HALF-YEAR FINANCIAL REPORT

2020 EDITION

SANOFI

2020 HALF-YEAR FINANCIAL REPORT

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ENGLISH TRANSLATION AND LANGUAGE CONSULTANCY: STEPHEN REYNOLDS & JANE LAMBERT

1. CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS – ASSETS

(€ million)	Note	June 30, 2020	December 31, 2019
Property, plant and equipment	**B.2.**	9,368	9,717
Right-of-use assets		1,236	1,300
Goodwill	**B.3.**	45,254	44,519
Other intangible assets	**B.3.**	17,021	16,572
Investments accounted for using the equity method	**B.5.**	196	3,591
Other non-current assets	**B.6.**	3,031	2,667
Deferred tax assets		4,830	5,434
Non-current assets		**80,936**	**83,800**
Inventories		8,895	7,994
Accounts receivable	**B.7.**	7,203	7,937
Other current assets		2,727	3,253
Cash and cash equivalents	**B.9.**	15,969	9,427
Current assets		**34,794**	**28,611**
Assets held for sale or exchange		89	325
TOTAL ASSETS		**115,819**	**112,736**

The accompanying notes on pages 11 to 37 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED BALANCE SHEETS – SHAREHOLDERS' EQUITY AND LIABILITIES

(€ million)	Note	June 30, 2020	December 31, 2019
Equity attributable to equity holders of Sanofi		63,304	58,934
Equity attributable to non-controlling interests		182	174
Total equity	**B.8.**	**63,486**	**59,108**
Long-term debt	**B.9.**	20,404	20,131
Non-current lease liabilities		947	987
Non-current liabilities related to business combinations and to non-controlling interests	**B.11.**	413	508
Non-current provisions and other non-current liabilities	**B.12.1.**	9,785	9,321
Deferred tax liabilities		1,976	2,294
Non-current liabilities		**33,525**	**33,241**
Accounts payable		4,920	5,313
Current liabilities related to business combinations and to non-controlling interests	**B.11.**	243	292
Current provisions and other current liabilities	**B.12.2.**	10,061	9,961
Current lease liabilities		248	261
Short-term debt and current portion of long-term debt	**B.9.**	3,329	4,554
Current liabilities		**18,801**	**20,381**
Liabilities related to assets held for sale or exchange		7	6
TOTAL EQUITY AND LIABILITIES		**115,819**	**112,736**

The accompanying notes on pages 11 to 37 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

(€ million)	Note	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Net sales	**B.20.**	**17,180**	**17,019**	**36,126**
Other revenues		574	674	1,505
Cost of sales		(5,543)	(5,385)	(11,976)
Gross profit		**12,211**	**12,308**	**25,655**
Research and development expenses		(2,692)	(2,972)	(6,018)
Selling and general expenses		(4,607)	(4,835)	(9,883)
Other operating income	**B.15.**	281	273	825
Other operating expenses	**B.15.**	(693)	(466)	(1,207)
Amortization of intangible assets	**B.3.**	(883)	(1,116)	(2,146)
Impairment of intangible assets	**B.4.**	(323)	(1,840)	(3,604)
Fair value remeasurement of contingent consideration	**B.6. - B.11.**	54	190	238
Restructuring costs and similar items	**B.16.**	(758)	(747)	(1,062)
Other gains and losses, and litigation	**B.17.**	136	317	327
Gain on Regeneron investment arising from transaction of May 29, 2020	**B.1.**	7,382	—	—
Operating income		**10,108**	**1,112**	**3,125**
Financial expenses	**B.18.**	(198)	(244)	(444)
Financial income	**B.18.**	31	94	141
Income before tax and investments accounted for using the equity method		**9,941**	**962**	**2,822**
Income tax expense	**B.19.**	(994)	(13)	(139)
Share of profit/(loss) from investments accounted for using the equity method		354	116	255
Net income excluding the exchanged/held-for-exchange Animal Health business		**9,301**	**1,065**	**2,938**
Net income/(loss) of the exchanged/held-for-exchange Animal Health business		—	—	(101)
Net income		**9,301**	**1,065**	**2,837**
Net income attributable to non-controlling interests		20	15	31
Net income attributable to equity holders of Sanofi		**9,281**	**1,050**	**2,806**
Average number of shares outstanding (million)	**B.8.7.**	1,251.7	1,247.2	1,249.9
Average number of shares after dilution (million)	**B.8.7.**	1,258.2	1,254.7	1,257.1
▪ Basic earnings per share (in euros)		7.41	0.84	2.24
▪ Basic earnings per share excluding the exchanged/held-for-exchange Animal Health business (in euros)		7.41	0.84	2.33
▪ Diluted earnings per share (in euros)		7.38	0.84	2.23
▪ Diluted earnings per share excluding the exchanged/held-for-exchange Animal Health business (in euros)		7.38	0.84	2.31

The accompanying notes on pages 11 to 37 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(€ million)	Note	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Net income		**9,301**	**1,065**	**2,837**
Attributable to equity holders of Sanofi		*9,281*	*1,050*	*2,806*
Attributable to non-controlling interests		*20*	*15*	*31*
Other comprehensive income:				
▪ Actuarial gains/(losses)	**B.8.8.**	(146)	(535)	(382)
▪ Change in fair value of equity instruments included in financial assets	**B.8.8.**	299	34	106
▪ Tax effects	**B.8.8.**	(89)	117	113
Sub-total: items not subsequently reclassifiable to profit or loss (A)		**64**	**(384)**	**(163)**
▪ Change in fair value of debt instruments included in financial assets	**B.8.8.**	4	28	28
▪ Change in fair value of cash flow hedges	**B.8.8.**	29	(15)	(13)
▪ Change in currency translation differences	**B.8.8.**	(944)	410	751
▪ Tax effects	**B.8.8.**	9	17	47
Sub-total: items subsequently reclassifiable to profit or loss (B)		**(902)**	**440**	**813**
Other comprehensive income for the period, net of taxes (A+B)		**(838)**	**56**	**650**
Comprehensive income		**8,463**	**1,121**	**3,487**
Attributable to equity holders of Sanofi		*8,451*	*1,105*	*3,457*
Attributable to non-controlling interests		*12*	*16*	*30*

The accompanying notes on pages 11 to 37 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	Treasury shares	Reserves and retained earnings	Stock options and other share-based payments	Other comprehensive income	Attributable to equity holders of Sanofi	Attributable to non-controlling interests	Total equity
Balance at January 1, 2018 [a]	**2,508**	**58**	**(14)**	**52,804**	**3,298**	**(584)**	**58,070**	**169**	**58,239**
First-time application of IFRS 9	—	—	—	839	—	(852)	(13)	—	(13)
Other comprehensive income for the period	—	—	—	(305)	—	1,268	963	(4)	959
Net income for the period	—	—	—	4,306	—	—	4,306	104	4,410
Comprehensive income for the period	**—**	**—**	**—**	**4,001**	**—**	**1,268**	**5,269**	**100**	**5,369**
Dividend paid out of 2017 earnings (€3.03 per share)	—	—	—	(3,773)	—	—	(3,773)	—	(3,773)
Payment of dividends to non-controlling interests	—	—	—	—	—	—	—	(97)	(97)
Share repurchase program [b]	—	—	(1,100)	—	—	—	(1,100)	—	(1,100)
Reductions in share capital	(24)	(213)	880	(643)	—	—	—	—	—
Share-based payment plans:									
▪ Exercise of stock options	2	57	—	—	—	—	59	—	59
▪ Issuance of restricted shares and vesting of existing restricted shares [c]	4	(4)	80	(80)	—	—	—	—	—
▪ Employee share ownership plan	5	115	—	—	—	—	120	—	120
▪ Proceeds from sale of treasury shares on exercise of stock options	—	—	1	—	—	—	1	—	1
▪ Value of services obtained from employees	—	—	—	—	284	—	284	—	284
▪ Tax effects of the exercise of stock options	—	—	—	—	14	—	14	—	14
Other changes arising from issuance of restricted shares [d]	—	—	—	13	—	—	13	—	13
Change in non-controlling interests without loss of control	—	—	—	(68)	—	—	(68)	3	(65)
Change in non-controlling interests arising from divestment	—	—	—	—	—	—	—	(16)	(16)
Balance at December 31, 2018	**2,495**	**13**	**(153)**	**53,093**	**3,596**	**(168)**	**58,876**	**159**	**59,035**

(€ million)	Share capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Stock options and other share-based payments	Other comprehensive income	Attributable to equity holders of Sanofi	Attributable to non-controlling interests	Total equity
Balance at January 1, 2019	**2,495**	**13**	**(153)**	**53,093**	**3,596**	**(168)**	**58,876**	**159**	**59,035**
Other comprehensive income for the period	—	—	—	(384)	—	439	55	1	56
Net income for the period	—	—	—	1,050	—	—	1,050	15	1,065
Comprehensive income for the period	**—**	**—**	**—**	**666**	**—**	**439**	**1,105**	**16**	**1,121**
Dividend paid out of 2018 earnings (€3.07 per share)	—	—	—	(3,834)	—	—	(3,834)	—	(3,834)
Payment of dividends to non-controlling interests	—	—	—	—	—	—	—	(10)	(10)
Share repurchase program [(b)]	—	—	(12)	—	—	—	(12)	—	(12)
Share-based payment plans:									
▪ Exercise of stock options	2	42	—	—	—	—	44	—	44
▪ Issuance of restricted shares and vesting of existing restricted shares [(c)]	7	(7)	153	(153)	—	—	—	—	—
▪ Proceeds from sale of treasury shares on exercise of stock options	—	—	3	—	—	—	3	—	3
▪ Value of services obtained from employees	—	—	—	—	131	—	131	—	131
▪ Tax effects of the exercise of stock options	—	—	—	—	3	—	3	—	3
Other changes arising from issuance of restricted shares [(d)]	—	—	—	30	—	—	30	—	30
Other [(e)]	—	—	—	7	—	—	7	—	7
Balance at June 30, 2019	**2,504**	**48**	**(9)**	**49,809**	**3,730**	**271**	**56,353**	**165**	**56,518**
Other comprehensive income for the period	—	—	—	222	—	374	596	(2)	594
Net income for the period	—	—	—	1,756	—	—	1,756	16	1,772
Comprehensive income for the period	**—**	**—**	**—**	**1,978**	**—**	**374**	**2,352**	**14**	**2,366**
Payment of dividends to non-controlling interests	—	—	—	—	—	—	—	(4)	(4)
Share-based payment plans:									
▪ Exercise of stock options	4	99	—	—	—	—	103	—	103
▪ Value of services obtained from employees	—	—	—	—	121	—	121	—	121
• Tax effects of the exercise of stock options	—	—	—	—	12	—	12	—	12
Change in non-controlling interests without loss of control	—	—	—	(7)	—	—	(7)	(1)	(8)
Balance at December 31, 2019	**2,508**	**147**	**(9)**	**51,780**	**3,863**	**645**	**58,934**	**174**	**59,108**

(€ million)	Share capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Stock options and other share-based payments	Other comprehensive income	Attributable to equity holders of Sanofi	Attributable to non-controlling interests	Total equity
Balance at January 1, 2020	**2,508**	**147**	**(9)**	**51,780**	**3,863**	**645**	**58,934**	**174**	**59,108**
Other comprehensive income for the period	—	—	—	64	—	(894)	(830)	(8)	(838)
Net income for the period	—	—	—	9,281	—	—	9,281	20	9,301
Comprehensive income for the period	**—**	**—**	**—**	**9,345**	**—**	**(894)**	**8,451**	**12**	**8,463**
Dividend paid out of 2019 earnings (€3.15 per share)	—	—	—	(3,937)	—	—	(3,937)	—	(3,937)
Payment of dividends to non-controlling interests	—	—	—	—	—	—	—	(4)	(4)
Share repurchase program [(b)]	—	—	(361)	—	—	—	(361)	—	(361)
Share-based payment plans:									
• Exercise of stock options	1	37	—	—	—	—	38	—	38
• Issuance of restricted shares and vesting of existing restricted shares [(c)]	3	(3)	126	(126)	—	—	—	—	—
• Value of services obtained from employees	—	—	—	—	165	—	165	—	165
• Tax effects of the exercise of stock options	—	—	—	—	12	—	12	—	12
Other changes arising from issuance of restricted shares [(d)]	—	—	—	2	—	—	2	—	2
Balance at June 30, 2020	**2,512**	**181**	**(244)**	**57,064**	**4,040**	**(249)**	**63,304**	**182**	**63,486**

(a) Includes the effects of first-time application of IFRS 15 on revenue recognition (see Note A.2.1.1. to the consolidated financial statements for the year ended December 31, 2018).

(b) See Note B.8.2.

(c) This line includes restricted share awards fulfilled using existing shares.

(d) Issuance of restricted shares to former employees of the Animal Health business and the European Generics business subsequent to the date of divestment.

(e) This line includes the impact of the settlement of a put option granted to non-controlling interests in connection with a divestment.

The accompanying notes on pages 11 to 37 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(€ million)	Note	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Net income attributable to equity holders of Sanofi		**9,281**	**1,050**	**2,806**
Net (income)/loss of the exchanged/held-for-exchange Animal Health business		—	—	101
Non-controlling interests [(a)]		20	15	31
Share of undistributed earnings from investments accounted for using the equity method		(327)	(82)	(192)
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets		2,013	3,779	7,452
Gains and losses on disposals of non-current assets, net of tax [(b)]		(177)	(63)	(286)
Gain on Regeneron investment arising from transaction of May 29, 2020, net of tax	B.1	(6,870)	—	—
Net change in deferred taxes		(296)	(818)	(1,753)
Net change in non-current provisions and other non-current liabilities [(c)]		317	(27)	58
Cost of employee benefits (stock options and other share-based payments)		168	131	252
Impact of the workdown of acquired inventories remeasured at fair value		36	3	3
Other profit or loss items with no cash effect		155	(12)	(309)
Operating cash flow before changes in working capital and excluding the exchanged/held-for-exchange Animal Health business		**4,320**	**3,976**	**8,163**
(Increase)/decrease in inventories		(1,023)	(934)	(547)
(Increase)/decrease in accounts receivable		516	90	(462)
Increase/(decrease) in accounts payable		(325)	(49)	169
Net change in other current assets and other current liabilities		438	96	421
Net cash provided by/(used in) operating activities excluding the exchanged/held-for-exchange Animal Health business [(d)]		**3,926**	**3,179**	**7,744**
Acquisitions of property, plant and equipment and intangible assets	B.2. - B.3.	(682)	(841)	(1,816)
Acquisitions of consolidated undertakings and investments accounted for using the equity method [(e)]	B.1.	(2,360)	(134)	(488)
Acquisitions of other equity investments		(17)	(24)	(38)
Proceeds from disposals of property, plant and equipment, intangible assets and other non-current assets, net of tax [(f)]	B.6.	709	867	1,224
Net proceeds from sale of Regeneron shares on May 29, 2020 [(g)]	B.1	10,512	—	—
Net change in other non-current assets		(87)	(33)	(94)
Net cash provided by/(used in) investing activities excluding the exchanged/held-for-exchange Animal Health business		**8,075**	**(165)**	**(1,212)**
Net cash inflow/(outflow) from the exchange of the Animal Health business for BI's Consumer Healthcare business		**—**	**—**	**154**
Issuance of Sanofi shares	B.8.1.	38	58	162
Dividends paid:				
▪ to shareholders of Sanofi		(3,937)	(3,834)	(3,834)
▪ to non-controlling interests [(a)]		(4)	(9)	(14)
Payments received/(made) on changes of ownership interest in a subsidiary without loss of control		—	—	(7)
Additional long-term debt contracted	B.9.1.	2,014	1,994	1,997
Repayments of long-term debt	B.9.1.	(3,954)	(1,261)	(2,067)
Repayment of lease liabilities		(121)	(135)	(267)
Net change in short-term debt		923	(13)	(154)
Acquisitions of treasury shares	B.8.2	(361)	(12)	(9)
Disposals of treasury shares		—	3	—
Net cash provided by/(used in) financing activities excluding the exchanged/held-for-exchange Animal Health business		**(5,402)**	**(3,209)**	**(4,193)**

Impact of exchange rates on cash and cash equivalents		**(57)**	**12**	**9**
Net change in cash and cash equivalents		**6,542**	**(183)**	**2,502**
Cash and cash equivalents, beginning of period		**9,427**	**6,925**	**6,925**
Cash and cash equivalents, end of period	**B.9.**	**15,969**	**6,742**	**9,427**

(a) See Note C.2. to the financial statements for the year ended December 31, 2019.
(b) Includes non-current financial assets.
(c) This line item includes contributions paid to pension funds (see Note B.12.).
(d) Of which:

▪ Income tax paid	(383)	(724)	(1,695)
▪ Interest paid	(174)	(202)	(379)
▪ Interest received	29	56	92
▪ Dividends received from non-consolidated entities	—	1	—

(e) This line item includes payments made in respect of contingent consideration identified and recognized as a liability in business combinations.
(f) This line item includes proceeds from disposals of investments in consolidated entities and of other non-current financial assets. For the six months ended June 30, 2019 and the year ended December 31, 2019 it includes the divestment of Sanofi's entire equity interests in Alnylam for €706 million and MyoKardia for €118 million. Net after-tax proceeds from disposals in the six months ended June 30, 2020 mainly relate to (i) the sale of operations relating to the Seprafilm product to Baxter for €313 million; (ii) the divestment of some established prescription products for €105 million; and (iii) contingent consideration of €167 million relating to a past divestment.
(g) The amount recognized as of June 30, 2020 does not include the effects of the tax arising on the transaction, which will be paid in the second half of the year and is estimated at approximately €400 million.

NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF June 30, 2020

INTRODUCTION

Sanofi, together with its subsidiaries (collectively "Sanofi" or "the Company"), 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 (Nasdaq: SNY).

The condensed consolidated financial statements for the six months ended June 30, 2020 were reviewed by the Sanofi Board of Directors at the Board meeting on July 28, 2020.

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, 2019.

The accounting policies used in the preparation of the consolidated financial statements as of June 30, 2020 comply with international financial reporting standards (IFRS) as endorsed by the European Union and as issued by the International Accounting Standards Board (IASB). IFRS as endorsed by the European Union as of June 30, 2020 are available via the following web link:

https://www.efrag.org/Endorsement

The accounting policies applied effective January 1, 2020 are identical to those presented in the consolidated financial statements for the year ended December 31, 2019.

During 2018, the IASB published a number of amendments that are mandatorily applicable from January 1, 2020 onwards. These include "Definition of a Business" (an amendment to IFRS 3), issued October 22, 2018, which applies prospectively to business combinations completed on or after January 1, 2020. Applying this amendment did not have a material impact on the condensed consolidated half-year financial statements for the six months ended June 30, 2020.

As a reminder, Sanofi early adopted the amendment to IFRS 9 relating to interest rate benchmark reform in its consolidated financial statements for the year ended December 31, 2019.

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 the financial statements are finalized. 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 of 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 accounted for using the equity method;
- the valuation of goodwill and the valuation and useful life of acquired intangible assets;
- the measurement of contingent consideration receivable in connection with asset divestments and of contingent consideration payable;
- the measurement of equity investments in unquoted entities;
- the measurement of financial assets at amortized cost;
- the amount of post-employment benefit obligations;
- the amount of provisions for restructuring, litigation, tax risks (other than those related to income taxes) and environmental risks; and
- the amount of deferred tax assets resulting from tax losses available for carry-forward and deductible temporary differences.

Actual results could differ from these estimates.

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. That rate is applied to business operating income plus financial income and minus financial expenses, and before (i) the share of profit/loss of investments accounted for using the equity method 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.

A.3. SEASONAL TRENDS

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

A.4. CONSOLIDATION AND FOREIGN CURRENCY TRANSLATION OF THE FINANCIAL STATEMENTS OF SUBSIDIARIES IN HYPERINFLATIONARY ECONOMIES

In 2020, Sanofi is continuing to account for subsidiaries in Venezuela using the full consolidation method, on the basis that the criteria for control as specified in IFRS 10 (Consolidated Financial Statements) are still met. In 2018, following a change to the foreign exchange system, the "DICOM" rate was replaced by the "PETRO" rate (with a floating US dollar/bolivar parity) and the strong bolivar ("VEF") by a new currency known as the sovereign bolivar ("VES"), reflecting a 1-for-100,000 devaluation. Consequently, the contribution of the Venezuelan subsidiaries to the Sanofi consolidated financial statements is immaterial.

In Argentina, the cumulative rate of inflation over the last three years is in excess of 100%, based on a combination of indices used to measure inflation in that country. Consequently, Sanofi has since July 1, 2018 treated Argentina as a hyperinflationary economy, and applied IAS 29. The impact on the consolidated income statement of adjustments required for the application of IAS 29 to Argentinean hyperinflation as of June 30, 2020 is an expense of €16 million; the impact on balance sheet line items as of that date is immaterial.

A.5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Under IFRS 13 (Fair Value Measurement) and 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: quoted prices in active markets for identical assets or liabilities (without modification or repackaging);
- Level 2: quoted prices in active markets for similar assets or liabilities, or valuation techniques in which all important inputs are derived from observable market data;
- Level 3: valuation techniques in which not all important inputs are derived from observable market data.

The table below shows the disclosures required under IFRS 7 relating to the measurement principles applied to financial instruments.

Note	Type of financial instrument	Measurement principle	Level in fair value hierarchy	Valuation technique	Method used to determine fair value			
						Market data		
					Valuation model	Exchange rate	Interest rate	Volatilities
B.6.	Financial assets measured at fair value (quoted equity instruments)	Fair value	1	Market value	Quoted market price	N/A		
B.6.	Financial assets measured at fair value (quoted debt instruments)	Fair value	1	Market value	Quoted market price	N/A		
B.6.	Financial assets measured at fair value (unquoted equity instruments)	Fair value	3	Amortized cost/ Peer comparison (primarily)	If cost ceases to be a representative measure of fair value, an internal valuation based primarily on peer comparison is used.			
B.6.	Financial assets at fair value (contingent consideration receivable)	Fair value	3	Revenue-based approach	Under IFRS 9, contingent consideration receivable on a divestment is a financial asset. The fair value of such assets is determined by adjusting the contingent consideration at the end of the reporting period using the method described in Note D.7.3. to the consolidated financial statements for the year ended December 31, 2019.			
B.6.	Long-term loans and advances and other non-current receivables	Amortized cost	N/A	N/A	The amortized cost of long-term loans and advances and other non-current receivables at the end of the reporting period is not materially different from their fair value.			
B.6.	Financial assets recognized under the fair value option[(a)]	Fair value	1	Market value	Quoted market price	N/A		
B.10.	Forward currency contracts	Fair value	2	Revenue-based approach	Present value of future cash flows	Mid Market Spot	< 1 year: Mid Money Market > 1 year: Mid Zero Coupon	N/A
B.10.	Interest rate swaps	Fair value	2		Present value of future cash flows	Mid Market Spot	< 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	Mid Market Spot	< 1 year: Mid Money Market and LIFFE interest rate futures > 1 year: Mid Zero Coupon	N/A
B.9.	Investments in mutual funds	Fair value	1	Market value	Net asset value	N/A		
B.9.	Negotiable debt instruments, commercial paper, instant access 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.	Debt	Amortized cost[(b)]	N/A	N/A	In the case of debt with a maturity of less than 3 months, amortized cost is regarded as an acceptable approximation of fair value as reported in the notes to the consolidated financial statements. For debt with a maturity of more than 3 months, fair value as reported in the notes to the consolidated financial statements is determined either by reference to quoted market prices at the end of the reporting period (quoted instruments) or by discounting the future cash flows based on observable market data at the end of the reporting period (unquoted instruments).			
B.9.	Lease liabilities	Amortized cost	N/A	N/A	Future lease payments are discounted using the incremental borrowing rate			
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 (other than CVRs)	Fair value[(c)]	3	Revenue-based approach	Under IAS 32, contingent consideration payable in a business combination is a financial liability. The fair value of such liabilities is determined by adjusting the contingent consideration at the end of the reporting period using the method described in Note B.11.			

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

(b) 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).

(c) 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, 2019.

A.6. NEW PRONOUNCEMENTS ISSUED BY THE IASB AND APPLICABLE FROM JUNE 2020 OR LATER

On May 28, 2020, the IASB issued "Covid-19-Related Rent Concessions", an amendment to IFRS 16. The amendment, which is applicable from June 1, 2020 (subject to endorsement by the European Union), allows lessees not to account for rent concessions as lease modifications if they are a direct consequence of Covid-19 and meet certain conditions. Sanofi does not expect a material impact from the application of this amendment.

On January 23, 2020, the IASB issued "Classification of Liabilities as Current or Non-current", an amendment to IAS 1. On May 14, 2020, the IASB issued "Reference to the Conceptual Framework", an amendment to IFRS 3; Proceeds before Intended Use", an amendment to IAS 16; "Onerous Contracts – Cost of Fulfilling a Contract", an amendment to IAS 37; and "Annual Improvements to IFRS standards 2018-2020". Sanofi does not expect a material impact from those amendments, which are applicable at the earliest from January 1, 2022 (subject to endorsement by the European Union). Sanofi will not early adopt those amendments.

A.7. COVID-19 PANDEMIC

Covid-19, confirmed as a pandemic by the World Health Organisation on March 11, 2020, has led to a global health crisis.

Sanofi has assessed the impact of the uncertainties created by the Covid-19 pandemic. As of June 30, 2020, those uncertainties have not appreciably called into question the estimates and assumptions made by management (see Note A.2.).

Sanofi will continue to reassess those estimates and assumptions as the situation evolves.

Effect of the Covid-19 pandemic on the valuation of goodwill and intangible assets

In accordance with IAS 36 (Impairment of Assets), Sanofi conducts impairment tests on goodwill allocated to each of its Cash Generating Units and on other intangible assets not yet available for use (such as capitalized in process research and development) on an annual basis, regardless of whether there is an indication that they might have become impaired. The most recent impairment tests were conducted as of December 31, 2019 (see Note D.5. to the consolidated financial statements for the year ended December 31, 2019).

In light of the Covid-19 pandemic, in preparing the 2020 half-year consolidated financial statements Sanofi assessed the following indicators, and found no indication that the assets in question might have become impaired as a result of the pandemic:

- quoted market price of shares in Sanofi and peers in the healthcare sector;
- trends in interest rates and risk premiums;
- trends in sales and earnings for each CGU during the first half of 2020;
- 2020 full-year sales and operating profit forecasts for each CGU;
- progress on research and development programs;
- supply chain and activity levels at Sanofi's industrial facilities; and
- changes to long-term business plans.

In addition, the goodwill impairment tests conducted in 2019 showed that for each CGU, the recoverable amount was substantially higher than the carrying amount (see Note D.5. to the consolidated financial statements for the year ended December 31, 2019).

Consequently, in accordance with IAS 36, the Cash Generating Units to which goodwill is allocated have not been tested for impairment.

Finally, Sanofi has conducted impairment tests related to the specific circumstances of some intangible assets with no direct link to the Covid-19 pandemic; the results of those tests are described in Note B.4.

Effect of the Covid-19 pandemic on accounts receivable

As of June 30, 2020, Sanofi analysed indicators that its accounts receivable might have become impaired, such as the ageing of gross receivables and the amount of doubtful receivables (see Note B.7). Nothing was identified that would indicate a material increase in expected credit risk, especially as regards Sanofi's principal customers (see Note B.20.4).

Effect of the Covid-19 pandemic on the liquidity position

The Covid-19 pandemic has not had a negative impact on Sanofi's liquidity position.

Effect of the Covid-19 pandemic on the presentation of the income statement

The effects of the Covid-19 pandemic are presented in the relevant line items of the income statement, according to the function or nature of the income or expense.

B/ SIGNIFICANT INFORMATION FOR THE FIRST HALF OF 2020

B.1. CHANGES IN THE SCOPE OF CONSOLIDATION DUE TO ACQUISITIONS AND DIVESTMENTS

Acquisition of Synthorx

On December 9, 2019, Sanofi and Synthorx Inc. ("Synthorx"), a clinical-stage biotechnology company focused on prolonging and improving the lives of people suffering from cancer and autoimmune disorders, entered into a definitive agreement under which Sanofi was to acquire all of the outstanding shares of Synthorx for $68 per share in cash, representing an aggregate equity value of approximately $2.5 billion (on a fully diluted basis). The transaction was unanimously approved by both the Sanofi and Synthorx Boards of Directors. On December 23, 2019, Sanofi launched a public tender offer to acquire all of the outstanding shares of Synthorx for $68 per share in cash, without interest and net of any applicable withholding taxes. The acquisition of Synthorx was completed on January 23, 2020, with Sanofi holding all of the shares following the expiration of the tender offer. The provisional purchase price allocation, as presented in the table below, resulted in the recognition of goodwill of €901 million:

(€ million)	Fair value at acquisition date
Intangible assets other than goodwill	1,549
Other current and non-current assets and liabilities	41
Net deferred tax position	(245)
Net assets of Synthorx	**1,345**
Goodwill	901
Purchase price	**2,246**

Intangible assets other than goodwill mainly comprise THOR-707, a molecule currently in Phase I clinical trials that stimulates T lymphocytes, and as such has potential as a cancer immunotherapy.

Goodwill represents (i) the pipeline of future products in pre-clinical research and development; (ii) the capacity to draw on a specialized structure to refresh the existing product portfolio; (iii) the competencies of Synthorx staff; (iv) benefits derived from the creation of new growth platforms; and (v) expected future synergies and other benefits from the combination of Synthorx and Sanofi.

The goodwill generated on this acquisition did not give rise to any deduction for income tax purposes.

Synthorx has no commercial operations, and has made a negative contribution of €70 million to Sanofi's consolidated net income since the acquisition date.

Acquisition-related costs recognized in profit or loss for the year ended December 31, 2019 were recorded mainly within the line item ***Other operating expenses***, and were of an immaterial amount.

The impact of this acquisition, reflected in the line item ***Acquisitions of consolidated undertakings and investments accounted for using the equity method*** within the consolidated statement of cash flows, was a cash outflow of €2,246 million.

Transaction related to the equity-accounted investment in Regeneron

From the beginning of April 2014, Sanofi accounted for its investment in Regeneron using the equity method. As from that date, in accordance with the Investor Agreement as amended in January 2014, Sanofi had the right to designate a member of the Regeneron Board of Directors.

On May 29, 2020, Sanofi closed the transaction announced on May 25, 2020 involving the sale of its equity investment in Regeneron (with the exception of 400,000 shares), through (i) a registered public offering in the United States and internationally and (ii) a share repurchase by Regeneron. Sanofi sold 13 million shares of Regeneron common stock through the public offering at a price of $515 per share, raising a total amount of $6.7 billion; and Regeneron repurchased 9.8 million of its own shares of common stock directly from Sanofi for $5 billion, at the offer price less a subscription discount ($509.85 per share). The total sale proceeds (before transaction-related costs) amounted to €10,575 million. At the same time, Sanofi as a result of this transaction lost the right to designate a member of the Regeneron Board of Directors under the amended Investor Agreement. Finally, as of May 29, 2020 Sanofi retained ownership of 400,000 Regeneron shares in order to continue to partially fund its commitments to invest in the development programs for cemiplimab (REGN2810) and dupilumab, in line with the 2018 Letter Agreement under which Sanofi is permitted to sell up to 1.4 million shares through the end of 2020. As of June 30, 2020, Sanofi had sold 779,320 Regeneron shares under that agreement. The number of retained shares held by Sanofi under that agreement is 279,766 as of the end of June (see note C.1. to the consolidated financial statements as of December 31, 2019).

Sanofi's equity investment in Regeneron was accounted for by the equity method until May 29, 2020. As of that date, the carrying amount of the investment was €3,668 million; that amount was reversed out on closing of the transaction. Before tax effects, the gain on the divestment amounted to €7,382 million, including (i) a gain of €318 million arising on the currency translation reserve associated with Regeneron, which was taken to profit or loss in accordance with IAS 21; (ii) the deduction of transaction-related costs of €64 million; and (iii) a gain of €157 million on the remeasurement of the 400,000 retained shares at their quoted market price as of May 29, 2020 ($612.81). In accordance with IFRS 9 (Financial Instruments), the retained shares were classified in the

"Equity instruments at fair value through other comprehensive income" category on the transaction date, at a value of €221 million (*See note B.6.)*.

The tax charge arising on the transaction was €512 million.

Given the material impact of this transaction, and to facilitate users' understanding of the financial statements, the pre-tax gain on this transaction is presented as a separate line item in the consolidated income statement, ***Gain on Regeneron investment arising from the transaction of May 29, 2020***.

The net cash inflow from the transaction was €10,512 million, which (for the reason cited above) is presented as a separate line item in the consolidated statement of cash flows, ***Net proceeds from sale of Regeneron shares on May 29, 2020.***

B.2. PROPERTY, PLANT AND EQUIPMENT

The table below sets forth acquisitions and capitalized interest by operating segment for the first half of 2020:

(€ million)	June 30, 2020	December 31, 2019
Acquisitions	**389**	**1,261**
Pharmaceuticals	234	846
Industrial facilities	*196*	*682*
Research sites	*37*	*87*
Other	*1*	*77*
Vaccines	128	405
Consumer Healthcare	27	10
Capitalized interest	**6**	**14**

Firm orders for property, plant and equipment stood at €535 million as of June 30, 2020.

