-6.0%
Tritace®	Hypertension	143	158	-9.5%	-5.7%
Multaq®	Atrial fibrillation	139	131	+6.1%	+9.9%
Lasix®	Edema, hypertension	81	83	-2.4%	+3.6%
Targocid®	Bacterial infections	75	88	-14.8%	-11.4%
Orudis®	Rheumatoid arthritis, osteoarthritis	83	73	+13.7%	+26.0%
Cordarone®	Arrhythmia	65	72	-9.7%	-1.4%
Xatral®	Benign prostatic hypertrophy	47	51	-7.8%	-3.9%
Actonel®	Osteoporosis, Paget's disease	41	52	-21.2%	-13.5%
Auvi-Q™/Allerject™	Severe allergies, anaphylaxis	26	19	+36.8%	+42.1%
Other prescription products		1,836	2,143	-14.3%	-9.8%
Total: Other prescription products		**5,590**	**6,334**	**-11.7%**	**-6.7%**
Consumer Health Care		**1,701**	**1,540**	**+10.5%**	**+19.4%**
Generics		**887**	**723**	**+22.7%**	**+32.0%**
Total Pharmaceuticals		**13,517**	**13,522**	**0.0%**	**+5.9%**

Diabetes division

Net sales for the **Diabetes** division reached €3,450 million, up 14.7% at constant exchange rates.

Lantus® saw first-half net sales growth of 14.9% (at constant exchange rates) to €3,005 million on fine performances in the United States (+17.5% at constant exchange rates), where Lantus® SoloSTAR® accounted for 61% of first-half sales, and in Emerging Markets(1) (+17.0% at constant exchange rates), especially in Eastern Europe (+14.6% at constant exchange rates) and China (+37.7% at constant exchange rates). In Western Europe, growth was again more modest (+5.0% at constant exchange rates).

Net sales of **Apidra®** reached €152 million in the first half, up 19.4% at constant exchange rates on the back of the performance of the United States (+16.3% at constant exchange rates, at €55 million) and Emerging Markets (+30.0% at constant exchange rates, at €35 million).

Amaryl® posted an increase in net sales of 2.1% at constant exchange rates to €182 million, reflecting both a good performance in Emerging Markets (+11.6% at constant exchange rates, at €142 million) and competition from generics in Japan (-23.8% at constant exchange rates, at €28 million).

Blood glucose meters saw strong growth in net sales of 39.1% at constant exchange rates, to €32 million. Sales were mainly generated in Western Europe.

Lyxumia®, which is continuing to be rolled out worldwide during 2014, recorded first-half sales of €11 million. In Germany, distribution was suspended due to a disagreement on the reimbursement level set by the national health insurance agency.

Oncology business

The **Oncology** business generated net sales of €680 million, down 3.6% at constant exchange rates.

Net sales of **Taxotere®** fell by 32.9% at constant exchange rates, to €136 million, on competition from generics in Emerging Markets (-25.5% at constant exchange rates, at €75 million), in the United States (-83.3% at constant exchange rates, at €5 million) and in Western Europe (-42.9% at constant exchange rates, at €8 million).

Jevtana® reported net sales of €132 million for the first half of 2014, up 28.3% at constant exchange rates, reflecting recent launches in Western Europe where net sales increased by 46.9% at constant exchange rates to €72 million.

Eloxatin® posted a decrease in first-half net sales of 15.1% at constant exchange rates to €93 million, mainly due to competition from generics in the United States.

Net sales of **Mozobil®** were stable at €51 million (+2.0% at constant exchange rates).

Net sales of **Zaltrap®** (aflibercept, developed in collaboration with Regeneron) came to €31 million, an increase of 28.0% at constant exchange rates, on the back of recent launches in Western Europe (€16 million, versus €4 million in the first half of 2013) which offset lower sales in the United States (-30.0% at constant exchange rates, at €14 million).

Jevtana®, Zaltrap® and **Mozobil®**, along with **Multaq®** and **Auvi-Q™/Allerject™(2)** (included in "Other Pharmaceutical Products", see below) constitute the "Other Innovative Products" growth platform, which in the first half of 2014 generated net sales of €379 million (up 17.8% at constant exchange rates).

(1) World excluding United States, Canada, Western Europe, Japan, Australia and New Zealand.
(2) Sanofi U.S. holds the Auvi-Q™/Allerject™ marketing rights in North America under license from Intellijject, Inc.

Genzyme business

The **Genzyme** business generated first-half net sales of €1,209 million, up 25.4% at constant exchange rates, supported by strong growth in net sales of Aubagio® and Fabrazyme®.

Cerezyme® posted an increase in net sales of 7.9% at constant exchange rates to €343 million, driven by Emerging Markets (+14.5% at constant exchange rates, at €115 million) and the United States (+6.8% at constant exchange rates, at €90 million).

Net sales of **Myozyme® / Lumizyme®** increased by 9.1% at constant exchange rates to €254 million, reflecting a surge in Emerging Markets (+50.0% at constant exchange rates, at €46 million).

Fabrazyme® saw strong growth in net sales of 28.4% at constant exchange rates, to €221 million. Sales were up 14.4% at constant exchange rates in the United States (to €106 million) in line with a rise in the number of patients, 29.3% at constant exchange rates in Western Europe (to €53 million) where the product gained market share, and 70.8% at constant exchange rates in Emerging Markets (to €36 million).

In multiple sclerosis, **Aubagio®** reported net sales of €175 million in the first half of 2014, including €131 million in the United States (where the product was launched in October 2012) and €38 million in Western Europe (where launches in several countries began at the end of 2013). Sales of **Lemtrada™** were €11 million, of which Western Europe accounted for €10 million; the principal countries in which the product is available are Germany (since October 2013), the Nordic countries and Canada.

Other pharmaceutical products

Net sales of **Plavix®** were up 4.3% at constant exchange rates at €912 million. The main growth drivers were Japan (+13.2% at constant exchange rates, at €358 million) and Emerging Markets (+6.1% at constant exchange rates, at €426 million), in particular China (+11.2% at constant exchange rates, at €238 million). However, sales were hit by competition from generics in Western Europe (-13.4% at constant exchange rates, at €116 million). Plavix® is marketed by BMS in the United States and Puerto Rico under the terms of the alliance between Sanofi and BMS[(1)].

First-half net sales of **Lovenox®** were virtually unchanged in the first half of 2014 (+0.9% at constant exchange rates, at €837 million). Revenue erosion in the United States, where sales of the branded product slipped by 34.0% at constant exchange rates to €61 million in the face of competition from generics, were offset by good performances in Western Europe (+5.1% at constant exchange rates, at €451 million) and Emerging Markets (+6.9% at constant exchange rates, at €283 million). Sales of the generic version of Lovenox®, launched by Sanofi in 2012, are recorded by the Generics business (see below).

Aprovel®/CoAprovel® reported a fall in net sales of 19.2% at constant exchange rates to €372 million, mainly due to competition from generics in Western Europe, where sales fell by 45.1% to €106 million. In Emerging Markets, net sales were fairly stable at €201 million (+1.4% at constant exchange rates).