B.3. GOODWILL AND OTHER INTANGIBLE ASSETS

Movements in other intangible assets during the first half of 2020 were as follows:

(€ million)	Acquired R&D	Products, trademarks and other rights	Software	Total other intangible assets
Gross value at January 1, 2020	**5,730**	**63,953**	**1,698**	**71,381**
Changes in scope of consolidation [(a)]	1,417	132	—	1,549
Acquisitions and other increases	115	38	65	218
Disposals and other decreases	(17)	(106)	(12)	(135)
Currency translation differences	(28)	(118)	(11)	(157)
Transfers [(b)]	(52)	52	(2)	(2)
Gross value at June 30, 2020	**7,165**	**63,951**	**1,738**	**72,854**
Accumulated amortization and impairment at January 1, 2020	**(3,396)**	**(50,314)**	**(1,099)**	**(54,809)**
Amortization expense	—	(895)	(62)	(957)
Impairment losses, net of reversals [(c)]	(321)	(2)	—	(323)
Disposals and other decreases	17	105	13	135
Currency translation differences	2	107	9	118
Transfers	18	(15)	—	3
Accumulated amortization and impairment at June 30, 2020	**(3,680)**	**(51,014)**	**(1,139)**	**(55,833)**
Carrying amount at January 1, 2020	**2,334**	**13,639**	**599**	**16,572**
Carrying amount at June 30, 2020	**3,485**	**12,937**	**599**	**17,021**

(a) See Note B.1.
(b) This line mainly represents Sarclisa® (Oncology) and MenQuadfi™ (Vaccines), which came into commercial use during the period.
(c) See Note B.4.

Acquisitions of other intangible assets (excluding software) in the first half of 2020 totaled €153 million. The main items were upfront and milestone payments within the Specialty Care franchise.

"Products, trademarks and other rights" mainly comprises:

- marketed products, with a carrying amount of €12.5 billion as of June 30, 2020 (versus €13.3 billion as of December 31, 2019) and a weighted average amortization period of approximately 10 years;
- trademarks, with a carrying amount of €0.1 billion as of June 30, 2020 (versus €0.1 billion as of December 31, 2019) and a weighted average amortization period of approximately 12 years.

Goodwill amounted to €45,254 million as of June 30, 2020, versus €44,519 million as of December 31, 2019. Movements during the first half of 2020 were mainly due to the goodwill of €901 million arising on the Synthorx acquisition (see Note B.1.) and the effects of foreign currency translation differences on goodwill recognised in currencies other than Sanofi's reporting currency.

B.4. IMPAIRMENT OF INTANGIBLE ASSETS

The results of impairment tests on other intangible assets led to the recognition of a net impairment loss of €323 million in the first half of 2020.

Most of the impairment losses recognized during the period related to research and development projects in the Pharmaceuticals segment.

An assessment of the impacts of the Covid-19 pandemic was conducted during the first half of 2020, and did not result in any impairment losses being recognized against intangible assets.

B.5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method consist of associates and joint ventures (see Note B.1. to the consolidated financial statements for the year ended December 31, 2019), and comprise:

(€ million)	% interest	June 30, 2020	December 31, 2019
Regeneron Pharmaceuticals, Inc. [(a)]		—	3,342
Infraserv GmbH & Co. Höchst KG [(b)]	31.2	62	70
Entities and companies managed by Bristol-Myers Squibb [(c)]	100.0	—	37
Other investments	—	134	142
Total		**196**	**3,591**

(a) Following the transaction of May 29, 2020 as described in Note B.1. above, which resulted in the divestment of 22.8 million Regeneron shares, Sanofi no longer exercises significant influence over Regeneron. As of that date, Sanofi retained 0.4 million Regeneron shares, classified in the "Equity instruments at fair value through other comprehensive income" category (see Note B.6.)

(b) Joint venture.

(c) On February 29, 2020, Sanofi acquired from Bristol-Myers Squibb the remaining 50.1% equity interest not yet held by Sanofi in the three partnerships that organize the commercialization of Plavix® in the United States and Puerto Rico, for a total consideration of $12 million. This acquisition was accounted for in accordance with IFRS 3 (Business Combinations).

The financial statements include commercial transactions between Sanofi and some equity-accounted investments that are classified as related parties. The principal transactions and balances with related parties are summarized below:

(€ million)	June 30, 2020	June 30, 2019	December 31, 2019
Sales [(a)]	52	16	24
Royalties and other income [(a)]	65	153	270
Accounts receivable and other receivables	7	160	151
Purchases and other expenses (including research expenses) [(a)]	605	608	1,334
Accounts payable and other payables	5	373	342

(a) For the six months ended June 30, 2020, these amounts include transactions between Sanofi and Regeneron for the period from January 1 through May 29, 2020. The table above does not include the repurchase by Regeneron of its own shares from Sanofi (see Note B.1.).

B.6. OTHER NON-CURRENT ASSETS

Other non-current assets comprise:

(€ million)	June 30, 2020	December 31, 2019
Equity instruments at fair value through other comprehensive income	872	380
Debt instruments at fair value through other comprehensive income	439	403
Other financial assets at fair value through profit or loss	812	892
Pre-funded pension obligations	156	155
Long-term prepaid expenses	103	115
Long-term loans and advances and other non-current receivables	616	685
Derivative financial instruments	33	37
Total	**3,031**	**2,667**

Equity instruments at fair value through other comprehensive income amounted to €872 million as of June 30, 2020. The main changes in this line item during the period are described below:

- As mentioned in Note B.1., following Sanofi's announcement on May 29, 2020 of the divestment of 22.8 million shares of Regeneron common stock, Sanofi ceased to exercise significant influence over Regeneron and hence ceased to account for this investment by the equity method (see Note B.5.). In accordance with IFRS 9 (Financial Instruments), the 400,000 retained shares were classified effective May 29, 2020 within ***Equity instruments at fair value through other comprehensive income***, at a value of €221 million. As of June 30, 2020, Sanofi held 279,766 Regeneron shares, with a carrying amount in the balance sheet of €152 million.
- Sanofi owns equity interests in quoted biotechnology companies. Movements in the quoted market prices of the shares held in those companies generated a net gain of €360 million, recognised in ***Equity instruments at fair value through other comprehensive income***.

B.7. ACCOUNTS RECEIVABLE

Accounts receivable break down as follows:

(€ million)	June 30, 2020	December 31, 2019
Gross value	7,379	8,090
Allowances	(176)	(153)
Carrying amount	**7,203**	**7,937**

The impact of allowances against accounts receivable in the first half of 2020 was a net expense of €40 million (versus a net gain of €2 million for the first half of 2019).

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

(€ million)	Overdue accounts gross value	Overdue by <1 month	Overdue by 1-3 months	Overdue by 3-6 months	Overdue by 6-12 months	Overdue by > 12 months
June 30, 2020	633	210	208	81	29	105
December 31, 2019	642	269	171	61	36	105

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 consolidated financial statements for the year ended December 31, 2019 and hence were derecognized was €322 million as of June 30, 2020 (versus €214 million as of December 31, 2019). The residual guarantees relating to those transfers were immaterial as of June 30, 2020.

B.8. CONSOLIDATED SHAREHOLDERS' EQUITY

B.8.1. SHARE CAPITAL

As of June 30, 2020, the share capital was €2,512,384,148 and consisted of 1,256,192,074 shares (the total number of shares outstanding) with a par value of €2.

Treasury shares held by Sanofi are as follows:

	Number of shares (million)	% of share capital for the period
June 30, 2020	2.59	0.207%
December 31, 2019	0.02	0.002%
June 30, 2019	0.02	0.002%
January 1, 2019	1.94	0.156%

A total of 679,707 shares were issued in the first half of 2020 as a result of the exercise of Sanofi stock subscription options.

A total of 3,073,755 shares vested under Sanofi restricted share plans during the first half of 2020, either by issuance of new shares or by vesting of existing restricted shares.

B.8.2. REPURCHASE OF SANOFI SHARES

On April 28, 2020, the Annual General Meeting of Sanofi shareholders authorized a share repurchase program for a period of 18 months. Sanofi did not use that authorization during the first half of 2020.

On April 30, 2019, the Annual General Meeting of Sanofi shareholders authorized a share repurchase program for a period of 18 months. Under that program (and that program alone), Sanofi repurchased 3,982,939 of its own shares during the first half of 2020 for a total amount of €361 million.

B.8.3. REDUCTIONS IN SHARE CAPITAL

No decision to cancel treasury shares was made by the Sanofi Board of Directors during the first half of 2020.

B.8.4. RESTRICTED SHARE PLANS

Restricted share 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, 2019. The principal features of the plans awarded in 2020 are set forth below:

	2020
Type of plan	Performance share plan
Date of Board meeting approving the plan	April 28, 2020
Total number of shares subject to a 3-year service period	3,340,501
Fair value per share awarded [(a)]	82.36
Fair value of plan at the date of grant (€ million)	**275**

(a) Quoted market price per share at the date of grant, adjusted for dividends expected during the vesting period.

The total expense recognized for all restricted share plans, and the number of restricted shares not yet fully vested, are shown in the table below:

	June 30, 2020	June 30, 2019
Total expense for restricted share plans (€ million)	113	128
Number of shares not yet fully vested	10,900,815	11,251,318
Under 2020 plans	*3,340,501*	—
Under 2019 plans	*3,545,507*	*3,797,582*
Under 2018 plans	*4,014,807*	*4,252,339*
Under 2017 plans	—	*3,201,397*

B.8.5. CAPITAL INCREASES

On February 5, 2020, the Sanofi Board of Directors approved a capital increase reserved for employees, offering the opportunity for them to subscribe for new Sanofi shares at a price of €70.67 per share. The subscription period was open from June 8 through June 26, 2020. Sanofi employees subscribed for a total of 2,467,101 shares, and this capital increase was supplemented by the issuance of a further 123,615 shares for the employer's contribution. The total expense recognized for this capital increase in the first half of 2020 was €52 million, determined in accordance with IFRS 2 (Share-Based Payment) on the basis of the discount granted to the employees.

There were no capital increases reserved for employees in the first half of 2019.

B.8.6. STOCK SUBSCRIPTION OPTION PLANS

No stock subscription option plans were awarded in the first half of 2020.

The table below shows, for each of the periods reported, the expense recognized through equity for stock option plans:

(€ million)	June 30, 2020	June 30, 2019
Expense recognized through equity	—	3

The table below provides summary information about options outstanding and exercisable as of June 30, 2020:

Range of exercise prices per share	Outstanding			Exercisable	
	Number of options	Weighted average residual life (years)	Weighted average exercise price per share (€)	Number of options	Weighted average exercise price per share (€)
From €50.00 to €60.00 per share	277,506	1.32	54.28	277,506	54.28
From €60.00 to €70.00 per share	220,000	7.85	65.84	—	—
From €70.00 to €80.00 per share	1,591,528	4.60	74.11	1,371,528	73.69
From €80.00 to €90.00 per share	712,804	5.85	89.19	384,964	89.38
Total	**2,801,838**			**2,033,998**	

B.8.7. 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 with dilutive effect and restricted shares.

(million)	June 30, 2020	June 30, 2019	December 31, 2019
Average number of shares outstanding	1,251.7	1,247.2	1,249.9
Adjustment for stock options with dilutive effect	0.4	1.0	0.8
Adjustment for restricted shares	6.1	6.5	6.4
Average number of shares used to compute diluted earnings per share	**1,258.2**	**1,254.7**	**1,257.1**

As of June 30, 2020, 0.7 million stock options were not taken into account in computing diluted earnings per share because they had no dilutive effect, compared with 0.8 million as of December 31, 2019 and 1.1 million as of June 30, 2019.

B.8.8. OTHER COMPREHENSIVE INCOME

Movements within other comprehensive income are shown below:

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Actuarial gains/(losses):			
▪ Actuarial gains/(losses) excluding investments accounted for using the equity method	(146)	(535)	(377)
▪ Actuarial gains/(losses) of investments accounted for using the equity method, net of taxes	—	—	(5)
▪ Tax effects	(19)	155	161
Equity instruments included in financial assets:			
▪ Change in fair value (excluding investments accounted for using the equity method) [(a)]	312	19	26
▪ Change in fair value (investments accounted for using the equity method, net of taxes)	(13)	15	80
▪ Tax effects	(70)	(38)	(48)
Items not subsequently reclassifiable to profit or loss	**64**	**(384)**	**(163)**
Debt instruments included in financial assets:			
▪ Change in fair value (excluding investments accounted for using the equity method) [(b)]	4	28	28
▪ Change in fair value (investments accounted for using the equity method, net of taxes)	—	—	—
▪ Tax effects	(1)	(5)	(5)
Cash flow hedges:			
▪ Change in fair value (excluding investments accounted for using the equity method) [(c)]	29	(15)	(13)
▪ Change in fair value (investments accounted for using the equity method, net of taxes)	—	—	—
▪ Tax effects	(9)	4	4
Change in currency translation differences:			
▪ Currency translation differences on foreign subsidiaries (excluding investments accounted for using the equity method) [(c)]	(590)	462	850
▪ Currency translation differences (investments accounted for using the equity method)	24	23	64
▪ Currency translation differences related to the investment in Regeneron and reclassified to profit or loss [(d)]	(318)	—	—
▪ Hedges of net investments in foreign operations	(60)	(75)	(163)
▪ Tax effects	19	18	48
Items subsequently reclassifiable to profit or loss	**(902)**	**440**	**813**

(a) In 2020, includes a negative movement of €53 million for a change in the fair value of the equity instrument derivatives (collars) on shares in Dexcom, Inc contracted by Sanofi in 2019 and designated as a fair value hedge.

(b) There were no reclassifications to profit or loss in the first half of 2020 or in 2019.

(c) Includes reclassifications to profit or loss: €1 million in the first half of 2020 and €27 million in 2019 (of which €20 million was reclassified in the first half of 2019).

(d) Amount of cumulative currency translation differences associated with the equity investment in Regeneron, reclassified to profit or loss in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates).

B.9. DEBT, CASH AND CASH EQUIVALENTS

Changes in financial position during the period were as follows:

(€ million)	June 30, 2020	December 31, 2019
Long-term debt	20,404	20,131
Short-term debt and current portion of long-term debt	3,329	4,554
Interest rate and currency derivatives used to manage debt	(173)	(117)
Total debt	**23,560**	**24,568**
Cash and cash equivalents	(15,969)	(9,427)
Interest rate and currency derivatives used to manage cash and cash equivalents	89	(34)
Net debt [(a)]	**7,680**	**15,107**

(a) Net debt does not include lease liabilities, which amounted to €1,195 million as of June 30, 2020 and €1,248 million as of December 31, 2019.

"Net debt" is a financial indicator used by management and investors to measure Sanofi's overall net indebtedness.

B.9.1. NET DEBT AT VALUE ON REDEMPTION

A reconciliation of the carrying amount of net debt in the balance sheet to value on redemption as of June 30, 2020 is shown below:

				Value on redemption	
(€ million)	Carrying amount at June 30, 2020	Amortized cost	Adjustment to debt measured at fair value	June 30, 2020	December 31, 2019
Long-term debt	20,404	77	(53)	20,428	20,180
Short-term debt and current portion of long-term debt	3,329	2	(2)	3,329	4,553
Interest rate and currency derivatives used to manage debt	(173)	—	29	(144)	(86)
Total debt	**23,560**	**79**	**(26)**	**23,613**	**24,647**
Cash and cash equivalents	(15,969)	—	—	(15,969)	(9,427)
Interest rate and currency derivatives used to manage cash and cash equivalents	89	—	—	89	(34)
Net debt [(a)]	**7,680**	**79**	**(26)**	**7,733**	**15,186**

(a) Net debt does not include lease liabilities, which amounted to €1,195 million as of June 30, 2020 and €1,248 million as of December 31, 2019.

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

	June 30, 2020			December 31, 2019		
(€ million)	non-current	current	Total	non-current	current	Total
Bond issues	20,340	1,890	22,230	20,128	4,079	24,207
Other bank borrowings	75	1,131	1,206	40	156	196
Other borrowings	13	1	14	13	12	25
Bank credit balances	—	307	307	—	305	305
Interest rate and currency derivatives used to manage debt	—	(144)	(144)	—	(86)	(86)
Total debt	**20,428**	**3,185**	**23,613**	**20,181**	**4,466**	**24,647**
Cash and cash equivalents	—	(15,969)	(15,969)	—	(9,427)	(9,427)
Interest rate and currency derivatives used to manage cash and cash equivalents	—	89	89	(6)	(28)	(34)
Net debt	**20,428**	**(12,695)**	**7,733**	**20,175**	**(4,989)**	**15,186**

Principal financing and debt reduction transactions during the period

In March 2020, Sanofi carried out a €1.5 billion bond issue in two tranches:

- €750 million of fixed-rate bonds maturing April 2025, bearing interest at an annual rate of 1.000%; and
- €750 million of fixed-rate bonds maturing April 2030, bearing interest at an annual rate of 1.500%.

In April 2020, Sanofi carried out a €500 million tap issue on those two bond tranches:

- €250 million of fixed-rate bonds, which increased to €1 billion the principal of the tranche maturing April 2025 and bearing interest at an annual rate of 1.000%; and
- €250 million of fixed-rate bonds, which increased to €1 billion the principal of the tranche maturing April 2030 and bearing interest at an annual rate of 1.500%.

Five bond issues were redeemed in the first half of 2020:

- a September 2016 fixed-rate bond issue of €1 billion, which matured on January 13, 2020;
- a March 2018 floating-rate bond issue of €1 billion, which matured on March 21, 2020;
- a March 2018 fixed-rate bond issue of €500 million, which matured on March 21, 2020;
- a September 2013 fixed-rate bond issue of €1 billion maturing September 2020, redeemed early on June 4, 2020; and
- a June 2010 fixed-rate bond issue of $500 million carried out by Genzyme Corp, which matured on June 15, 2020.

Sanofi had the following arrangements in place as of June 30, 2020 to manage its liquidity in connection with current operations:

- a syndicated credit facility of €4 billion, drawable in euros and in US dollars, due to expire on December 17, 2020 following the exercise of a second extension option in November 2015; and
- a syndicated credit facility of €4 billion, drawable in euros and in US dollars, due to expire on December 3, 2021 following the exercise of a second extension option in November 2016.

Sanofi has no further extension options for those facilities. As of June 30, 2020, there were no drawdowns under either facility.

Sanofi also has a €6 billion Negotiable European Commercial Paper program in France and a $10 billion Commercial Paper program in the United States. During the first half of 2020 only the US program was used, with an average drawdown of $2.6 billion.

The financing in place as of June 30, 2020 at the level of the holding company (which manages most of Sanofi's financing needs centrally) is not subject to any financial covenants, and contains no clauses linking credit spreads or fees to the credit rating.

B.9.2. MARKET VALUE OF NET DEBT

The market value of Sanofi's debt, net of cash and cash equivalents and derivatives and excluding accrued interest, is as follows:

(€ million)	June 30, 2020	December 31, 2019
Market value	9,126	16,370
Value on redemption	7,733	15,186

B.10. DERIVATIVE FINANCIAL INSTRUMENTS

B.10.1 CURRENCY DERIVATIVES USED TO MANAGE OPERATING RISK EXPOSURES

The table below shows operating currency hedging instruments in place as of June 30, 2020. The notional amount is translated into euros at the relevant closing exchange rate.

June 30, 2020			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	**3,251**	**15**	**–**	**–**	**–**	**3,251**	**15**
of which US dollar	*1,070*	*7*	*–*	*–*	*–*	*1,070*	*7*
of which Chinese yuan renminbi	*493*	*1*	*–*	*–*	*–*	*493*	*1*
of which Singapore dollar	*203*	*—*	*–*	*–*	*–*	*203*	*—*
of which Japanese yen	*182*	*4*	*–*	*–*	*–*	*182*	*4*
of which Saudi riyal	*158*	*—*	*–*	*–*	*–*	*158*	*—*
Forward currency purchases	**1,552**	**(8)**	**–**	**–**	**–**	**1,552**	**(8)**
of which US dollar	*537*	*(1)*	*–*	*–*	*–*	*537*	*(1)*
of which Singapore dollar	*487*	*(3)*	*–*	*–*	*–*	*487*	*(3)*
of which Canadian dollar	*68*	*—*	*–*	*–*	*–*	*68*	*—*
of which Korean won	*46*	*—*	*–*	*–*	*–*	*46*	*—*
of which Japanese yen	*41*	*—*	*–*	*–*	*–*	*41*	*—*
Total	**4,803**	**7**	**–**	**–**	**–**	**4,803**	**7**

The above positions mainly hedge material foreign currency cash flows arising after the end of the reporting period in relation to transactions carried out during the six months ended June 30, 2020 and recognized in the balance sheet at that date. Gains and losses on hedging instruments (forward contracts) are calculated and recognized in parallel with the recognition of gains and losses on the hedged items. Due to this hedging relationship, the commercial foreign exchange difference on those items (hedging instruments and hedged transactions) will be immaterial in the second half of 2020.

B.10.2. CURRENCY AND INTEREST RATE DERIVATIVES USED TO MANAGE FINANCIAL EXPOSURE

The cash pooling arrangements for foreign subsidiaries outside the euro zone, and some of Sanofi's financing activities, expose certain Sanofi entities to financial foreign exchange risk (i.e. 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).

That foreign exchange exposure is hedged using derivative instruments (currency swaps or forward contracts) that alter the currency split of Sanofi's debt once those instruments are taken into account.

The table below shows financial currency hedging instruments in place as of June 30, 2020. The notional amount is translated into euros at the relevant closing exchange rate.

	June 30, 2020		
(€ million)	Notional amount	Fair value	Maximum expiry date
Forward currency sales	**5,213**	**88**	
of which US dollar	*3,660* [(a)]	*87*	*2020*
of which Japanese yen	*320*	*2*	*2020*
of which Australian dollar	*225*	*(1)*	*2020*
Forward currency purchases	**10,824**	**(39)**	
of which US dollar	*7,056* [(b)]	*(19)*	*2021*
of which Singapore dollar	*2,443* [(c)]	*(11)*	*2021*
of which Japanese yen	*384*	*(4)*	*2020*
Total	**16,037**	**49**	

(a) Includes forward sales with a notional amount of $3,615 million expiring in 2020, designated as a hedge of Sanofi's net investment in Bioverativ. As of June 30, 2020, the fair value of these forward contracts represented an asset of €88 million; the opposite entry was recognized in ***Other comprehensive income****, with the impact on financial income and expense being immaterial.*

(b) Includes forward purchases with a notional amount of $4,000 million expiring in 2020, designated as a fair value hedge of USD bond issues against fluctuations in the EUR/USD spot rate. As of June 30, 2020, the fair value of these contracts represented an asset of €87 million, with €21 million of that amount credited to ***Other comprehensive income*** *to recognise the hedging cost.*

(c) *Includes forward purchases with a notional amount of SGD 2,000 million expiring in 2020 and 2021, designated as fair value hedges of an equivalent portion of an intra-group loan against fluctuations in the EUR/SGD spot rate. As of June 30, 2020, the fair value of these contracts represented a liability of €2 million, with €12 million credited to **Other comprehensive income** to recognise the hedging cost.*

To optimize the cost of debt or reduce the volatility of debt, Sanofi uses derivative instruments (interest rate swaps and cross currency swaps) to alter the fixed/floating rate split of its net debt.

The table below shows instruments of this type in place as of June 30, 2020:

								Of which designated as fair value hedges		Of which designated as cash flow hedges		
(€ million)	2020	2021	2022	2023	2024	Total	Fair value	Notional amount	Fair value	Notional amount	Fair value	Of which recognized in equity
Interest rate swaps												
pay capitalized Eonia / receive 0.06%	—	—	2,000	—	—	2,000	30	2,000	30	—	—	—
pay -0.57% / receive capitalized Eonia	—	—	600	—	—	600	3	—	—	600	3	—
pay 1.81% / receive 3-month USD Libor	445	—	—	—	—	445	(4)	—	—	445	(4)	(1)
pay 3-month USD Libor / receive 2.22%	445	—	—	—	—	445	5	445	5	—	—	—
receive capitalized Eonia / pay 1.48% [a]	—	—	42	57	—	99	(5)	99	(5)	—	—	—
Total	**890**	**—**	**2,642**	**57**	**—**	**3,589**	**29**	**2,544**	**30**	**1,045**	**(1)**	**(1)**

(a) *These interest rate swaps hedge fixed-rate bonds with a nominal of €99 million held in a Professional Specialized Investment Fund dedicated to Sanofi and recognized within "Loans, advances and other long-term receivables".*

B.10.3. EQUITY DERIVATIVES

During 2019, Sanofi contracted derivative instruments (collars) on 593,712 shares of Dexcom, Inc. The collars were designated as fair value hedges of the Dexcom shares, and had a negative fair value as of June 30, 2020 of €57 million, recognized in full in ***Other comprehensive income***.

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

For a description of the nature of the liabilities reported in the line item ***Liabilities related to business combinations and to non-controlling interests***, refer to Note B.8.4. to the consolidated financial statements for the year ended December 31, 2019.

The liabilities related to business combinations and to non-controlling interests shown in the table below are level 3 instruments under the IFRS 7 fair value hierarchy (see Note A.5.).

Movements in liabilities related to business combinations and to non-controlling interests in the first half of 2020 are shown below:

(€ million)	Bayer contingent consideration arising from the acquisition of Genzyme	MSD contingent consideration (European Vaccines business)	Other	Total [a]
Balance at January 1, 2020	**156**	**385**	**259**	**800**
Payments made	(37)	(78)	(2)	(117)
Fair value remeasurements through profit or loss: (gain)/loss (including unwinding of discount) [b]	11	37	(72)	(24)
Other movements	—	—	(2)	(2)
Currency translation differences	1	(4)	2	(1)
Balance at June 30, 2020	**131**	**340**	**185**	**656**
Of which:				
• Current portion				243
• Non-current portion				413

(a) *As of January 1, 2020, this comprised a non-current portion of €508 million and a current portion of €292 million.*
(b) *Amounts reported within the income statement line item **Fair value remeasurement of contingent consideration.***

As of June 30, 2020, ***Liabilities related to business combinations and to non-controlling interests*** mainly comprised:

- The liability arising from the acquisition of True North Therapeutics by Bioverativ. The former shareholders of True North Therapeutics are entitled to milestone payments contingent on the attainment of development, registration and sales objectives; the fair value of the resulting liability was measured at €156 million as of June 30, 2020, versus €230 million as of December 31, 2019. That fair value is determined based on the contractual terms and on development and sales projections which have been weighted to reflect the probability of success, and discounted. If the discount rate were to fall by one percentage point, the fair value of the contingent consideration would increase by approximately 1%.

- The Bayer contingent consideration liability arising from the acquisition of Genzyme in 2011. As of June 30, 2020, 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 10 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 those milestone payments by making a one-time payment not exceeding $900 million.

The fair value of this liability was measured at €131 million as of June 30, 2020, versus €156 million as of December 31, 2019. The fair value of the Bayer liability is determined by applying the above contractual terms to sales projections which have been weighted to reflect the probability of success, and discounted. If the discount rate were to fall by one percentage point, the fair value of the Bayer liability would increase by approximately 2%.

- The MSD contingent consideration liability arising from the 2016 acquisition of the Sanofi Pasteur activities carried on within the former Sanofi Pasteur MSD joint venture, which amounted to €340 million as of June 30, 2020 versus €385 million as of December 31, 2019. The fair value of this contingent consideration is determined by applying the royalty percentage stipulated in the contract to discounted sales projections. If the discount rate were to fall by one percentage point, the fair value of the MSD contingent consideration would increase by approximately 3%.

B.12. PROVISIONS AND OTHER LIABILITIES

B.12.1. NON-CURRENT PROVISIONS AND OTHER NON-CURRENT LIABILITIES

The line item ***Non-current provisions and other non-current liabilities*** breaks down as follows:

(€ million)	June 30, 2020	June 30, 2019	December 31, 2019
Non-current provisions	7,768	7,401	7,353
Other non-current liabilities	2,017	1,698	1,968
Total	**9,785**	**9,099**	**9,321**

B.12.1.1. PROVISIONS

The table below shows movements in provisions:

(€ million)	Provisions for pensions & other post-employment benefits	Provisions for other long-term benefits	Restructuring provisions		Other provisions		Total
Balance at January 1, 2020	**3,827**	**855**	**600**		**2,071**		**7,353**
Increases in provisions and other liabilities	144	60	531	(a)	149		884
Provisions utilized	(47)	(66)	(2)		(98)		(213)
Reversals of unutilized provisions	(93)	—	(21)		(78)	(b)	(192)
Transfers	—	(1)	(117)	(c)	(76)		(194)
Net interest related to employee benefits, and unwinding of discount	29	1	—		5		35
Currency translation differences	(24)	(2)	(3)		(22)		(51)
Actuarial gains and losses on defined-benefit plans	146	—	—		—		146
Balance at June 30, 2020	**3,982**	**847**	**988**		**1,951**		**7,768**

(a) Charges to restructuring provisions relate mainly to headcount adjustment plans in Europe.
(b) Amounts charged during the first half of 2020 relate mainly to provisions for products, litigation and other liabilities
(c) This movement includes transfers between current and non-current.

Provisions for pensions and other post-employment benefits

For an analysis of the sensitivity of obligations in respect of pensions and other employee benefits as of December 31, 2019, and of the assumptions used as of that date, see Note D.19.1. to the consolidated financial statements for the year ended December 31, 2019.

The principal assumptions used (in particular, changes in discount and inflation rates and in the market value of plan assets) for the euro zone, the United States and the United Kingdom were reviewed as of June 30, 2020 to take into account changes during the first half of the year.

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

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Actuarial gains/(losses) on plan assets	308	655	926
Actuarial gains/(losses) on benefit obligations	(454) [(a)]	(1,190) [(b)]	(1,301)

(a) Includes the effects of (i) the change in the discount rate in the United Kingdom and the United States (-0.50%) and (ii) the change in the inflation rate in the United Kingdom (-0.05%) in the first half of 2020.

(b) Includes the effects of changes in discount rates (in a range between -0.65% and -1.00%) and in the United Kingdom inflation rate (+0.05%) in the first half of 2019.

B.12.1.2. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprise the following :

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Non-current liabilities related to income taxes [(a)]	1,712	1,452	1,666
Other non-current liabilities	305	246	302
Total	**2,017**	**1,698**	**1,968**

(a) Non-current liabilities related to income taxes include uncertainties over income tax treatments amounting to €1,064 million as of June 30, 2020, €812 million as of June 30, 2019, and €1,031 million as of December 31, 2019.

B.12.2. CURRENT PROVISIONS AND OTHER CURRENT LIABILITIES

The net change in Current provisions and other current liabilities includes a reduction of $315 million, representing funds previously deposited by Sanofi in an escrow account and held in that account as of December 31, 2019. Those funds were released in March 2020 following the signature of an agreement to settle the CVR litigation between Sanofi and the Trustee (American Stock Transfer & Trust Company LLC). A similar reduction was recognized in Other current financial assets to reflect the release of the escrow account.

B.13. OFF BALANCE SHEET COMMITMENTS

Off balance sheet commitments to third parties arise under collaboration agreements entered into by Sanofi (see Note D.21.1. to the consolidated financial statements for the year ended December 31, 2019).

Agreements signed during the first half of 2020 gave rise to the following new commitments:

- Payments associated with projects in the research phase: €0.7 billion.
- Payments contingent on the attainment of specified sales targets once a product reaches the market: €0.6 billion.
- Potential milestone payments relating to development projects under collaboration agreements: €0.3 billion.

The principal commitments entered into, amended or discontinued during the period are described below:

- On June 23, 2020, it was announced that the collaboration and license agreement between Sanofi Pasteur and Translate Bio on the development of mRNA vaccines for infectious diseases would be extended to include development of a novel mRNA vaccine for the virus responsible for COVID-19. Under the terms of the extended agreement, finalized on July 20, 2020, Translate Bio receive an upfront payment of $425 million to acquire (i) exclusive worldwide rights to develop, manufacture and commercialize infectious disease vaccines using Translate Bio technology and (ii) an equity interest in the form of 4.9 million shares of Translate Bio common stock, valued at $95 million at the quoted market price as of that date. In addition, Translate Bio will be eligible for potential future milestone and other payments of up to $1.4 billion.
-

B.14. LITIGATION AND ARBITRATION 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, 2019.

B.14.1. PRODUCTS

DEPAKINE® PRODUCT LITIGATION IN FRANCE

In July 2020, an Administrative Court recognized the liability of the French State in three legal proceedings initiated by families whose children were allegedly exposed in utero to Depakine®. When assessing the State's liability, the Court also ruled on the liability of the prescribers and Sanofi-Aventis France (SAF), considering that their respective roles should also be taken into account in each of these situations although neither was party to the proceedings and consequently in a position to present arguments and facts. The allocation of liability varies in each of these cases, depending on the period and the alleged damage. Sanofi is considering procedural options to challenge these rulings related to SAF's liability.

On July 1, 2020, a summons was filed before the civil court on behalf of several families against SAF and its insurer. Plaintiffs are notably arguing mental anguish and seeking compensation from SAF.