Net sales of **Renagel® / Renvela®** were down 6.6% at constant exchange rates at €309 million, due to a poor performance in the United States (-10.6% at constant exchange rates, at €202 million), reflecting the impact of an agreement with Impax that allows that company to sell a limited number of authorized generics of Renvela® from April 2014 onwards.

Allegra® saw a decline in prescription net sales of 46.4% at constant exchange rates to €119 million, affected by competition from generics in Japan (-32.2% at constant exchange rates, at €110 million) and the transfer of sales of the product in some Emerging Markets countries to the Consumer Health Care division. Net sales in Emerging Markets were stable on a constant structure basis and at constant exchange rates, and down 95% at constant exchange rates at €3 million. Over-the-counter (non-prescription) sales of Allegra® in the United States and Japan are also recorded by the Consumer Health Care business.

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(1) See Note C.1. to the consolidated financial statements for the year ended December 31, 2013, on page F-38 of the Annual Report on Form 20-F; this document is available on *www.sanofi.com*.

Net sales of **Stilnox® / Ambien® / Myslee®** slipped by 15.0% at constant exchange rates to €151 million, reflecting competition from generics of Myslee® in Japan (-26.0% at constant exchange rates, at €64 million).

Synvisc® / Synvisc-One® posted a fall in net sales of 6.0% at constant exchange rates to €163 million, reflecting lower sales in the United States (-9.0% at constant exchange rates, at €127 million).

Net sales of **Multaq®** rose by 9.9% at constant exchange rates to €139 million, on the back of the United States (+10.4% at constant exchange rates, at €112 million).

Auvi-Q™/Allerject™ reported net sales of €26 million (+42.1% at constant exchange rates), of which €21 million was generated in the United States where the product was launched in January 2013.

Net sales for other prescription products are not discussed in this report.

Consumer Health Care

Net sales for the **Consumer Health Care** business rose by 19.4% at constant exchange rates in the first half of 2014 to €1,701 million.

Some products that in the first half of 2013 were recorded as prescription products (with combined net sales of €141 million) have been reclassified as Consumer Health Care products. After stripping out this change in structure, net sales for the Consumer Health Care business advanced by 9.3% at constant exchange rates in the first half of 2014, driven by growth in Emerging Markets (+13.4% at constant exchange rates) and the United States (+20.4% at constant exchange rates) where the non-prescription Nasacort® Allergy 24H nasal spray has been on sale since February 2014.

Net sales of Allegra® OTC rose by 29.9% at constant exchange rates, thanks mainly to Emerging Markets; on a constant structure basis and at constant exchange rates, net sales fell by 3.6%.

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	Change on a reported basis	Change at constant exchange rates
Allegra®	198	164	+20.7%	+29.9%
Doliprane®	158	151	+4.6%	+6.0%
Essentiale®	121	108	+12.0%	+26.9%
Enterogermina®	74	68	+8.8%	+16.2%
Nasacort®	68	1	—	—
No Spa®	53	54	-1.9%	+11.1%
Maalox®	50	48	+4.2%	+12.5%
Lactacyd®	57	51	+11.8%	+25.5%
Dorflex®	50	46	+8.7%	+28.3%
Other products	872	849	+2.7%	+10.8%
Total Consumer Health Care	**1,701**	**1,540**	**+10.5%**	**+19.4%**

Generics

The **Generics** business posted first-half net sales of €887 million, up 32.0% at constant exchange rates, with sales in Brazil recovering after a 2013 first-half comparative dented by temporary difficulties in distribution channels. Excluding Brazil, net sales of the Generics business were virtually unchanged year-on-year (-0.7% at constant exchange rates).

Emerging Markets recorded an increase in net sales of 84.7% at constant exchange rates (or 8.2% excluding Brazil), to €528 million. In the United States, net sales fell by 35.5% at constant exchange rates to €66 million, due to lower sales of the authorized generic versions of Lovenox® and Taxotere®.

2014 first-half Pharmaceuticals net sales by geographical region

(€ million)	Western Europe[1]	Change at constant exchange rates	United States	Change at constant exchange rates	Emerging Markets[2]	Change at constant exchange rates	Rest of the World[3]	Change at Constant exchange rates
Lantus®	421	+5.0%	1,986	+17.5%	468	+17.0%	130	+4.3%
Apidra®	47	+17.5%	55	+16.3%	35	+30.0%	15	+13.3%
Amaryl®	10	-16.7%	1	0.0%	142	+11.6%	29	-23.8%
Insuman®	40	-11.1%	1	0.0%	24	+42.1%	—	—
Blood glucose meters	29	+31.8%	—	—	1	0.0%	2	—
Lyxumia®	7	—	—	—	1	—	3	—
Other products	—	—	—	—	—	—	3	—
Total: Diabetes	**554**	**+6.4%**	**2,043**	**+17.4%**	**671**	**+17.5%**	**182**	**+3.5%**
Taxotere®	8	-42.9%	5	-83.3%	75	-25.5%	48	-20.6%
Jevtana®	72	+46.9%	42	+4.8%	17	+35.7%	1	0.0%
Eloxatin®	2	-33.3%	1	-93.3%	59	-3.1%	31	-2.8%
Thymoglobulin®	16	+6.7%	50	+4.0%	35	+54.2%	5	-14.3%
Mozobil®	16	0.0%	27	0.0%	6	+20.0%	2	0.0%
Zaltrap®	16	+275.0%	14	-30.0%	2	+100.0%	(1)	—
Other products	29	+3.6%	78	+12.5%	15	+13.3%	9	-10.0%
Total: Oncology	**159**	**+22.5%**	**217**	**-12.5%**	**209**	**-3.4%**	**95**	**-12.9%**
Cerezyme®	119	+5.3%	90	+6.8%	115	+14.5%	19	-8.3%
Myozyme® / Lumizyme®	130	-4.4%	64	+11.7%	46	+50.0%	14	+30.8%
Fabrazyme®	53	+29.3%	106	+14.4%	36	+70.8%	26	+42.9%
Aldurazyme®	32	+3.3%	16	+14.3%	31	+29.6%	7	+28.6%
Other products	21	+10.0%	40	-16.0%	25	-50.0%	33	+3.1%
Sub-total: Rare diseases	**355**	**+4.4%**	**316**	**+6.8%**	**253**	**+30.9%**	**99**	**+14.4%**
Aubagio®	38	—	131	+158.5%	3	—	3	—
Lemtrada™	10	—	—	—	—	—	1	—
Sub-total: Multiple sclerosis	**48**	**—**	**131**	**+158.5%**	**3**	**—**	**4**	**—**
Total: Genzyme	**403**	**+18.9%**	**447**	**+29.0%**	**256**	**+32.7%**	**103**	**+18.6%**
Plavix®	116	-13.4%	1*	-80.0%	426	+6.1%	369	+9.8%
Lovenox®	451	+5.1%	61	-34.0%	283	+6.9%	42	-2.1%
Aprovel® / CoAprovel®	106	-45.1%	9*	+50.0%	201	+1.4%	56	-15.9%
Renagel® / Renvela®	65	-4.4%	202	-10.6%	33	+18.8%	9	-10.0%
Allegra®	6	0.0%	—	—	3	-95.0%	110	-31.9%
Stilnox® / Ambien® / Myslee®	21	0.0%	34	-10.3%	32	0.0%	64	-25.3%
Depakine®	67	0.0%	—	—	117	-5.2%	7	0.0%
Synvisc® / Synvisc-One®	14	+16.7%	127	-9.0%	17	+26.7%	5	-40.0%
Tritace®	65	-5.8%	—	—	74	-3.6%	4	-40.0%
Multaq®	22	+4.8%	112	+10.4%	4	+25.0%	1	—
Lasix®	40	+8.1%	1	0.0%	25	+16.0%	15	-20.0%
Targocid®	41	-7.0%	—	—	31	-12.8%	3	-33.3%
Orudis®	10	-23.1%	—	—	71	+37.9%	2	0.0%
Cordarone®	12	-7.7%	—	—	36	+2.6%	17	-5.0%
Xatral®	19	0.0%	—	-100.0%	27	+3.4%	1	-100.0%
Actonel®	9	-18.2%	—	—	21	-8.0%	11	-18.8%
Auvi-Q™/Allerject™	1	-50.0%	21	+46.7%	—	—	4	+100.0%
Other prescription products	774	-7.1%	197	-19.1%	691	-7.6%	174	-16.8%
Total: Other prescription products	**1,839**	**-7.7%**	**765**	**-12.0%**	**2,092**	**-2.1%**	**894**	**-10.2%**
Consumer Health Care	**361**	**0.0%**	**378**	**+20.4%**	**869**	**+35.6%**	**93**	**-19.1%**
Generics	**275**	**-2.8%**	**66**	**-35.5%**	**528**	**+84.7%**	**18**	**+40.0%**
Total Pharmaceuticals	**3,591**	**-1.0%**	**3,916**	**+8.2%**	**4,625**	**+14.7%**	**1,385**	**-7.4%**