In the criminal investigation on Depakine® which has been pending before the Paris Civil Court since 2016, SAF is the object of a judicial supervision which is accompanied by the implementation of financial security guarantees in accordance with the rules of criminal procedure in France.

It is not possible, at this stage, to assess reliably the outcome of these lawsuits or the potential financial impact on Sanofi.

ZANTAC® LITIGATION IN THE US

In June 2020, the New Mexico Attorney General filed a complaint against Sanofi, the previous marketing authorization holders for branded OTC Zantac®, a dozen generic manufacturers, and several retailers. The complaint brings claims for alleged violations of the New Mexico Unfair Practices Act, violations of the New Mexico False Advertising Act, violations of the New Mexico Public Nuisance Statute, common law public nuisance, and negligence.

On June 6, 2020, Sanofi received a notice from the US Department of Justice Civil Division and US Attorney's Office for the Eastern District of Pennsylvania of an investigation into allegations that pharmaceutical manufacturers violated the False Claims Act, 31 U.S.C. § 3729, in relation to the drug Zantac® and ranitidine hydrochloride through alleged failure to disclose to the federal government information about the potential presence of N-Nitrosodimethylamine (NDMA). The notice requests information and documents from Sanofi including applications and communications with FDA.

It is not possible, at this stage, to assess reliably the outcome of these lawsuits or the potential financial impact on Sanofi.

ZANTAC® LITIGATION IN CANADA

In May 2020, a Class Action proceeding was filed in Ontario Superior Court relating to ranitidine and naming Sanofi Consumer Health Inc., Sanofi-Aventis Canada Inc., Sanofi et. al. as Defendants. Representative Plaintiffs claim that they suffered personal injury, including cancer, from the ingestion of ranitidine and are seeking general, special, statutory, punitive and aggravated damages in an unspecified amount. Additionally, they seek restitution for unjust enrichment in an amount equivalent to the purchase price of Zantac®.

On May 29, 2020, an amended Class Action Proceeding now naming Sanofi Consumer Health Inc. as a Defendant along with 21 other Defendants was filed in the British Columbia Supreme Court. The Representative Plaintiff is claiming on behalf of all Canadian residents damages, including personal injury, arising allegedly from the ingestion of ranitidine. General, special and punitive damages are being claimed in an unspecified amount.

It is not possible, at this stage, to assess reliably the outcome of these lawsuits or the potential financial impact on Sanofi.

B.14.2. PATENTS

PRALUENT® (ALIROCUMAB)-RELATED AMGEN PATENT LITIGATION IN EUROPE

In the patent litigation in Italy, in June 2020, Amgen filed an interim proceeding with the Milan Court and requested a preliminary injunction on Praluent®.

PRALUENT® (ALIROCUMAB)-RELATED AMGEN OPPOSITION AND PATENT LITIGATION IN JAPAN

In April 2020, the Supreme Court denied Sanofi's appeal in the invalidation action and the infringement proceeding. The injunction issued by the Tokyo District Court became enforceable and Sanofi complied. Praluent® is no longer commercialized in Japan.

JEVTANA® (CABAZITAXEL)-RELATED PATENT LITIGATION IN THE US

Jevtana® is covered by five Orange Book listed patents U.S. 5,847,170, U.S. 7,241,907, U.S. 8,927,592, U.S. 10,583,110 and U.S. 10,716,777. In May and June 2020, Sanofi filed patent infringement suits under Hatch-Waxman against 12 generic filers asserting the '110 patent in the U.S. District Court for the District of Delaware. No trial has been scheduled yet.

PLAVIX® LITIGATION (COMMONWEALTH) IN AUSTRALIA

In April 2020, the Commonwealth's claim was dismissed. In May 2020, the Commonwealth filed a Notice of Appeal to the Full Court of the Federal Court.

B.14.3. CONTINGENCIES ARISING FROM CERTAIN BUSINESS DIVESTITURES

BOEHRINGER INGELHEIM (BI) RETAINED LIABILITIES

Following BI's request for arbitration regarding its refuted claim for indemnification in relation to Zantac® litigation in the United States, Sanofi has filed its answer and asserted several counterclaims along with its own claims for indemnity under the relevant agreements including the Agreement for Sale and Purchase of BI's CHC business.

B.15. OTHER OPERATING INCOME AND EXPENSES

Other operating income amounted to €281 million in the first half of 2020 (versus €273 million in the first half of 2019), and ***Other operating expenses*** to €693 million (versus €466 million in the first half of 2019).

The main items included in ***Other operating income*** in the first half of 2020 were income from pharmaceutical partners of €92 million (versus €36 million in the first half of 2019), of which €79 million came from Regeneron (versus €30 million in the first half of 2019, see table below); and gains on disposals of assets and operations of €147 million, primarily on divestments of mature products (versus €71 million in the first half of 2019).

Other operating expenses for the first half of 2020 included €525 million of expenses relating to the alliance with Regeneron (versus €241 million in the first half of 2019), as shown in the table below.

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Income & expense related to (profit)/loss sharing of the Antibodies Alliance	(341)	(16)	(253)
Additional share of profit paid by Regeneron related to development costs	35	—	21
Regeneron commercial operating expenses reimbursement	(176)	(218)	(449)
Total: Antibody Alliance	**(482)**	**(234)**	**(681)**
Immuno-Oncology Alliance	**44**	**30**	**62**
Other (mainly Zaltrap®)	**(8)**	**(7)**	**(14)**
Other operating income/(expenses), net, related to Regeneron Alliance	**(446)**	**(211)**	**(633)**
of which amount presented in Other operating income	**79**	**30**	**82**

B.16. RESTRUCTURING COSTS AND SIMILAR ITEMS

Restructuring costs and similar items comprise the following:

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Employee-related expenses	642	667	791
Expenses related to property, plant and equipment and to inventories	62	39	106
Compensation for early termination of contracts (other than contracts of employment)	11	3	49
Decontamination costs	—	1	27
Other restructuring costs	43	37	89
Total	**758**	**747**	**1,062**

Restructuring costs in the first half of 2020 mainly reflect employee separation costs further to the announcement of plans to adapt Sanofi's organization (primarily in Europe) in line with the new "Play-to-Win" strategic roadmap announced in December 2019.

Restructuring costs in the first half of 2019 related to employee-related expenses associated with headcount adjustment plans, mainly in Europe and the United States.

B.17. OTHER GAINS AND LOSSES, AND LITIGATION

Other gains and losses, and litigation for the first half of 2020 represent a net gain of €136 million, mainly comprising a gain on the sale of operations related to the Seprafilm product to Baxter for proceeds of €313 million. This compares with a net gain of €317 million in the first half of 2019, mainly relating to litigation.

B.18. FINANCIAL EXPENSES AND INCOME

An analysis of financial expenses and income is set forth below:

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Cost of debt [(a)]	(166)	(171)	(318)
Interest income [(b)]	66	82	146
Cost of net debt	**(100)**	**(89)**	**(172)**
Non-operating foreign exchange gains/(losses)	2	3	1
Unwinding of discounting of provisions [(c)]	(6)	(12)	(25)
Net interest cost related to employee benefits	(32)	(45)	(87)
Net interest expense on lease liabilities [(d)]	(19)	(20)	(39)
Other	(12)	13	19
Net financial income/(expenses)	**(167)**	**(150)**	**(303)**
comprising: Financial expenses	**(198)**	**(244)**	**(444)**
Financial income	**31**	**94**	**141**

(a) Includes net gain/(loss) on interest rate and currency derivatives used to manage debt: €58 million in the first half of 2020, €83 million in the first half of 2019, and €187 million over the whole of 2019.

(b) Includes net gain/(loss) on interest rate and currency derivatives used to manage cash and cash equivalents: €37 million in the first half of 2020, €27 million in the first half of 2019, and €55 million over the whole of 2019.

(c) Primarily on provisions for environmental risks, restructuring provisions, and provisions for product-related risks (see Note B.12.).

(d) Impact of IFRS 16 (Leases), see Note A.2.1. to the 2019 consolidated financial statements.

The impact of the ineffective portion of hedging relationships was not material in either 2020 or 2019.

B.19. INCOME TAX EXPENSE

Sanofi has elected for tax consolidations in a number of countries, principally France, Germany, the United Kingdom and the United States.

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

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Current taxes	(1,127)	(828)	(1,892)
Deferred taxes	133	815	1,753
Total	**(994)**	**(13)**	**(139)**
Income before tax and investments accounted for using the equity method	**9,941**	**962**	**2,822**

The difference between the effective tax rate (on income before tax and investments accounted for using the equity method) and the standard corporate income tax rate applicable in France is explained as follows:

(as a percentage)	June 30, 2020 (6 months)[(a)]	June 30, 2019 (6 months)[(a)]	December 31, 2019 (12 months)
Standard tax rate applicable in France	32.0	34.4	34.4
Difference between the standard French tax rate and the rates applicable to Sanofi [(b)]	(20.2)	(13.7)	(22.9)
Impact of commitments arising from business divestitures	—	(12.1)	(6.2)
Revisions to tax exposures and settlements of tax disputes	0.2	4.5	4.8
Fair value remeasurement of contingent consideration liabilities	(0.1)	(3.0)	(2.6)
Other [(c)]	(1.9)	(8.8)	(2.6)
Effective tax rate	**10.0**	**1.3**	**4.9**

(a) Rate calculated on the basis of the estimated effective tax rate for the full financial year (see Note A.2.).

(b) The difference between the French tax rate and tax rates applicable to foreign subsidiaries reflects the fact that Sanofi has operations in many countries, most of which have lower tax rates than France. For 2020, the percentage is impacted by the difference between the normal French tax rate and the tax rate applicable to the sale of Regeneron shares.

*(c) For 2019, the percentage on the "Other" line is impacted by the reduction in **Income before tax and investments accounted for using the equity method**.*

B.20. SEGMENT INFORMATION

As indicated in Note B.26. to the consolidated financial statements for the year ended December 31, 2019, Sanofi has three operating segments: Pharmaceuticals, Vaccines and Consumer Healthcare.

The Pharmaceuticals segment comprises the commercial operations of the following global franchises: Specialty Care (Dupixent®, Multiple Sclerosis, Neurology, Other Inflammatory Diseases & Immunology, Rare Diseases, Oncology, and Rare Blood Disorders) and General Medicines (Diabetes, Cardiovascular, and Established Prescription Products), together with research, development and production activities dedicated to the Pharmaceuticals segment. This segment also includes associates whose activities are related to pharmaceuticals. Following the transaction of May 29, 2020, Regeneron is no longer an associate of Sanofi (see Note B.1.). Consequently, the Pharmaceuticals segment no longer includes Sanofi's equity-accounted share of Regeneron's profits for all periods presented in this note.

The Vaccines segment comprises, for all geographical territories, the commercial operations of Sanofi Pasteur, together with research, development and production activities dedicated to vaccines.

The Consumer Healthcare segment comprises, for all geographical territories, the commercial operations for Sanofi's Consumer Healthcare products, together with research, development and production activities dedicated to those products.

Inter-segment transactions are not material.

The costs of Sanofi's global support functions (External Affairs, Finance, Human Resources, Legal Affairs, Information Solutions & Technologies, Sanofi Business Services, etc.) are mainly managed centrally at group-wide level. The costs of those functions are presented within the "Other" category. That category also includes other reconciling items such as retained commitments in respect of divested activities.

In 2020, Sanofi adopted a new management reporting structure. This resulted in cost reallocations between the Pharmaceuticals, Consumer Healthcare, Vaccines segments and "Other" category, and product reallocations (mainly between Pharmaceuticals and Consumer Healthcare). Expenses relating to Medical Affairs, previously shown in the "Other" category, were reallocated to the Pharmaceuticals segment.

B.20.1. SEGMENT RESULTS

B.20.1.1. Analysis of net sales

The table below sets forth net sales for the six months ended June 30, 2020 and June 30, 2019:

(€ million)		Europe	United States	Other countries	June 30, 2020	Europe	United States	Other countries	June 30, 2019
Pharmaceuticals		**3,347**	**4,806**	**4,867**	**13,020**	**3,393**	**4,193**	**5,132**	**12,718**
General Medicines		**2,232**	**1,458**	**3,928**	**7,618**	**2,421**	**1,647**	**4,336**	**8,404**
of which	Lantus®	281	474	662	1,417	306	568	658	1,532
	Toujeo®	188	143	165	496	167	139	125	431
	Praluent®	56	68	22	146	63	44	15	122
	Multaq®	12	135	7	154	20	135	6	161
	Lovenox®	298	15	317	630	385	18	287	690
	Plavix®	67	5	437	509	70	—	696	766
	Generics	57	75	362	494	66	79	391	536
Specialty Care		**1,115**	**3,348**	**939**	**5,402**	**972**	**2,546**	**796**	**4,314**
of which	Aubagio®	231	775	62	1,068	204	645	54	903
	Cerezyme®	125	90	153	368	128	88	147	363
	Myozyme/Lumizyme®	193	178	101	472	195	162	97	454
	Fabrazyme®	98	206	109	413	90	199	107	396
	Eloctate®	—	234	96	330	—	272	73	345
	Jevtana®	92	123	56	271	87	101	49	237
	Dupixent®	174	1,310	150	1,634	83	669	73	825
Consumer Healthcare		**717**	**583**	**1,024**	**2,324**	**741**	**599**	**1,067**	**2,407**
of which	Allergy, Cough and Cold	177	214	249	640	184	187	246	617
	Pain	271	98	266	635	275	93	273	641
	Digestive	167	38	221	426	175	103	260	538
	Nutritionals	62	23	223	308	67	19	214	300
Vaccines		**281**	**491**	**1,064**	**1,836**	**317**	**609**	**968**	**1,894**
of which	Polio/Pertussis/Hib vaccines	162	183	714	1,059	157	192	639	988
	Influenza vaccines	5	13	161	179	2	4	111	117
Total net sales		**4,345**	**5,880**	**6,955**	**17,180**	**4,451**	**5,401**	**7,167**	**17,019**

B.20.1.2. Business operating income

Sanofi reports segment results on the basis of "Business operating income", a non-GAAP financial measure used internally by the chief operating decision maker to measure the performance of each operating segment and to allocate resources.

Following the transaction of May 29, 2020, Regeneron is no longer an associate of Sanofi (see Note B.1.). Consequently, "Business operating income" has been adjusted, and no longer includes Sanofi's share of the net income of Regeneron. This means that the ***Share of profit/(loss) from investments accounted for using the equity method*** line in the table reconciling ***Operating income*** (as shown in the income statement) to "Business operating income" no longer includes the equity-accounted share of profits from Regeneron. The comparatives presented for 2019 have been restated to reflect that adjustment. In addition, the gain arising on the divestment of the equity investment in Regeneron is not included in "Business operating income", with the exception of the gain on the remeasurement of the 400,000 retained shares at market value at the transaction date.

In addition, with effect from January 1, 2020 "Business operating income" includes depreciation charged against right-of-use assets recognized under IFRS 16 (Leases), applicable since January 1, 2019, and excludes rental expenses previously recognized under IAS 17. In the interests of consistency, "Business operating income" for the comparative periods of 2019 presented has been restated to include the effects of IFRS 16, and of certain expenses and income presented differently for segment reporting purposes to align on Sanofi's new 2020 management reporting structure (see Note B.20., "Segment Information", above).

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

- the amounts reported in the line items ***Restructuring costs and similar items, Fair value remeasurement of contingent consideration*** (relating to business combinations or divestments) and ***Other gains and losses, and litigation*** are eliminated;
- amortization and impairment losses charged against intangible assets (other than software and other rights of an industrial or operational nature) are eliminated;
- the share of profits/losses from investments accounted for using the equity method is added, excluding Regeneron up to and including May 29, 2020 (see Note B.1.);
- net income 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 accounted for using the equity method) are eliminated;
- restructuring costs relating to investments accounted for using the equity method are eliminated; and
- the gain on the divestment of Regeneron shares dated May 29, 2020 is eliminated (this elimination does not include the gain on the remeasurement of the 400,000 retained shares at market value as of that date).

Segment results are shown in the table below:

	June 30, 2020 (6 months)				
(€ million)	Pharmaceuticals	Consumer Healthcare	Vaccines	Other	Total
Net sales	**13,020**	**2,324**	**1,836**	**—**	**17,180**
Other revenues	70	30	474	—	574
Cost of sales	(3,427)	(770)	(1,184)	(126)	(5,507)
Research and development expenses	(2,143)	(61)	(324)	(164)	(2,692)
Selling and general expenses	(2,472)	(760)	(386)	(989)	(4,607)
Other operating income and expenses	(150)	21	4	(130)	(255)
Share of profit/(loss) from investments accounted for using the equity method [(a)]	4	7	—	—	11
Net income attributable to non-controlling interests	(17)	(4)	—	—	(21)
Business operating income	**4,885**	**787**	**420**	**(1,409)**	**4,683**

(a) "Business operating income" no longer includes Sanofi's equity-accounted share of Regeneron's net profits (see definition above, and Note B.1.).

	June 30, 2019 (6 months)				
(€ million)	Pharmaceuticals	Consumer Healthcare	Vaccines	Other	Total
Net sales	**12,718**	**2,407**	**1,894**	**—**	**17,019**
Other revenues	103	27	544	—	674
Cost of sales	(3,239)	(783)	(1,255)	(105)	(5,382)
Research and development expenses	(2,423)	(71)	(295)	(183)	(2,972)
Selling and general expenses	(2,679)	(760)	(374)	(1,022)	(4,835)
Other operating income and expenses	(228)	105	(6)	(64)	(193)
Share of profit/(loss) from investments accounted for using the equity method [(a)]	4	6	—	—	10
Net income attributable to non-controlling interests	(12)	(3)	—	—	(15)
Business operating income [(b)]	**4,244**	**928**	**508**	**(1,374)**	**4,306**

(a) "Business operating income" no longer includes Sanofi's equity-accounted share of Regeneron's net profits (see definition above, and Note B.1.).
(b) Restated to exclude (i) Sanofi's share of net profits from the investment in Regeneron (see above); and to include (i) the effects of IFRS 16 and (ii) the effect of certain expenses and income being presented differently for segment reporting purposes to align on Sanofi's new 2020 management reporting structure.

	December 31, 2019 (12 months)				
(€ million)	Pharmaceuticals	Consumer Healthcare	Vaccines	Other	Total
Net sales	**25,700**	**4,695**	**5,731**	**—**	**36,126**
Other revenues	173	57	1,275	—	1,505
Cost of sales	(6,750)	(1,599)	(3,372)	(252)	(11,973)
Research and development expenses	(4,850)	(149)	(639)	(380)	(6,018)
Selling and general expenses	(5,442)	(1,529)	(823)	(2,089)	(9,883)
Other operating income and expenses	(625)	193	—	50	(382)
Share of profit/(loss) from investments accounted for using the equity method [(a)]	5	(5)	9	—	9
Net income attributable to non-controlling interests	(29)	(6)	—	—	(35)
Business operating income [(b)]	**8,182**	**1,657**	**2,181**	**(2,671)**	**9,349**

(a) *"Business operating income" no longer includes Sanofi's equity-accounted share of Regeneron's net profits (see definition above, and Note B.1.).*
(b) *Restated to exclude (i) Sanofi's share of net profits from the investment in Regeneron (see above); and to include (i) the effects of IFRS 16 and (ii) the effect of certain expenses and income being presented differently for segment reporting purposes to align on Sanofi's new 2020 management reporting structure.*

The table below, presented in compliance with IFRS 8, shows a reconciliation between "Business operating income" and ***Income before tax and investments accounted for using the equity method:***

(€ million)	June 30, 2020 (6 months)	June 30, 2019 [f] (6 months)	December 31, 2019 [f] (12 months)
Business operating income	**4,683**	**4,306**	**9,349**
Share of profit/(loss) from investments accounted for using the equity method [a]/[b]	(11)	(10)	(9)
Net income attributable to non-controlling interests [c]	21	15	35
Amortization and impairment of intangible assets	(1,206)	(2,956)	(5,750)
Fair value remeasurement of contingent consideration	54	190	238
Expenses arising from the impact of acquisitions on inventories	(36)	(3)	(3)
Restructuring costs and similar items	(758)	(747)	(1,062)
Other gains and losses, and litigation[d]	136	317	327
Gain on sale of Regeneron shares on May 29, 2020[e]	7,225	—	—
Operating income	**10,108**	**1,112**	**3,125**
Financial expenses	(198)	(244)	(444)
Financial income	31	94	141
Income before tax and investments accounted for using the equity method	**9,941**	**962**	**2,822**

(a) *Excludes (i) restructuring costs and (ii) expenses arising from the impact of acquisitions on investments accounted for using the equity method.*
(b) *Following the transaction of May 29, 2020, "Business operating income" no longer includes Sanofi's equity-accounted share of Regeneron's net profits (see Note B.1.). Consequently, this line does not include Sanofi's share of net profits from the investment in Regeneron up to and including that date.*
(c) *Excludes (i) restructuring costs and (ii) other adjustments attributable to non-controlling interests.*
(d) *For the six months ended June 30, 2020, this line mainly comprises the gain on the sale of operations related to the Seprafilm product to Baxter.*
(e) *This line includes the gain on the sale of (i) 13 million shares of Regeneron common stock in the registered public offering and (ii) the 9.8 million shares repurchased by Regeneron, but does not include the gain arising from the remeasurement of the 400,000 retained shares at market value of May 29, 2020.*
(f) *Business operating income as presented in the 2019 financial statements has been restated to exclude (i) Sanofi's share of net profits from the investment in Regeneron, amounting to €159 million in the six months ended June 30, 2019 and €411 million in the year ended December 31, 2019 (see above); and to include (i) the effects of IFRS 16 and (ii) the effect of certain expenses and income being presented differently for segment reporting purposes to align on Sanofi's new 2020 management reporting structure.*

B.20.2. OTHER SEGMENT INFORMATION

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

The principal investments accounted for using the equity method in the Pharmaceuticals segment are entities majority owned by BMS (up to and including February 29, 2020, see Note B.5.), and Infraserv GmbH & Co. Höchst KG.

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

	June 30, 2020			
(€ million)	Pharmaceuticals	Consumer Healthcare	Vaccines	Total
Investments accounted for using the equity method	149	3	44	196
Acquisitions of property, plant and equipment	294	27	181	502
Acquisitions of other intangible assets	153	6	21	180

	June 30, 2019			
(€ million)	Pharmaceuticals	Consumer Healthcare	Vaccines	Total
Investments accounted for using the equity method [a]	327	20	32	379
Acquisitions of property, plant and equipment [b]	383	28	243	654
Acquisitions of other intangible assets	124	7	56	187

(a) This line has been restated to eliminate Sanofi's equity investment in Regeneron (see Note B.20.).
(b) Includes the effect of restatements needed to align on Sanofi's new 2020 management reporting structure.

(€ million)	December 31, 2019 Pharmaceuticals	Consumer Healthcare	Vaccines	Total
Investments accounted for using the equity method [a]	205	4	40	249
Acquisitions of property, plant and equipment [b]	773	88	462	1,323
Acquisitions of other intangible assets	321	51	121	493

(a) This line has been restated to eliminate Sanofi's equity investment in Regeneron (see Note B.20.).
(b) Includes the effect of restatements needed to align on Sanofi's new 2020 management reporting structure.

B.20.3. 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, pre-funded pension obligations, and right-of-use assets as determined under IFRS 16.

(€ million)	June 30, 2020 Total	Europe	of which France	North America	of which United States	Other countries
Net sales	**17,180**	**4,345**	**1,061**	**6,151**	**5,880**	**6,684**
Non-current assets:						
• property, plant and equipment	9,368	5,683	3,067	2,756	2,153	929
• goodwill	45,254	—	—	—	—	—
• other intangible assets	17,021	6,544	—	8,838	—	1,639

(€ million)	June 30, 2019 Total	Europe	of which France	North America	of which United States	Other countries
Net sales	**17,019**	**4,351**	**1,099**	**5,685**	**5,401**	**6,983**
Non-current assets:						
• property, plant and equipment	9,606	5,781	3,120	2,791	2,250	1,034
• goodwill	44,418	—	—	—	—	—
• other intangible assets	19,098	7,439	—	9,485	—	2,174

(€ million)	December 31, 2019 Total	Europe	of which France	North America	of which United States	Other countries
Net sales	**36,126**	**8,852**	**2,261**	**13,370**	**12,756**	**13,904**
Non-current assets:						
• property, plant and equipment	9,717	5,824	3,141	2,862	2,264	1,031
• goodwill	44,519	—	—	—	—	—
• other intangible assets	16,572	6,941	—	7,825	—	1,806

As stated in Notes B.6.1. and D.5. to the consolidated financial statements for the year ended December 31, 2019, goodwill is not allocated by geographical region.

B.20.4. PRINCIPAL CUSTOMERS AND CREDIT RISK

Sanofi's three largest customers respectively accounted for approximately 9%, 6% and 5% of consolidated net sales in the first half of 2020, mostly in the Pharmaceuticals segment (versus approximately 9%, 6% and 4% in the first half of 2019).

C/ EVENTS SUBSEQUENT TO JUNE 30, 2020

Early July 2020, Sanofi entered into an exclusive license agreement with **Kiadis Pharma N.V.**, a clinical-stage biopharmaceutical company developing natural killer (NK) cell therapies for patients with life-threatening diseases, for Kiadis' previously undisclosed K-NK004 program. The agreement covers Kiadis' proprietary CD38 knock out (CD38KO) K-NK therapeutic for combination with anti-CD38 monoclonal antibodies including Sarclisa®, Sanofi's recently approved therapy for patients with multiple myeloma. Sanofi also obtained exclusive rights to use Kiadis' K-NK platform for two undisclosed pre-clinical programs. As part of the agreement, Kiadis will receive a €17.5 million upfront payment and will be entitled to receive up to €857.5 million upon Sanofi attaining preclinical, clinical, regulatory and commercial milestones. Kiadis will also receive double-digit royalties based on commercial sales of approved products resulting from the agreement.

Early July 2020, Sanofi and **Kymera Therapeutics Inc.** signed a multi-program strategic collaboration agreement to develop and commercialize first-in-class protein degrader therapies targeting IRAK4 in patients with immune-inflammatory diseases. The companies will also partner on a second earlier stage program. Kymera will receive $150 million in cash upfront and may receive more than $2 billion in potential milestones, as well as royalty payments. Kymera retains the option to participate in US development and commercialization for both programs subject to its having an equal share in the costs, profits and losses, and to co-promote partnered products in the US.

2. HALF-YEAR MANAGEMENT REPORT

A/ SIGNIFICANT EVENTS OF THE FIRST HALF OF 2020

A.1. FIRST-HALF OVERVIEW

In the first half of 2020, and since the onset of the pandemic, Sanofi has played a leading role in the **fight against COVID-19** on multiple fronts:

- On February 18, 2020, Sanofi announced that it would leverage previous development work for a vaccine against severe acute respiratory syndrome (SARS) to attempt to unlock a fast path forward for developing a COVID-19 vaccine. Sanofi is collaborating with **BARDA** (the US Biomedical Advanced Research and Development Authority), part of the Office of the Assistant Secretary for Preparedness and Response within the US Department of Health and Human Services, expanding Sanofi's long-standing partnership with BARDA.

- On March 27, 2020, Sanofi and **Translate Bio**, a clinical-stage messenger RNA (mRNA) therapeutics company, announced a collaboration to develop a novel mRNA vaccine for the virus responsible for COVID-19. This collaboration leverages an existing agreement from 2018 between the two companies to develop mRNA vaccines for infectious diseases. Translate Bio has begun to produce multiple mRNA constructs and will use its mRNA platform to discover, design, and manufacture a number of SARS-CoV-2 vaccine candidates. Sanofi will provide deep vaccine expertise and support from its external research networks to advance identified vaccine candidates for potential further development.

- On April 14, 2020, **Sanofi** and **GSK** announced that they had signed a letter of intent to develop an adjuvanted vaccine for COVID- 19, using innovative technology from both companies to help address the pandemic. Sanofi is contributing its S- protein COVID-19 antigen, which is based on recombinant DNA technology. This technology has produced an exact genetic match to proteins found on the surface of the virus, and the DNA sequence encoding this antigen has been combined into the DNA of the baculovirus expression platform, the basis of Sanofi's licensed recombinant influenza product in the United States. GSK will contribute its proven pandemic adjuvant technology. The use of an adjuvant can be of particular importance in a pandemic situation since it may reduce the amount of vaccine protein required per dose, allowing more vaccine doses to be produced and thereby helping to protect more people.

- On April 16, 2020, Sanofi and **Luminostics** signed an agreement to evaluate a collaboration on a unique self-testing solution for COVID-19 using Luminostics' innovative technology. Luminostics is contributing its proprietary consumer-diagnostics technology for COVID-19 testing, while Sanofi is bringing its clinical research testing experience and capabilities. The goal is to provide a smartphone-based solution that eliminates the need for healthcare professional administration or laboratory tests.

Also in the first half of 2020, Sanofi continued to implement its new **"Play to Win"** strategy, involving major decisions and positive actions that will support and rebuild the competitive margins necessary for Sanofi to continue to deliver on its mission. The strategy is based on four major priorities: focus on growth, lead with innovation, accelerate efficiency, and reinvent how we work.

On January 23, 2020, Sanofi completed the acquisition of **Synthorx**, Inc., a clinical-stage biotechnology company focused on prolonging and improving the lives of people suffering from cancer and autoimmune disorders, for $68 per share in cash, representing an aggregate equity value of approximately $2.5 billion (on a fully diluted basis).

On February 24, 2020, Sanofi announced its ambition to create a **leading European company dedicated to the production and marketing to third parties of active pharmaceutical ingredients (API)**, the essential molecules responsible for the beneficial effects used in the composition of any drug. The project involves creating a new standalone company combining Sanofi's API commercial and development activities with six of its European API production sites: Brindisi (Italy), Frankfurt Chemistry (Germany), Haverhill (UK), St Aubin les Elbeuf (France), Újpest (Hungary), and Vertolaye (France). With increasing medicine shortages that critically impact patient care, the new entity will contribute to securing API manufacturing and supply capacity for Europe and beyond. The new entity is expected to rank as the world's second-largest API company, with approximately €1 billion of sales expected by 2022 and 3,100 employees; it is to be headquartered in France. An initial public offering on Euronext Paris is being evaluated with a decision expected by 2022, subject to market conditions. Sanofi is fully committed to the long-term success of the new entity, in which it intends to retain a minority stake of approximately 30%. To provide optimal conditions for success, Sanofi intends the new company to be debt free in order to maximize its future investment capacities, and is committed to remaining an important customer of the new entity.

On February 28, 2020, the Sanofi subsidiary Aventis Inc. acquired from **Bristol-Myers Squibb** Investco LLC., E.R. Squibb & Sons LLC and Bristol-Myers Squibb Puerto Rico, Inc. (all subsidiaries of BMS) their respective equity interests in the three partnerships that organize the commercialization of Plavix® in the United States and Puerto Rico. As a result of those transactions, Sanofi obtained sole control and freedom to operate commercially with respect to Plavix® in the United States and Puerto Rico. As from March 2020, Sanofi recognizes in its consolidated financial statements the revenues and expenses generated by its own operations in the two territories.

On April 6, 2020, Sanofi announced that it had finalized the planned restructuring related to **Praluent®** (alirocumab) with Regeneron Pharmaceuticals, Inc. ("Regeneron"). Effective April 1, 2020, Sanofi has sole responsibility for Praluent® outside the United States, while Regeneron has sole responsibility for Praluent® in the United States. The restructuring simplifies the antibody collaboration between the companies, increases efficiency, and streamlines operations for Praluent®. Although each company has responsibility

for supplying Praluent® in its respective territory, the companies have entered into agreements to support manufacturing needs in the near term. Sanofi had previously announced its intention to restructure the antibody collaboration on Praluent® and Kevzara® (sarilumab) in December 2019.

On May 29, 2020, Sanofi announced the closing of its sale of 13 million shares of **Regeneron** common stock through a registered offering at a price of $515 per share. This included a previously-announced overallotment option, which was fully exercised by the underwriters. In addition, Sanofi announced the completion of Regeneron's repurchase of 9.8 million shares or approximately $5 billion in common stock directly from Sanofi. As a result of the offering, Sanofi has sold its entire equity investment in Regeneron (except for 400,000 Regeneron shares retained by Sanofi to support its ongoing collaboration with Regeneron) for total gross proceeds of $11.7 billion. Consequently, Sanofi's equity interest in Regeneron ceased to be accounted for by the equity method. The registered offering and share repurchase will not affect the ongoing collaboration between Sanofi and Regeneron: the two companies have had a successful and long-standing clinical and commercial collaboration dating back to 2003 that has resulted in five approved treatments to date, with additional candidates currently in clinical development.