(1) France, Germany, United Kingdom, Italy, Spain, Greece, Cyprus, Malta, Belgium, Luxembourg, Portugal, Netherlands, Austria, Switzerland, Sweden, Ireland, Finland, Norway, Iceland, Denmark.
(2) World excluding United States, Canada, Western Europe, Japan, Australia and New Zealand.
(3) Japan, Canada, Australia and New Zealand.
* Sales of active ingredient to the entity majority-owned by BMS in the United States.

Human Vaccines (Vaccines) segment

In the first half of 2014, net sales for the **Vaccines** segment were €1,346 million, down 7.6% on a reported basis and 2.2% at constant exchange rates.

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	Change on a reported basis	Change at constant exchange rates
Polio/Pertussis/Hib Vaccines (including Pentacel® and Pentaxim®)	495	563	-12.1%	-6.6%
Influenza Vaccines (including Vaxigrip® and Fluzone®)	194	172	+12.8%	+19.2%
Meningitis/Pneumonia Vaccines (including Menactra®)	171	203	-15.8%	-10.8%
Adult Booster Vaccines (including Adacel®)	164	209	-21.5%	-17.7%
Travel and Other Endemics Vaccines	178	172	+3.5%	+11.0%
Other Vaccines	144	138	+4.3%	+8.7%
Total Vaccines	**1,346**	**1,457**	**-7.6%**	**-2.2%**

Polio/Pertussis/Hib vaccines posted net sales down 6.6% at constant exchange rates at €495 million, on lower sales in Emerging Markets (-18.3% at constant exchange rates at €241 million, due to delays in shipments of Pentaxim®) and in Japan (-23.1% at constant exchange rates at €71 million, due to the end of the catch-up vaccination program that followed the launch of Imovax® in September 2012). These effects were partly offset by a strong performance in the United States (+40.7% at constant exchange rates, at €166 million) thanks to a resumption in supplies of Pentacel®.

Net sales of **Influenza vaccines** rose by 19.2% (at constant exchange rates) to €194 million, largely due to seasonal influenza vaccination campaigns in Emerging Markets (+14.3% at constant exchange rates, at €160 million), especially Brazil (+24.7% at constant exchange rates, at €110 million). Another positive factor was the performance in the United States (+110.0% at constant exchange rates, at €21 million).

Meningitis/Pneumonia vaccines posted net sales of €171 million, down 10.8% at constant exchange rates. The main adverse factor was the performance in Emerging Markets (-46.1% at constant exchange rates, at €37 million), which had enjoyed a particularly strong performance in the first half of 2013. Menactra® generated worldwide net sales of €153 million, down 3.0% at constant exchange rates.

Net sales of **Adult Booster Vaccines** slipped by 17.7% at constant exchange rates to €164 million, reflecting temporary limitations on supplies in the United States and lower sales of vaccines against diphtheria, tetanus and polio in Europe.

Net sales of **Travel and Other Endemics vaccines** were up 11.0% at constant exchange rates at €178 million, driven by good performances for typhoid and hepatitis A vaccines.

Sales generated by Sanofi Pasteur MSD, the joint venture with Merck & Co., Inc. in Europe (which are not consolidated by Sanofi), amounted to €313 million in the first half of 2014, down 6.1% on a reported basis. Sales of Gardasil® decreased by 15.2% on a reported basis to €87 million. Zostavax® posted strong growth in net sales to €27 million, compared with €1 million in the first half of 2013.

2014 first-half Vaccines net sales by geographical region

(€ million)	Western Europe[1]	Change at constant exchange rates	United States	Change at constant exchange rates	Emerging Markets[2]	Change at constant exchange rates	Rest of the World[3]	Change at constant exchange rates
Polio/Pertussis/Hib Vaccines (*including Pentacel® and Pentaxim®*)	12	-29.4%	166	+40.7%	241	-18.3%	76	-22.5%
Influenza Vaccines (*including Vaxigrip® and Fluzone®*)	1	0.0%	21	+110.0%	160	+14.3%	12	+7.1%
Meningitis/Pneumonia Vaccines (*including Menactra®*)	—	-100.0%	131	-12.4%	37	-46.1%	3	+33.3%
Adult Booster Vaccines (*including Adacel®*)	16	-56.4%	123	-9.2%	19	-4.8%	6	-14.3%
Travel and Other Endemics Vaccines	13	+62.5%	46	+20.0%	94	+3.1%	25	+11.1%
Other vaccines	1	—	132	+8.6%	5	0.0%	6	+25.0%
Total Vaccines	**43**	**-36.8%**	**619**	**+14.5%**	**556**	**-10.5%**	**128**	**-12.0%**

(1) France, Germany, United Kingdom, Italy, Spain, Greece, Cyprus, Malta, Belgium, Luxembourg, Portugal, Netherlands, Austria, Switzerland, Sweden, Ireland, Finland, Norway, Iceland, Denmark.
(2) World excluding United States, Canada, Western Europe, Japan, Australia and New Zealand.
(3) Japan, Canada, Australia and New Zealand.

Animal Health segment

Net sales for the **Animal Health** business for the first half of 2014 were €1,054 million, down 2.7% on a reported basis and up 2.2% at constant exchange rates.