On June 16, 2020, Sanofi announced that it is investing in France to **increase its vaccine research and production capacities**, and to respond to future pandemic risks. In line with the corporate strategy presented in December 2019, Sanofi is investing €610 million to create a new flexible, digitalized production site and a research center in France, both dedicated to vaccines. Sanofi's investment in vaccine production in France involves the creation of an Evolutive Vaccine Facility (EVF) in Neuville sur Saône. This state-of-the-art industrial site will use the latest innovative vaccine production technologies. The project represents an investment of €490 million over a five-year period, and is expected to create 200 new jobs. Building this plant will enable Sanofi Pasteur, Sanofi's global vaccines entity, to be the first pharmaceutical manufacturer to benefit from such a facility, and will help secure vaccine supplies in France and the rest of Europe in the event of new pandemics. Sanofi is also investing €120 million to create a new R&D center in France, on the Sanofi Pasteur site at Marcy-l'Etoile. This state-of-the-art digital facility will house biosecurity level 3 (BSL 3) laboratories for the development of vaccines against emerging diseases and pandemic risks, and aims to set a global standard for pre-clinical research and pharmaceutical and clinical development.

On June 23, 2020, Sanofi Pasteur and **Translate Bio** announced they had expanded their existing 2018 collaboration and license agreement to develop mRNA vaccines for infectious diseases. Under the terms of the expanded agreement, Translate Bio receive a total upfront payment of $425 million, consisting of a $300 million cash payment and a private placement equity investment of $125 million at $25.59 per share, representing a 50% premium to the 20-day moving average share price prior to signing. Translate Bio will also be eligible for potential future milestones and other payments of up to $1.9 billion, including $450 million of milestones under the 2018 agreement. Of those potential milestones and other payments, approximately $360 million are anticipated over the next several years, inclusive of COVID-19 vaccine development milestones (under the collaboration announced on March 27, 2020 as described above). Translate Bio is also eligible to receive tiered royalty payments based upon worldwide sales of the developed vaccines. Sanofi Pasteur will pay for all costs during the collaboration term. Under this agreement Sanofi Pasteur will receive exclusive worldwide rights for infectious disease vaccines.

Net sales for the first half of 2020 amounted to €17,180 million, 0.9% higher than in the first half of 2019. At constant exchange rates (CER)[1], net sales rose by 1.6%, mainly reflecting good performances for Dupixent® and the Specialty Care GBU generally, which more than offset a decrease in net sales for the General Medicines GBU (and more specifically, lower sales for Plavix® and Aprovel® family products in China, Lantus® in the United States, and Lovenox® in Europe). Net sales for the Vaccines segment were down year-on-year, due largely to reduced sales of travel vaccines due to Covid-19-related travel restrictions. Sales of Consumer Healthcare products also decreased, reflecting in particular the recall of Zantac® in the United States and Canada.

Net income attributable to equity holders of Sanofi amounted to €9,281 million, versus €1,050 million in the first half of 2019, mainly reflecting the gain on the divestment of Sanofi's equity investment in Regeneron (€7,382 million) following the transaction of May 29, 2020 (see Note B.1. to the condensed half-year consolidated financial statements). Earnings per share was €7.41, versus €0.84 for the first half of 2019. Business net income[2] was €3,521 million, up 8.7% on the first half of 2019, while business earnings per share (business EPS[3]) was 8.1% higher than in the first half of 2019 at €2.81.

[1] *Non-GAAP financial measure: see definition in C.3., "Net sales".*
[2] *Non-GAAP financial measure: see definition in C.2., "Business net income".*

A.2. RESEARCH AND DEVELOPMENT

Highlights of Sanofi's research and development efforts in the first half of 2020 in the Pharmaceuticals segment included the launch of Phase III trials of **venglustat** (GZ402671), an orally administered glucosylceramide synthase (GCS) inhibitor, in the treatment of GM2 gangliosidoses; of **Sarclisa®** (isatuximab-irfc) in the treatment of indolent multiple myeloma; and of **SAR442168**, a BTK inhibitor, in the treatment of remitting-relapsing multiple sclerosis.

Sanofi obtained regulatory marketing approval for a number of products in the first half of 2020. The US Food and Drug Administration (FDA) approved **Sarclisa®** (isatuximab-irfc) in combination with pomalidomide and dexamethasone (pom-dex) for the treatment of adults with relapsed or refractory multiple myeloma (RRMM). The European Commission and the Japanese healthcare authorities (PDMA) also approved Sarclisa® (isatuximab) for the treatment of adults with RRMM. The FDA approved Dupixent® in the treatment of moderate to severe atopic dermatitis in children aged 6 to 11 years. The Chinese National Medical Products Administration (NMPA) approved Dupixent® (dupilumab) in the treatment of adults with moderate to severe atopic dermatitis not controlled by medically-prescribed topical treatments, or for whom such treatments are contra-indicated. The NMPA identified Dupixent® as a foreign drug for which China has an urgent need in clinical practice, accelerating the evaluation and approval process. Dupixent® was also approved by the PDMA in Japan for nasal polyps. In China, the NPMA approved **Aldurazyme®** for the treatment of mucopolysaccharidosis type 1. **Soliqua®** was approved by the PDMA in Japan for the treatment of type 2 diabetes. The FDA approved a Biologics License Application (BLA) for **MenQuadfi™**, a conjugate meningococcal vaccine to prevent invasive meningococcal infections (serogroups A, C, W and Y) from age 2 onwards. Finally, **Fluzone® QIV HD**, an inactivated quadrivalent influenza vaccine, was approved by the European Commission..

For an update on our research and development pipeline, refer to Section F of this half-year management report.

A.3. OTHER SIGNIFICANT EVENTS

A.3.1 CORPORATE GOVERNANCE

The Annual General Meeting of Sanofi shareholders was held on April 28, 2020 behind closed doors, in accordance with exceptional measures implemented by the French authorities to adapt the rules for holding shareholder meetings in light of the COVID-19 crisis. The meeting, chaired by Serge Weinberg, took place at Sanofi's Paris headquarters. All the resolutions put to the vote were passed except for the 19th resolution on the compensation awarded in respect of the 2019 financial year to Olivier Brandicourt, the former Chief Executive Officer, who left office on August 31, 2019. Sanofi's Board of Directors met immediately after the shareholder meeting. The Annual General Meeting approved the individual company financial statements and the consolidated financial statements for the year ended December 31, 2019; it also approved the distribution of a cash dividend of €3.15 per share, paid on May 6, 2020. The meeting approved the reappointment of Laurent Attal, Carole Piwnica, Diane Souza and Thomas Südhof as directors; ratified the co-opting of Paul Hudson as a director; and approved the appointment of Rachel Duan and Lise Kingo as independent directors to replace Suet-Fern Lee and Claudie Haigneré. Following the Annual General Meeting, the Board of Directors still has 16 members, six of whom are women and two of whom are employee representatives. The Board retains a substantial majority of independent directors.

A Board meeting held on May 22, 2020 noted the resignation of Emmanuel Babeau and decided, on advice from the Appointments, Governance and CSR Committee, to co-opt Gilles Schnepp to serve as an independent director for the remaining term of office of Emmanuel Babeau (i.e. until the end of the Annual General Meeting held in 2022 to approve the financial statements for the year ended December 31, 2021). The appointment of Gilles Schnepp will be submitted for ratification at the next Annual General Meeting of Sanofi shareholders on April 28, 2021. Gilles Schnepp was also appointed as a member of the Audit Committee.

On May 29, 2020, Sanofi appointed four new members to its Executive Committee, building on previous organizational changes to put in place a streamlined executive leadership team. The full Executive Committee team now includes the four heads of Sanofi's global business units (Specialty Care, General Medicines, Sanofi Pasteur, and Consumer Healthcare) as well as the global Heads of Research and Development, Industrial Affairs, Finance, Human Resources, Legal and Digital.

- Natalie Bickford will take up the post of Executive Vice President, Chief People Officer on August 1, 2020. She joins Sanofi from Merlin Entertainments, the world's second largest location-based entertainment business (which includes brands like Legoland Resorts, Madame Tussaud's and Sealife Aquariums). At Merlin, she was responsible for 30,000 employees across Europe, North America, and Asia Pacific. Natalie Bickford brings a wealth of consumer-facing experience. She held previous Human Resources leadership positions at Sodexo, AstraZeneca, and Kingfisher, and has consistently demonstrated a passion for engaging teams and driving change in behaviors and culture. She also has a solid track record of transforming organizations, with a strong focus on inclusion and diversity.

- Arnaud Robert, previously Chief Digital Officer (CDO) at cruise operator Viking Cruises, joined Sanofi as Executive Vice President, CDO on June 15, 2020, and will drive Sanofi's digital, data and technology strategy. As a newcomer to the pharmaceuticals sector, Arnaud Robert brings a strong background in consumer and omni-channel strategies, plus expertise in platforms, technology, big data, and user experience. He has held previous leadership positions at The Walt Disney Company and Nike, where he devised and launched the Apple Watch I Nike+ digital community.

- Julie Van Ongevalle will join Sanofi on September 1, 2020, succeeding Alan Main as Executive Vice President, Head of Consumer Healthcare. She is currently Global Brand President of Origins, a division of the Estée Lauder Companies, based in New York City. With more than 20 years of international experience, Julie Van Ongevalle has a strong track record in building

brands, from identifying accelerated growth opportunities to devising and delivering sustainable, profitable growth strategies. Her deep knowledge of consumers and digital will be essential as Sanofi builds an agile, stand-alone Consumer Healthcare business.

- Thomas Triomphe, previously Head of Franchises and Product Strategy at Sanofi Pasteur, was promoted to Executive Vice President, Head of Sanofi Pasteur, on June 15, 2020, replacing David Loew who has left to take the helm at another company. Thomas Triomphe joined Sanofi Pasteur in 2004 as part of a talent management program and has since held roles of increasing responsibility in sales and marketing at country, regional and global levels.

A.3.2. LEGAL AND ARBITRATION PROCEEDINGS

For a description of the most significant developments in legal and arbitration proceedings since publication of the financial statements for the year ended December 31, 2019, 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® Mylan Patent Litigation (United States)**

In March 2020, the New Jersey District Court issued a ruling in Mylan/Biocon's favor finding the asserted claims of U.S. Patent No. 9,526,844 invalid and not infringed by Mylan's pen product. Sanofi intends to appeal. The 30-month stay is no longer in place for either Mylan's pen or vial products.

In June 2020, Sanofi filed a petition seeking review by the U.S. Supreme Court of the invalidity decisions for U.S. Patent Nos. 7,476,652 and 7,713,930. The New Jersey District Court proceedings are currently suspended pending Supreme Court review.

Regarding the ongoing Patent Trial and Appeal Board (PTAB) proceedings brought by Mylan and/or Pfizer Inc. challenging the validity of certain claims of U.S. Patent Nos. 8,603,044, 8,679,069, 8,992,486, 9,526,844, and 9,604,008, in April and May 2020, the PTAB issued nine written decisions concerning validity, finding two claims of U.S. Patent No. 9,604,008 valid and the remainder of the challenged claims invalid. Sanofi has appealed the April 2020 and May 2020 PTAB decisions.

Regarding the ongoing PTAB proceedings brought by Mylan challenging the validity of the claims of U.S. Patent No. RE47,614, the PTAB decided to move forward with one of these two IPRs in April 2020. A written decision on the validity of this patent is expected in April 2021.

GOVERNMENT INVESTIGATIONS AND RELATED LITIGATION

On March 31, 2020, two putative class actions on behalf of direct purchasers of insulin (Rochester Drug Co-Operative, Inc. and FWK Holdings, LLC) were filed in the New Jersey Federal Court against Sanofi U.S., asserting claims under the RICO Act and various state and federal laws. A third action was filed by another direct purchaser (Value Drug Co.) on April 27, 2020, and a motion to consolidate the three lawsuits is pending.

A.3.3. OTHER EVENTS

On March 24, 2020, Sanofi announced that it had successfully placed a €1.5 billion bond issue in two tranches. On April 6, 2020, Sanofi carried out a €500 million tap issue on two outstanding bond tranches.

Those issues were carried out under the Euro Medium Term Note program, and enable Sanofi to reduce the average cost and extend the average maturity of its debt. The proceeds of the issue have been allocated for general corporate purposes.

On June 8, 2020, Sanofi launched "Action 2020", a global employee stock ownership plan, across nearly 75 countries. Sanofi sees its employees as crucial to value creation, and issuing shares gives them a greater stake in the company's future growth and results. The plan stems from a decision by the Sanofi Board of Directors on February 5, 2020 to issue ordinary shares to employees belonging to the Group savings plan. The subscription price was €70.67, corresponding to 80% of the average opening price of Sanofi shares quoted on Euronext Paris for the 20 trading days preceding June 2, 2020. For each tranche of five shares applied for, the applicant received one additional new share by way of employer's contribution; and for each application for 20 or more shares, the applicant received an additional four new shares by way of employer's contribution. Employees could subscribe for no more than 1,500 shares, subject to a cap set at 25% of their annual gross compensation. The issue is due to be completed and the shares delivered by the end of July 2020. The maximum number of Sanofi shares that can be issued under the plan is 6,269,231 (representing a maximum capital increase of €12,538,461 in nominal value, i.e. 0.5% of the share capital).

B/ EVENTS SUBSEQUENT TO JUNE 30, 2020

Early July, 2020, Sanofi entered into an exclusive license agreement with **Kiadis Pharma N.V.**, a clinical-stage biopharmaceutical company developing natural killer (NK) cell therapies for patients with life-threatening diseases, for Kiadis' previously undisclosed K-NK004 program. The agreement covers Kiadis' proprietary CD38 knock out (CD38KO) K-NK therapeutic for combination with anti-CD38 monoclonal antibodies including Sarclisa®, Sanofi's recently approved therapy for patients with multiple myeloma. Sanofi also obtained exclusive rights to use Kiadis' K-NK platform for two undisclosed pre-clinical programs. As part of the agreement, Kiadis will receive a €17.5 million upfront payment and will be entitled to receive up to €857.5 million upon Sanofi attaining preclinical, clinical, regulatory and commercial milestones. Kiadis will also receive double-digit royalties based on commercial sales of approved products resulting from the agreement.

Early July, 2020, Sanofi and **Kymera Therapeutics Inc.** signed a multi-program strategic collaboration agreement to develop and commercialize first-in-class protein degrader therapies targeting IRAK4 in patients with immune-inflammatory diseases. The companies will also partner on a second earlier stage program. Kymera will receive $150 million in cash upfront and may receive more than $2 billion in potential milestones, as well as royalty payments. Kymera retains the option to participate in US development and commercialization for both programs subject to its having an equal share in the costs, profits and losses, and to co-promote partnered products in the US.

C/ CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2020

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.1. to the condensed half-year consolidated financial statements).

Consolidated income statements for the six months ended June 30, 2019 and June 30, 2020

(€ million)	June 30, 2020 (6 months)	as % of net sales	June 30, 2019 (6 months)	as % of net sales
Net sales	**17,180**	**100.0%**	**17,019**	**100.0%**
Other revenues	574	3.3%	674	4.0%
Cost of sales	(5,543)	(32.3)%	(5,385)	(31.6)%
Gross profit	**12,211**	**71.1%**	**12,308**	**72.3%**
Research and development expenses	(2,692)	(15.7)%	(2,972)	(17.5)%
Selling and general expenses	(4,607)	(26.8)%	(4,835)	(28.4)%
Other operating income	281		273	
Other operating expenses	(693)		(466)	
Amortization of intangible assets	(883)		(1,116)	
Impairment of intangible assets	(323)		(1,840)	
Fair value remeasurement of contingent consideration	54		190	
Restructuring costs and similar items	(758)		(747)	
Other gains and losses, and litigation	136		317	
Gain on Regeneron investment arising from transaction of May 29, 2020	7,382		—	
Operating income	**10,108**	**58.8%**	**1,112**	**6.5%**
Financial expenses	(198)		(244)	
Financial income	31		94	
Income before tax and investments accounted for using the equity method	**9,941**	**57.9%**	**962**	**5.7%**
Income tax expense	(994)		(13)	
Share of profit/(loss) from investments accounted for using the equity method	354		116	
Net income	**9,301**	**54.1%**	**1,065**	**6.3%**
Net income attributable to non-controlling interests	20		15	
Net income attributable to equity holders of Sanofi	**9,281**	**54.0%**	**1,050**	**6.2%**
Average number of shares outstanding (million)	1,251.7		1,247.2	
Average number of shares after dilution (million)	1,258.2		1,254.7	
▪ Basic earnings per share (in euros)	7.41		0.84	
▪ Diluted earnings per share (in euros)	7.38		0.84	

C.1. SEGMENT INFORMATION

C.1.1. 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 our Chief Executive Officer, who is the chief operating decision maker of Sanofi. The performance of those segments is monitored individually using internal reports and common indicators. The operating segment disclosures required under IFRS 8 are provided in Note B.20. to the condensed half-year consolidated financial statements.

Sanofi has three operating segments: Pharmaceuticals, Vaccines, and Consumer Healthcare.