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	Change on a reported basis	Change at constant exchange rates
Companion animals	689	697	-1.1%	+3.0%
Production animals	365	386	-5.4%	+0.8%
Total Animal Health	**1,054**	**1,083**	**-2.7%**	**+2,2%**
Of which Frontline® and other fipronil products	*340*	*364*	*-6.6%*	*-2.5%*
Of which NexGard™	*58*	—	—	—
Of which Vaccines	*334*	*361*	*-7.5%*	*-2.5%*
Of which avermectin products	*212*	*245*	*-13.5%*	*-8.6%*
Of which other products	*110*	*113*	*-2.7%*	*+1.8%*

Net sales for the Companion Animals franchise increased by 3.0% at constant exchange rates to €689 million. Sales of **Frontline®/fipronil** products were resilient (-2.5% at constant exchange rates at €340 million), while the new product NexGard™, launched in the United States and several European countries during the first half of 2014, generated net sales of €58 million (of which the United States accounted for €53 million).

Net sales for the Production Animals franchise were virtually unchanged (+0.8% at constant exchange rates) at €365 million.

2014 first-half Animal Health net sales by geographical region

(€ million)	Western Europe(1)	Change at constant exchange rates	United States	Change at constant exchange rates	Emerging Markets(2)	Change at constant exchange rates	Rest of the World(3)	Change at constant exchange rates
Frontline® and other fipronil products	112	0.0%	164	-9.0%	46	+10.6%	18	+17.6%
Nexgard™	4	—	53	—	—	—	1	—
Vaccines	88	-3.3%	72	-1.3%	166	-3.2%	8	+11.1%
Avermectin products	28	-3.6%	124	-12.8%	25	0.0%	35	-2.5%
Other animal health products	40	0.0%	36	-9.8%	27	+34.8%	7	-25.0%
Total Animal Health	**272**	**0.0%**	**449**	**+3.3%**	**264**	**+2.5%**	**69**	**+2.7%**

(1) France, Germany, United Kingdom, Italy, Spain, Greece, Cyprus, Malta, Belgium, Luxembourg, Portugal, Netherlands, Austria, Switzerland, Sweden, Ireland, Finland, Norway, Iceland, Denmark.
(2) World excluding United States, Canada, Western Europe, Japan, Australia and New Zealand.
(3) Japan, Canada, Australia and New Zealand.

C.3.1.2. Net sales by geographical region

(€ million)	June 30, 2014 (6 months)	June 30, 2013 (6 months)	Change on a reported basis	Change at constant exchange rates
Emerging Markets[1]	5,445	5,388	+1.1%	+11.0%
of which Eastern Europe and Turkey	*1,239*	*1,319*	*-6.1%*	*+4.7%*
of which Asia (excl. Pacific region)	*1,519*	*1,525*	*-0.4%*	*+5.4%*
of which Latin America	*1,618*	*1,411*	*+14.7%*	*+32.3%*
of which Africa	*486*	*531*	*-8.5%*	*-2.4%*
of which Middle East	*520*	*538*	*-3.3%*	*+0.9%*
United States	4,984	4,797	+3.9%	+8.5%
Western Europe[2]	3,906	3,958	-1.3%	-1.5%
Rest of the World[3]	1,582	1,919	-17.6%	-7.4%
of which Japan	*1,062*	*1,284*	*-17.3%*	*-7.6%*
Total	**15,917**	**16,062**	**-0.9%**	**+4.9%**

(1) World excluding United States, Canada, Western Europe, Japan, Australia and New Zealand.
(2) France, Germany, United Kingdom, Italy, Spain, Greece, Cyprus, Malta, Belgium, Luxembourg, Portugal, Netherlands, Austria, Switzerland, Sweden, Ireland, Finland, Norway, Iceland, Denmark.
(3) Japan, Canada, Australia and New Zealand.

Net sales in Emerging Markets reached €5,445 million, up 11.0% at constant exchange rates. Stripping out the Generics business in Brazil, year-on-year growth was 6.5% at constant exchange rates, driven by Diabetes (+17.5% at constant exchange rates), Genzyme (+32.7% at constant exchange rates) and Consumer Health Care (+35.6% at constant exchange rates). Latin America saw a surge in net sales (+32.3% at constant exchange rates), largely propelled by the performance in Brazil (+69.5% at constant exchange rates, at €746 million) on the back of a recovery in generics sales. Excluding generics, net sales in Brazil were up 19.1% at constant exchange rates on good performances in Diabetes, Vaccines and Consumer Health Care. In China, net sales reached €778 million, up 11.9% at constant exchange rates; this figure reflects fine performances in Diabetes, Consumer Health Care and Generics, but also lower vaccines sales due largely to delays in shipments of Pentaxim®. Sales in Russia were €410 million, up 8.9% at constant exchange rates, driven by Consumer Health Care.

In the United States, net sales rose by 8.5% at constant exchange rates to €4,984 million. Positive factors included: strong performances for Diabetes (+17.4% at constant exchange rates), Genzyme (+29.0% at constant exchange rates) and Vaccines (+14.5% at constant exchange rates); growth in Consumer Health Care that reached 20.4% at constant exchange rates, boosted by Nasacort® switching to the over-the-counter market; and the launch of NexGard™, a new animal health product. These factors more than offset lower sales in Generics (-35.5% at constant exchange rates), Oncology (-12.5% at constant exchange rates) and other prescription products (-12.0% at constant exchange rates).

Net sales in Western Europe fell by 1.5% at constant exchange rates to €3,906 million, hit by ongoing generic competition for Aprovel® (-45.1% at constant exchange rates), though the impact was cushioned by the Genzyme business (+18.9% at constant exchange rates) and Diabetes (+6.4% at constant exchange rates) and the recently-launched oncology products Jevtana® and Zaltrap®.

In the Rest of the World, net sales were down 7.4% at constant exchange rates at €1,582 million. In Japan, net sales were €1,062 million (-7.6% at constant exchange rates), reflecting the negative effects of generic competition on sales of Allegra® (-32.2% at constant exchange rates) and Myslee® (-26.0% at constant exchange rates), plus lower sales of the Imovax® vaccine.

C.3.2. Other revenues

Other revenues, which mainly comprise royalty income under licensing agreements contracted in connection with ongoing operations, decreased by 14.9% to €154 million (versus €181 million in the first half of 2013), reflecting the fact that Amgen ceased paying royalties on sales of Enbrel® in the United States in the first quarter of 2013.

C.3.3. Gross profit

Gross profit amounted to €10,947 million in the first half of 2014 (68.8% of net sales), compared with €11,022 million in the first half of 2013 (68.6% of net sales). This represents a year-on-year decrease of 0.7%, but also an increase of 0.2 of a point in the gross margin ratio.

The gross margin ratio for the Pharmaceuticals segment increased by 0.7 of a point to 71.0%, reflecting both a decline in license revenues (0.3 of a point) and an improvement in the ratio of cost of sales to net sales (1.0 point); this latter development was due in particular to the recovery of generics sales in Brazil and to wider margins in the Genzyme business.

The gross margin ratio for the Vaccines segment fell by 4.1 points to 49.0% due to an unfavorable product mix.

The gross margin ratio for the Animal Health segment fell by 3.8 points to 65.5% due to an unfavorable product mix.

C.3.4. Research and development expenses

Research and development (R&D) expenses came to €2,327 million, versus €2,342 million in the first half of 2013, representing 14.6% of net sales in both periods. Overall, R&D expenses fell by €15 million or 0.6% year-on-year, including favorable exchange rate effects.

In the Pharmaceuticals segment, R&D expenses rose by €17 million (0.8%), reflecting investments in the late stage clinical portfolio (mainly monoclonal antibodies).

R&D expenses for the Vaccines segment fell by €19 million (7.6%) year-on-year, due in particular to the completion of clinical trials for the dengue vaccine.

In the Animal Health segment, R&D expenses were reduced by €13 million (15.3%) year-on-year, reflecting a favorable phasing of expenses over the first half of the year.

C.3.5. Selling and general expenses

Selling and general expenses totaled €4,333 million, versus €4,446 million in the first half of 2013, a fall of €113 million (2.5%) including favorable exchange rate effects. They represented 27.2% of net sales, against 27.7% in the first half of 2013.

The Pharmaceuticals business reported a reduction of €80 million (2.1%) thanks to favorable exchange rate effects, despite investments in new product launches.

In the Vaccines business, selling and general expenses fell by €30 million or 10.0%.

Selling and general expenses for the Animal Health business decreased by €3 million or 0.9%.

C.3.6. Other operating income and expenses

Other operating income for the first half of 2014 was €116 million (versus €347 million for the first half of 2013), while other operating expenses were €87 million (versus €177 million for the first half of 2013).

Overall, other operating income and expenses represented net income of €29 million in the first half of 2014, versus net income of €170 million in the first half of 2013. This €141 million decrease was largely attributable to the €165 million gain in the first half of 2013 on the sale to Covis Pharma of commercial rights to certain pharmaceutical products in the United States.

C.3.7. Amortization of intangible assets

Amortization charged against intangible assets amounted to €1,301 million in the first half of 2014, versus €1,543 million in the first half of 2013. The year-on-year fall of €242 million was mainly due to a reduction in the amortization charged against intangible assets recognized on the acquisition of Aventis (€507 million in the first half of 2014, versus €680 million in the first half of 2013) and the acquisition of Genzyme (€420 million in the first half of 2014, versus €468 million in the first half of 2013), reflecting the end of the life cycles of some products – mainly Actonel®, Lovenox® and Renagel®/Renvela® – and to a lesser extent, favorable exchange rate effects.

C.3.8. Impairment of intangible assets

This line showed impairment losses of €74 million charged against intangible assets in the first half of 2014, compared with €440 million in the first half of 2013.

Impairment losses charged in the first half of 2014 related mainly to the discontinuation of R&D projects: Retinostat® and the vaccine against Pseudomonas aeruginosa (in collaboration with KaloBios).

In the first half of 2013, impairment losses mainly comprised the €384 million loss booked on the discontinuation of the R&D project for iniparib in non-small cell lung cancer and ovarian cancer.

C.3.9. Fair value remeasurement of contingent consideration liabilities

Fair value remeasurements of contingent consideration liabilities recognized in accordance with the revised IFRS 3 represented an expense of €132 million in the first half of 2014, versus €117 million in the first half of 2013. This expense relates primarily to the contingent value rights (CVRs) issued in connection with the Genzyme acquisition and to contingent consideration payable to Bayer as a result of a transaction completed by Genzyme before it was acquired by Sanofi (see Note B.11. to the condensed half-year consolidated financial statements). In the first half of 2013, this line also included contingent consideration related to the TargeGen acquisition, the fair value of which reduced to zero at the end of 2013 following discontinuation of the fedratinib project.

C.3.10. Restructuring costs

Restructuring costs amounted to €135 million in the first half of 2014, compared with €159 million in the first half of 2013, and mainly comprised employee-related costs arising from plans to adjust headcount in Europe and North America.

C.3.11. Other gains and losses, and litigation

Nothing was recorded on this line in either the first half of 2014 or the first half of 2013.

C.3.12. Operating income

Operating income for the first half of 2014 was €2,674 million, compared with €2,145 million for the first half of 2013, an increase of 24.7%, mainly reflecting the decrease in amortization and impairment charged against intangible assets.

C.3.13. Financial income and expenses

Net financial expense for the period was €135 million, versus €277 million for the first half of 2013, a decrease of €142 million.

Financial expenses directly related to net debt (defined as short-term and long-term debt, plus related interest rate and currency derivatives, minus cash and cash equivalents) were €144 million, compared with €170 million in the first half of 2013. This year-on-year decrease mainly reflects a fall in the average borrowing rate.

Gains on disposals of non-current financial assets amounted to €81 million (versus €4 million in the first half of 2013), and arose mainly on the sale by Genzyme of its equity interest in Isis Pharmaceuticals.

Net financial expense also includes a gain of €35 million arising on the acquisition of Alnylam shares in February 2014.

C.3.14. Income before tax and associates and joint ventures

Income before tax and associates and joint ventures for the first half of 2014 totaled €2,539 million, compared with €1,868 million for the first half of 2013, an increase of 35.9%.

C.3.15. Income tax expense

Income tax expense was €624 million in the first half of 2014, versus €351 million a year earlier. The year-on-year increase was mainly due to the higher level of income before tax and associates and joint ventures.

The level of income tax expense is impacted by substantial positive tax effects relating to amortization and impairment of intangible assets and to restructuring costs. These effects totaled €477 million and €44 million respectively in the first half of 2014, versus €670 million and €57 million respectively in the first half of 2013, resulting in a €206 million increase year-on-year in the tax charge.

For interim accounting periods, Sanofi applies an estimated effective tax rate to business operating income, in accordance with IAS 34. The effective tax rate based on business net income[(1)] was 25.0% in the first half of 2014, versus 24.0% in the first half of 2013 and for 2013 as a whole. This increase in the effective tax rate reflects the favorable impact of ongoing proceedings with the tax authorities in several countries on 2013 first-half and full-year effective tax rates.

(1) Calculated on the basis of business operating income minus net financial expenses, and before (i) the share of profit/loss of associates and joint ventures and (ii) net income attributable to non-controlling interests.

C.3.16. Share of profit/loss of associates and joint ventures

The share of profit/loss of associates and joint ventures for the first half of 2014 was €7 million, versus €4 million for the comparable period of 2013.

Since the start of April 2014, this line item has included Sanofi's share of Regeneron's profits, including our share of amortization charged against fair value remeasurements of Regeneron's intangible assets. This line item also includes Sanofi's share of after-tax profits from territories managed by BMS under the Plavix® and Avapro® alliance, which fell by 26.7% to €11 million (versus €15 million in the first half of 2013), reflecting the ongoing decline of Plavix® sales in the United States due to loss of exclusivity and competition from generics.

C.3.17. Net income

Net income for the first half of 2014 was €1,922 million, versus €1,521 million for the first half of 2013.

C.3.18. Net income attributable to non-controlling interests

Net income attributable to non-controlling interests for the first half of 2014 amounted to €61 million, against €84 million for the first half of 2013. This line mainly comprises the share of pre-tax profits paid to BMS from territories managed by Sanofi (€57 million, versus €77 million in the first half of 2013); the year-on-year fall was directly related to competition from generics of clopidogrel (the active ingredient of Plavix®) and of irbesartan (the active ingredient of Aprovel®) in Europe.

C.3.19. Net income attributable to equity holders of Sanofi

Net income attributable to equity holders of Sanofi amounted to €1,861 million in the first half of 2014, compared with €1,437 million in the first half of 2013.

Basic earnings per share (EPS) came to €1.41, 29.4% higher than the 2013 first-half figure of €1.09, based on an average number of shares outstanding of 1,317.2 million in the first half of 2014 and 1,323.9 million in the first half of 2013. Diluted EPS was €1.40, versus €1.07 for the first half of 2013, based on a number of shares after dilution of 1,333.8 million in the first half of 2014 and 1,340.5 million in the first half of 2013.

C.3.20. Business operating income

Business operating income (refer to the appendix in section F. for a definition) amounted to €4,290 million in the first half of 2014 versus €4,345 million in the first half of 2013, a decrease of 1.3%. Business operating income represented 27.0% of net sales, versus 27.1% in the first half of 2013.

The table below shows trends in business operating income by business segment for the first half of 2014 and the first half of 2013:

(€ million)	June 30, 2014	June 30, 2013[1]
Pharmaceuticals	3,838	3,765
Vaccines	166	227
Animal Health	294	319
Other	(8)	34
Business operating income	**4,290**	**4,345**

(2) Includes the impact of first-time application of IFRIC 21.

C.3.21. Business net income

Business net income (refer to the appendix in section F. for a definition) amounted to €3,084 million in the first half of 2014 versus €3,077 million in the first half of 2013, an increase of 0.2%. It represented 19.4% of net sales, compared with 19.2% in the first half of 2013.

Business EPS for the first half of 2014 was €2.34, versus €2.32 for the first half of 2013 (up 0.9%), based on an average number of shares outstanding of 1,317.2 million in the first half of 2014 versus 1,323.9 million in the first half of 2013.

C.4. CONSOLIDATED STATEMENT OF CASH FLOWS

Condensed consolidated statement of cash flows

(€ million)	June 30, 2014	June 30, 2013
Net cash provided by / (used in) operating activities	2,534	2,025
Net cash provided by / (used in) investing activities	(2,152)	(655)
Net cash provided by / (used in) financing activities	(4,339)	(3,525)
Impact of exchange rates on cash and cash equivalents	6	(45)
Net change in cash and cash equivalents – (decrease) / increase	**(3,951)**	**(2,200)**

Net cash provided by operating activities came to €2,534 million in the first half of 2014, against €2,025 million in the first half of 2013.

Operating cash flow before changes in working capital for the first half of 2014 was €3,211 million, versus €2,909 million in the first half of 2013, reflecting improved first-half results. Working capital requirements rose by €677 million during the first half of 2014, compared with a rise of €884 million a year earlier; this favorable trend was mainly due to the fact that accounts receivable and inventories increased by less during the first half of 2014.

Net cash used in investing activities totaled €2,152 million in the first half of 2014, compared with €655 million in the first half of 2013.

Acquisitions of property, plant and equipment and intangible assets amounted to €637 million (versus €728 million in the first half of 2013); the main items were investments in industrial and research facilities (€484 million), together with contractual payments for intangible rights under license and collaboration agreements (€108 million).

Acquisitions of investments in the period amounted to €1,679 million, net of cash acquired and after including assumed liabilities and commitments; the main items were acquisitions of equity interests in Regeneron and Alnylam. In the first half of 2013, acquisitions of investments totaled €273 million, net of cash acquired and after including assumed liabilities and commitments; the main items were the acquisitions of Genfar and Dosch, and payments of contingent consideration relating to the acquisition of Genzyme.

After-tax proceeds from disposals amounted to €182 million in the first half of 2014, and arose mainly from the sale of the equity interest in Isis Pharmaceuticals and a payment from Tolmar for the transfer of U.S. rights in respect of Eligard®. In the first half of 2013, after-tax proceeds from disposals amounted to €308 million, mainly on the sale to Covis Pharma of commercial rights to five pharmaceutical products in the United States and disposals of property, plant and equipment in the United States and France.

Net cash used in financing activities amounted to €4,339 million in the first half of 2014, compared with €3,525 million in the first half of 2013. The 2014 first-half figure includes net external funding raised (net change in short-term and long-term debt) of €115 million (compared with €272 million in the first half of 2013), the Sanofi dividend payout of €3,676 million (versus €3,638 million in the first half of 2013), and the acquisition of treasury shares for €1,012 million.

The **net change in cash and cash equivalents** in the first half of 2014 was a decrease of €3,951 million, compared with a decrease of €2,200 million in the first half of 2013.

C.5. CONSOLIDATED BALANCE SHEET

Total assets were €90,720 million as of June 30, 2014, versus €96,055 million as of December 31, 2013 (including the impact of first-time application of IFRIC 21), a reduction of €5,335 million.

Debt, net of cash and cash equivalents as of June 30, 2014 was €10,194 million, compared with €6,043 million as of December 31, 2013. Sanofi defines "debt, net of cash and cash equivalents" as (i) the sum total of short-term debt, long-term debt and interest rate and currency derivatives used to hedge debt, minus (ii) the sum total of cash and cash equivalents and interest rate and currency derivatives used to hedge cash and cash equivalents. The gearing ratio (a non-GAAP financial measure that we define as the ratio of debt, net of cash and cash equivalents, to total equity) rose from 10.6% as of December 31, 2013 to 19.7% as of June 30, 2014. Analyses of debt as of June 30, 2014 and December 31, 2013 are provided in Note B.9. to the condensed half-year consolidated financial statements.

The Group considers that future cash flows generated by its operating activities will be sufficient to repay its debt.

The financing arrangements in place as of June 30, 2014 at the Sanofi parent company level are not subject to covenants regarding financial ratios and do not contain any clauses linking credit spreads or fees to Sanofi's credit rating.

Other key movements in the balance sheet are described below.

Total **equity** stood at €51,767 million as of June 30, 2014, versus €57,033 million as of December 31, 2013. This decrease mainly reflects the following factors:

- reductions: distributions to shareholders (Sanofi dividend payout for the 2013 financial year of €3,676 million), the impact of changing the consolidation method used for the equity interest in Regeneron (€2,611 million), and acquisitions of treasury shares (€1,012 million);

- increases: net income for the first half of 2014 (€1,922 million).

As of June 30, 2014, Sanofi held 8.7 million of its own shares, representing 0.7% of the share capital, and recorded as a deduction from equity.

Goodwill and **other intangible assets**, representing a combined value of €51,675 million, fell by €854 million, primarily as a result of the following factors:

- reductions: amortization and impairment losses recognized during the period (€1,418 million).

- increases: acquisitions of other intangible assets (€167 million) and currency translation differences on assets denominated in foreign currencies (€337 million, mainly related to the U.S. dollar).

Provisions and other non-current liabilities (€9,066 million) increased by €331 million, mainly due to a net increase of €465 million in provisions for pensions and other post-employment benefits (primarily as a result of movements in actuarial gains and losses on defined-benefit plans).

Net deferred taxes represented a net asset of €169 million, compared with a net liability of €916 million as of June 30, 2013. The year-on-year movement of €1,085 million was mainly due to reversals of deferred tax liabilities on the remeasurement of acquired intangible assets (€371 million), the impact of switching to the equity method in accounting for the investment in Regeneron (€294 million), and movements in provisions for pensions and other post-employment benefits (€173 million).

Liabilities related to business combinations and to non-controlling interests (€1,083 million) rose by €175 million, mainly as a result of fair value remeasurements of the contingent consideration payable to Bayer in connection with a transaction completed by Genzyme before it was acquired by Sanofi.

D/ Risk factors and related party transactions

D.1. RISK FACTORS

The risk factors to which Sanofi is exposed are described in our Annual Report on Form 20-F for the year ended December 31, 2013, filed with the U.S. Securities and Exchange Commission on March 7, 2014. The nature of these risks has not significantly changed during the first half of 2014. These risks may materialize during the second half of 2014 or during subsequent periods.

D.2. RELATED PARTY TRANSACTIONS

The principal related party transactions are defined in Note D.33. to the consolidated financial statements included at item 18, page F-107 of our Annual Report on Form 20-F for the year ended December 31, 2013[1].

For a description of the principal transactions and balances in the first half of 2014 between the Group and certain of its associates and joint ventures that are regarded as related parties, refer to Note B.5. to the condensed half-year consolidated financial statements. In the first half of 2014, the Group has not entered into any transactions with any key management personnel. Financial relations with the Group's principal shareholders fall within the ordinary course of business and were immaterial in the first half of 2014.

E/ Outlook

Given our financial performance in the first half of 2014 and despite increasing U.S. competitive pressure at the payor level, we anticipate our 2014 full-year business earnings per share[1] will be 6% to 8% higher than in 2013 at constant exchange rates, barring major unforeseen events.

Business net income[2] for the year ended December 31, 2013 amounted to €6,686 million (including the impact of retrospective application of IFRIC 21), giving business earnings per share of €5.05.

This guidance has been prepared using accounting methods consistent with those used in the preparation of our historical financial information. It draws upon assumptions defined by Sanofi and its subsidiaries, in particular regarding the following factors:

- trends in exchange rates and interest rates;
- growth in the national markets in which we operate;
- healthcare reimbursement policies, pricing reforms, and other governmental measures affecting the pharmaceutical industry;
- developments in the competitive environment, in terms of innovative products and the introduction of generics;
- respect by others for our intellectual property rights;
- progress on our research and development programs;
- the impact of our operating cost control policy, and trends in our operating costs;
- the average number of shares outstanding.

Some of the information, assumptions and estimates concerned are derived from or based, in whole or in part, on judgments and decisions made by Sanofi management that may be liable to change or adjustment in future.

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(1) This report is available on our website: *www.sanofi.com* .
(2) Refer to the appendix in section F for a definition.

Forward-Looking Statements

This document contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements are statements that are not historical facts. These statements include projections and estimates and their underlying assumptions, statements regarding plans, objectives, intentions and expectations with respect to future financial results, events, operations, services, product development and potential, and statements regarding future performance. Forward-looking statements are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates," "plans" and similar expressions. Although Sanofi's management believes that the expectations reflected in such forward-looking statements are reasonable, investors are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Sanofi, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

These risks and uncertainties include among other things, the uncertainties inherent in research and development, future clinical data and analysis, including post marketing, decisions by regulatory authorities, such as the FDA or the EMA, regarding whether and when to approve any drug, device or biological application that may be filed for any such product candidates as well as their decisions regarding labeling and other matters that could affect the availability or commercial potential of such product candidates, the absence of guarantee that the product candidates if approved will be commercially successful, the future approval and commercial success of therapeutic alternatives, the Group's ability to benefit from external growth opportunities, trends in exchange rates and prevailing interest rates, the impact of cost containment policies and subsequent changes thereto, the average number of shares outstanding as well as those discussed or identified in the public filings with the Securities and Exchange Commission (SEC) and the *Autorité des marchés financiers* (AMF) made by Sanofi, including those listed under "Risk Factors"[(1)] and "Cautionary Statement Regarding Forward-Looking Statements" in Sanofi's annual report on Form 20-F for the year ended December 31, 2013. For an update on litigation, refer to Note B.14. "Legal and arbitral proceedings" to our condensed half-year consolidated financial statements for the six months ended June 30, 2014, section "A.4.1. Legal and arbitral proceedings" and section "D. Principal risk factors and uncertainties" on pages 41 and 66 respectively of the half-year management report.

Other than as required by applicable law, Sanofi does not undertake any obligation to update or revise any forward-looking information or statements.

(1) Refer to pages 4 to 17 of our Annual Report on Form 20-F for the year ended December 31, 2013, which is available on our website: www.sanofi.com.

F/ Appendix – Definition of financial indicators

F.1. NET SALES ON A CONSTANT STRUCTURE BASIS AND AT CONSTANT EXCHANGE RATES

F.1.1. Net sales at constant exchange rates

When we refer to changes in our net sales "at constant exchange rates", we exclude the effect of exchange rates by recalculating net sales for the relevant period using the exchange rates that were used for the previous period.

Reconciliation of 2014 first-half reported net sales to net sales at constant exchange rates

(€ million)	June 30, 2014
Reported net sales for the first half of 2014	**15,917**
Effect of exchange rates	940
Net sales at constant exchange rates for the first half of 2013	**16,857**

F.1.2. Net sales on a constant structure basis

When we refer to changes in our net sales "on a constant structure basis", we eliminate the effect of changes in structure by restating the net sales for the previous period as follows:

- by including sales generated by entities or product rights acquired in the current period for a portion of the previous period equal to the portion of the current period during which we owned them, based on sales information we receive from the party from whom we make the acquisition;
- similarly, by excluding sales for a portion of the previous period when we have sold an entity or rights to a product in the current period;
- for a change in consolidation method, by recalculating the previous period on the basis of the method used for the current period.

F.2. BUSINESS NET INCOME

We report segment results on the basis of "Business Operating Income". This indicator, adopted in compliance with IFRS 8, is used internally to measure operational performance and to allocate resources. "Business Operating Income" is derived from ***Operating income***, adjusted as follows:

- the amounts reported in the line items ***Restructuring costs***, ***Fair value remeasurement of contingent consideration liabilities*** and ***Other gains and losses, and litigation*** are eliminated;
- amortization and impairment losses charged against intangible assets (other than software) are eliminated;
- the share of profits/losses of associates and joint ventures is added;
- the share attributable to non-controlling interests is deducted;
- other acquisition-related effects (primarily, the workdown of acquired inventories remeasured at fair value at the acquisition date, and the impact of acquisitions on investments in associates and joint ventures) are eliminated; and
- restructuring costs relating to associates and joint ventures are eliminated.

"Business net income" is defined as ***Net income attributable to equity holders of Sanofi***, determined under IFRS, excluding (i) amortization of intangible assets; (ii) impairment of intangible assets; (iii) fair value remeasurement of contingent consideration liabilities; (iv) other impacts associated with acquisitions (including impacts of acquisitions on associates and joint ventures); (v) restructuring costs (including restructuring costs relating to associates and joint ventures), (vi) other gains and losses, and litigation; (vii) the tax effect related to the items listed above; as well as (viii) the effects of major tax disputes and the tax on dividends distributed to Sanofi shareholders; and (ix) the share of non-controlling interests in items (i) through (viii). Items (i), (ii), (iii) and (v) correspond to those reported in the income statement line items ***Amortization of intangible assets***, ***Impairment of intangible assets***, ***Fair value remeasurement of contingent consideration liabilities*** and ***Restructuring costs***.

We also report "business earnings per share" ("business EPS"), a non-GAAP financial measure that we define as business net income divided by the weighted average number of shares outstanding.

G/ Appendix – Research & development pipeline

Registration

N **Toujeo® (U300)** Insulin glargine Type 1+2 diabetes, U.S., EU	**Lemtrada™ (alemtuzumab)** Anti-CD52 mAb Multiple sclerosis, U.S.	**Quadracel®** Diphtheria, tetanus, pertussis & polio vaccine; 4-6 y of age
	N **Cerdelga™ (eliglustat tartrate)** Glucosylceramide synthetase inhibitor Gaucher disease, U.S., EU	**Fluzone® QIV ID** Quadrivalent inactivated influenza vaccine intradermal

Phase III

LixiLan lixisenatide + insulin glargine Fixed-Ratio / Type 2 diabetes	N **alirocumab** Anti-PCSK-9 mAb Hypercholesterolemia	**Dengue** Mild-to-severe dengue fever vaccine
N **Lyxumia® (lixisenatide)** GLP-1 agonist Type 2 diabetes, U.S.	**Kynamro® (mipomersen)** Apolipoprotein B-100 antisense Severe HeFH, U.S.	**Clostridium difficile** Toxoid vaccine
N **sarilumab** Anti-IL-6R mAb Rheumatoid arthritis	**Jevtana® (cabazitaxel)** Metastatic prostate cancer (1L)	**PR5i** DTP-HepB-Polio-Hib Pediatric hexavalent vaccine
N **patisiran SAR438037** mRNA inhibitor Familial amyloid polyneuropathy	**SYNVISC-ONE®** Medical device Pain in hip OA	**VaxiGrip® QIV IM** Quadrivalent inactivated influenza vaccine

Phase II

N **dupilumab** Anti-IL4Rα mAb Atopic dermatitis; Asthma; Nasal polyposis	N **SAR391786** Anti-GDF8 mAb Sarcopenia	**Rotavirus** Live attenuated tetravalent Rotavirus oral vaccine
N **SAR339658** Anti-VLA 2 mAb Multiple sclerosis	N **SAR650984** Anti-CD38 naked mAb Multiple myeloma	**Rabies VRVg** Purified vero rabies vaccine
N **SAR156597** IL4/IL13 Bi-specific mAb Idiopathic pulmonary fibrosis	N **SAR3419** Maytansin-loaded anti-CD19 mAb B-cell refractory/relapsed malignancies	**Meninge ACYW conj.** 2nd generation meningococcal conjugate infant vaccine
N **SAR438714** (ALN-TTRsc) RNAi Familial amyloid cardiomyopathy	N Combination **SAR245409** (XL765) / **MSC1936369B** Oral dual inhibitor of PI3K & mTOR / pimasertib Ovarian cancer	**Tuberculosis** Recombinant subunit vaccine
sarilumab Anti-IL-6R mAb Uveitis	N Combination **ferroquine / OZ439** Antimalarial Malaria	
N **fresolimumab** TGFβ antagonist Focal segmental glomerulosclerosis	N **SAR279356** (F598) Anti-PNAG mAb Serious infections	

Phase I

N **SAR405838** (MI-773) HDM2 / p53 antagonist Solid tumors	N **SAR113244** Anti-CXCR5 mAb Systemic lupus erythematosus	N **GZ402665** (rhASM) Niemann-Pick type B
N **SAR566658** Maytansin-loaded anti-CA6 mAb Solid tumors	N **SAR252067** Anti-LIGHT mAb Crohn's disease	N **GZ402671** Oral GCS Inhibitor Fabry Disease
N **SAR125844** C-MET kinase inhibitor Solid tumors	N **SAR228810** Anti-protofibrillar AB mAb Alzheimer's disease	N **GZ402666** neo GAA Pompe Disease
N **SAR260301** PI3K β selective inhibitor PTEN – Deficient tumors	N **SAR425899** GLP-1 / GCGR agonist Diabetes	**Streptococcus pneumonia** Meningitis & pneumonia vaccine
N **SAR307746** Anti-ANG2 mAb Solid tumors	**SAR342434** Insulin Lispro Diabetes	**Herpes Simplex Virus Type 2** HSV-2 vaccine
N **SAR245408** (XL147) Oral PI3K inhibitor Solid tumors	N **GZ402663** (sFLT-01) Gene therapy Age-related macular degeneration (AMD)	
Combination **SAR405838 / MSC1936369B** Solid tumors	N **StarGen®** Gene therapy Stargardt disease	
N **SAR438584** *undisclosed target*	N **UshStat®** Gene therapy Usher syndrome 1B	

N: New Molecular Entity

- Oncology
- Diabetes Solutions
- Rare Diseases
- Biosurgery
- Cardiovascular Diseases
- Immune Mediated Diseases
- Infectious Diseases
- Vaccines
- Ophthalmology
- Age Related Degenerative Diseases

3 STATUTORY AUDITORS' REVIEW REPORT ON THE 2014 HALF-YEAR FINANCIAL INFORMATION

Period from January 1, 2014 to June 30, 2014

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual general meetings and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Sanofi, for the period from January 1, 2014 to June 30, 2014;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of half-year financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – the standard of IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-year management report on the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris-La-Défense, July 31, 2014

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit	Ernst & Young et Autres
Xavier Cauchois	Nicolas Pfeuty

4 RESPONSIBILITY STATEMENT OF THE CERTIFYING OFFICER — HALF-YEAR FINANCIAL REPORT

"I hereby certify that, to the best of my knowledge, the condensed half-year consolidated financial statements have been prepared in accordance with the applicable accounting standards and present fairly the assets and liabilities, the financial position and the income of the Company and the entities included in the scope of consolidation, and that the half-year management report on page 37 provides an accurate overview of the significant events of the first six months of the financial year with their impact on the half-year consolidated financial statements, together with the major transactions with related parties and a description of the main risks and uncertainties for the remaining six months of the financial year"

Paris, July 31, 2014

French original signed by

Christopher A. Viehbacher

Cover photo credit: G. Ramon / Panoramic / Capa Pictures

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