The Pharmaceuticals segment comprises the commercial operations of the following global franchises: Specialty Care (Dupixent®, Multiple Sclerosis, Neurology, Other Inflammatory Diseases & Immunology, Rare Diseases, Oncology, and Rare Blood Disorders) and General Medicines (Diabetes, Cardiovascular, and Established Prescription Products), together with research, development and production activities dedicated to the Pharmaceuticals segment. This segment also includes associates whose activities are related to pharmaceuticals. Following the transaction of May 29, 2020, Regeneron is no longer an associate of Sanofi (see Note B.1. to our condensed half-year consolidated financial statements). Consequently, the Pharmaceuticals segment no longer includes Sanofi's equity-accounted share of Regeneron's profits for all the periods presented in this section.

The Vaccines segment comprises, for all geographical territories, the commercial operations of Sanofi Pasteur, together with research, development and production activities dedicated to vaccines.

The Consumer Healthcare segment comprises, for all geographical territories, the commercial operations for Sanofi's Consumer Healthcare products, together with research, development and production activities dedicated to those products.

Inter-segment transactions are not material.

The costs of Sanofi's global support functions (External Affairs, Finance, Human Resources, Legal Affairs, Information Solutions & Technologies, Sanofi Business Services, etc.) are mainly managed centrally at group-wide level. The costs of those functions are presented within the "Other" category. That category also includes other reconciling items such as retained commitments in respect of divested activities.

In 2020, Sanofi adopted a new management reporting structure. This resulted in cost reallocations between the Pharmaceuticals, Consumer Healthcare, Vaccines segments and the "Other" category, and product reallocations (mainly between Pharmaceuticals and Consumer Healthcare). Expenses relating to Medical Affairs, allocated to the "Other" category in the old management reporting structure, were reallocated to the Pharmaceuticals segment.

C.1.2. BUSINESS OPERATING INCOME

We report segment results on the basis of "Business operating income". This indicator is used internally by Sanofi's chief operating decision maker to measure the performance of each operating segment and to allocate resources. For a definition of "Business operating income", and a reconciliation between that indicator and ***Income before tax and investments accounted for using the equity method***, refer to Note B.20.1.2. to our condensed half-year consolidated financial statements.

Following the transaction of May 29, 2020, Regeneron is no longer an associate of Sanofi (see Note B.1. to our condensed half-year consolidated financial statements). Consequently, the definition of the "Business operating income" indicator has been adjusted, and no longer includes Sanofi's share of the net income of Regeneron. This means that the ***Share of profit/(loss) from investments accounted for using the equity method*** line in the table reconciling ***Operating income (***as shown in the income statement) to "Business operating income" no longer includes the equity-accounted share of profits from Regeneron. The comparatives presented for 2019 have been restated to reflect that adjustment. In addition, the gain arising on the divestment of the equity investment in Regeneron is not included in "Business operating income", with the exception of the gain on the remeasurement of the 400,000 retained shares at market value at the transaction date.

In addition, with effect from January 1, 2020 "Business operating income" includes depreciation charged against right-of-use assets recognized under IFRS 16 (Leases), applicable since January 1, 2019, and excludes rental expenses previously recognized under IAS 17. In the interests of consistency, business operating income and business operating income margin for comparative periods of 2019 presented have been restated to include the effects of IFRS 16, and of certain expenses and income presented differently for segment reporting purposes to align on Sanofi's new 2020 management reporting structure (see C.1.1, "Operating Segments", above).

In the first half of 2020, "Business operating income" amounted to €4,683 million (versus €4,306 million for the first half of 2019), while "Business operating income margin" was 27.3% (versus 25.3% for the first half of 2019). "Business operating income margin" is a non-GAAP financial measure that we define as the ratio of "Business net income" to our consolidated net sales.

Because our business operating income and business operating income margin are not standardized measures, they may not be directly comparable with the non-GAAP financial measures of other companies using the same or similar non-GAAP financial measures. Despite the use of non-GAAP measures by management in setting goals and measuring performance, these are non-GAAP measures that have no standardized meaning prescribed by IFRS.

C.2. BUSINESS NET INCOME

We believe that understanding of our operational performance by our management and our investors is enhanced by reporting "Business net income". This non-GAAP financial measure represents "Business operating income", less net financial expenses and the relevant income tax effects.

On May 29, 2020, Sanofi sold its entire equity investment in Regeneron (except for 400,000 Regeneron shares retained by Sanofi) for gross sale proceeds of $11.7 billion (see Note B.1. to our condensed half-year consolidated financial statements). As a result, the definition of the non-GAAP financial measure "Business net income" has been adjusted such that ***Share of profit/(loss) from investments accounted for using the equity method*** now excludes the effects of applying the equity method to the investment in Regeneron. The effects of applying the equity method to the investment in Regeneron up to and including May 29, 2020 are now shown on a separate line in the table reconciling "Business net income" to ***Net income attributable to equity holders of Sanofi***. The comparative periods of 2019 presented have been restated to reflect that adjustment.

In addition, with effect from January 1, 2020 "Business net income" includes depreciation charged against right-of-use assets recognized under IFRS 16 (Leases), applicable since January 1, 2019, and excludes rental expenses previously recognized under IAS 17.

"Business net income" for the first half of 2020 amounted to €3,521 million, 8.7% more than in the first half of 2019 (€3,240 million). That represents 20.5% of net sales, versus 19.0% for the first half of 2019.

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

Business EPS was €2.81 for the first half of 2020, 8.1% higher than the 2019 first-half figure of €2.60, based on an average number of shares outstanding of 1,251.7 million for the first half of 2020 and 1,247.2 million for the first half of 2019.

The table below reconciles our "Business operating income" to our "Business net income":

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months) [(a)]	December 31, 2019 (12 months) [(a)]
Business operating income	**4,683**	**4,306**	**9,349**
Financial income and expenses	(167)	(150)	(303)
Income tax expense	(995)	(916)	(1,996)
Business net income	**3,521**	**3,240**	**7,050**

(a) 2019 figures have been restated to exclude Sanofi's share of profits from its equity investment in Regeneron (see Note B.1. to our condensed half-year consolidated financial statements) and to include the effects of IFRS 16 for comparative purposes.

We define "Business net income" as ***Net income attributable to equity holders of Sanofi*** determined under IFRS, excluding the following items:

- amortization and impairment losses charged against intangible assets (other than software and other rights of an industrial or operational nature);
- fair value remeasurements of contingent consideration relating to business combinations or divestments;
- other impacts associated with acquisitions (including impacts of acquisitions on investments accounted for using the equity method);
- restructuring costs and similar items (presented within the line item ***Restructuring costs and similar items***);
- other gains and losses, including gains and losses on major disposals of non-current assets (presented within the line item ***Other gains and losses, and litigation***);
- the gain on the divestment of Regeneron shares dated May 29, 2020 (not including the gain on the remeasurement of the 400,000 retained shares at market value as of that date);
- other costs and provisions related to litigation (presented within the line item ***Other gains and losses, and litigation***);
- the tax effects of the items listed above, and the impact of major tax disputes; and
- the effects of the discontinuation of accounting by the equity method for the investment in Regeneron (see Note B.1. to our condensed half-year consolidated financial statements);
- the portion attributable to non-controlling interests of the items listed above.

The table below reconciles our "Business net income" to ***Net income attributable to equity holders of Sanofi***:

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months) [(a)]	December 31, 2019 (12 months) [(a)]
Net income attributable to equity holders of Sanofi	**9,281**	**1,050**	**2,806**
Amortization of intangible assets [(b)]	883	1,116	2,146
Impairment of intangible assets [(c)]	323	1,840	3,604
Fair value remeasurement of contingent consideration	(54)	(190)	(238)
Expenses arising from the impact of acquisitions on inventories	36	3	3
Restructuring costs and similar items	758	747	1,062
Other gains and losses, and litigation [(d)]	(136)	(317)	(327)
Gain on divestment of Regeneron shares on May 29, 2020 [(e)]	(7,225)	—	—
Tax effects of the items listed above:	(1)	(903)	(1,857)
▪ *amortization and impairment of intangible assets*	*(302)*	*(711)*	*(1,409)*
▪ *fair value remeasurement of contingent consideration*	*2*	*24*	*(6)*
▪ *expenses arising from the impact of acquisitions on inventories*	*(5)*	—	—
▪ *tax effects of restructuring costs and similar items*	*(232)*	*(197)*	*(311)*
▪ *gain on divestment of Regeneron shares on May 29, 2020*	*475*	—	—
▪ *other tax effects*	*61*	*(19)*	*(131)*
Share of items listed above attributable to non-controlling interests	(1)	—	(4)
Investments accounted for using the equity method: restructuring costs and expenses arising from the impact of acquisitions	(30)	53	165
Effect of discontinuation of equity method for investment in Regeneron [(f)]	(313)	(159)	(411)
Net income from held-for-exchange operations, net of tax [(g)]	—	—	101
Business net income	**3,521**	**3,240**	**7,050**
Average number of shares outstanding (million)	1,251.7	1,247.2	1,249.9
Basic earnings per share (in euros)	7.41	0.84	2.24
Reconciling items per share (in euros)	(4.60)	1.76	3.40
Business earnings per share (in euros)	2.81	2.60	5.64

(a) "Business net income" for the 2019 comparative periods has been restated to exclude Sanofi's share of profits from its equity investment in Regeneron, and to include the effects of IFRS 16 for comparative purposes.

(b) Includes amortization expense related to accounting for business combinations: €839 million in the six months ended June 30, 2020; €1,060 million in the six months ended June 30, 2019; and €2,044 million in the year ended December 31, 2019.

(c) For the first half of 2020, this line includes impairment losses taken against in-house and partnered R&D programs within the Specialty Care GBU, and to the discontinuation of certain R&D programs and collaboration agreements in Diabetes, in line with the strategy announced by Sanofi in December 2019. For 2019, this line includes impairment losses taken against Eloctate® franchise assets amounting to €2,803 million over the full year and €1,609 million in the first half.

(d) For the six months ended June 30, 2020, this line mainly comprises the gain on the sale of operations related to the Seprafilm product to Baxter.

(e) This line includes the gain on the sale of (i) 13 million shares of Regeneron common stock in the registered public offering and (ii) the 9.8 million shares repurchased by Regeneron, but does not include the gain arising from the remeasurement of the 400,000 retained shares at market value as of May 29, 2020.

(f) "Business net income" no longer includes Sanofi's share of profits from its equity investment in Regeneron (see Note B.1. to our condensed half-year consolidated financial statements), which is reflected on this line.

(g) This line shows the residual impacts of the divestment of our Animal Health business.

The most significant reconciling items between "Business net income" and ***Net income attributable to equity holders of Sanofi*** relate to (i) the purchase accounting effects of our acquisitions and business combinations, particularly the amortization and impairment of intangible assets (other than software and other rights of an industrial or operational nature) and (ii) the impacts of restructurings or transactions regarded as non-recurring, where the amounts involved are particularly significant. We believe that excluding those impacts enhances an investor's understanding of our underlying economic performance, because it gives a better representation of our recurring operating performance.

We believe that eliminating charges related to the purchase accounting effect of our acquisitions and business combinations (particularly amortization and impairment of some intangible assets) enhances comparability of our ongoing operating performance relative to our peers. Those intangible assets (principally rights relating to research, development and commercialization of products) are accounted for in accordance with IFRS 3 (Business Combinations) and hence may be subject to remeasurement. Such remeasurements are not made other than in a business combination.

We also believe that eliminating the other effects of business combinations (such as the incremental cost of sales arising from the workdown of acquired inventories remeasured at fair value in business combinations) gives a better understanding of our recurring operating performance.

Eliminating restructuring costs and similar items enhances comparability with our peers because those costs are incurred in connection with reorganization and transformation processes intended to optimize our operations.

Finally, we believe that eliminating the effects of transactions that we regard as non-recurring and that involve particularly significant amounts (such as major gains and losses on disposals, and costs and provisions associated with major litigation and other major non-recurring items) improves comparability from one period to the next.

We remind investors, however, that “Business net income” should not be considered in isolation from, or as a substitute for, ***Net income attributable to equity holders of Sanofi*** reported in accordance with IFRS. In addition, we strongly encourage investors and potential investors not to rely on any single financial measure but to review our financial statements, including the notes thereto, carefully and in their entirety.

We compensate for the material limitations described above by using “Business net income” only to supplement our IFRS financial reporting and by ensuring that our disclosures provide sufficient information for a full understanding of all adjustments included in “Business net income”.

Because our “Business net income” and “Business EPS” are not standardized measures, they may not be directly comparable with the non-GAAP financial measures of other companies using the same or similar non-GAAP financial measures.

C.3. NET SALES

Net sales for the first half of 2020 amounted to €17,180 million, 0.9% higher than in the first half of 2019. Exchange rate fluctuations had a negative effect of 0.7 of a percentage point overall, due mainly to adverse trends in the euro exchange rate against the Brazilian real, Argentinean peso and Turkish lira, partially offset by favorable trends in the US dollar and Japanese yen rates. At constant exchange rates (CER, see definition below), net sales rose by 1.6%. This mainly reflects good performances for Dupixent® and the Specialty Care GBU generally, which more than offset a decrease in net sales for the General Medicines GBU (and more specifically, lower sales for Plavix® and Aprovel® family products in China, Lantus® in the United States, and Lovenox® in Europe). Net sales for the Vaccines segment were also down year-on-year, partly due to reduced sales of travel vaccines linked to Covid-19-related travel restrictions. Sales of Consumer Healthcare products also decreased, reflecting in particular the recall of Zantac® in the United States and Canada.

Reconciliation of net sales to net sales at constant exchange rates

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	Change
Net sales	**17,180**	**17,019**	**+0.9%**
Effect of exchange rates	104		
Net sales at constant exchange rates	**17,284**	**17,019**	**+1.6%**

When we refer to changes in our net sales at constant exchange rates (CER), that means that we have excluded the effect of exchange rates by recalculating net sales for the relevant period using the exchange rates that were used for the previous period.

When we refer to changes in our net sales on a constant structure (CS) basis, that means that 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 historical 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; and
- for a change in consolidation method, by recalculating the previous period on the basis of the method used for the current period.

To facilitate analysis and comparisons with prior periods, some figures are given at constant exchange rates and on a constant structure basis (CER/CS).

C.3.1. NET SALES BY GLOBAL BUSINESS UNIT (GBU)

Our net sales comprise the net sales generated by our Pharmaceuticals, Vaccines and Consumer Healthcare segments. The table below also presents net sales by Global Business Unit (GBU).

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months) [(a)]	Change on a reported basis	Change at constant exchange rates
Specialty Care GBU	5,402	4,314	+25.2%	+23.9%
General Medicines GBU	7,618	8,404	-9.4%	-8.2%
Pharmaceuticals segment	**13,020**	**12,718**	**+2.4%**	**+2.7%**
Vaccines GBU/segment	**1,836**	**1,894**	**-3.1%**	**-2.0%**
Consumer Healthcare GBU/segment	**2,324**	**2,407**	**-3.4%**	**-1.6%**
Total net sales	**17,180**	**17,019**	**+0.9%**	**+1.6%**

(a) To reflect the new organizational structure adopted by Sanofi on January 1, 2020, figures for 2019 have been restated to take account of transfers of products between GBUs, as described below.

With effect from the first quarter of 2020, Sanofi is organized into three major Global Business Units that underpin the corporate strategy: the **Speciality Care** GBU (Dupixent®, Multiple Sclerosis, Neurology, Other Inflammatory Diseases & Immunology, Rare Diseases, Oncology, and Rare Blood Disorders), the **Vaccines** GBU, and the **General Medicines** GBU (Diabetes, Cardiovascular and Established Prescription Products). The **Consumer Healthcare** GBU has become a standalone commercial entity with its own manufacturing and R&D capabilities. Each GBU now includes its own contribution to emerging markets sales. The new structure has led to some products being transferred, and some franchises being combined. Some mature products formerly in the Oncology franchise (Zaltrap®, Mozobil®, Thymoglobulin®, Clolar®, Fludara®, Taxotere®, Eloxatin® and Campath®) have been transferred to the Established Prescription Products franchise in the General Medicines GBU. The Cardiovascular franchise (Praluent® and Multaq®) and the Established Prescription Products franchise have been combined. Some products formerly in the Consumer Healthcare GBU have been transferred to the General Medicines GBU and vice versa, with virtually no effect on the sales of the two GBUs. Finally, endocrinology products (Thyrogen®, Caprelsa®) have been transferred to the Established Prescription Products franchise.

C.3.2. NET SALES BY GEOGRAPHICAL REGION[(a)] AND PRODUCT

(€ million)	Net sales	Change (CER)	Change (reported)	United States	Change (CER)	Europe	Change (CER)	Rest of the World	Change (CER)
Dupixent®	**1,634**	**+93.8%**	**+98.1%**	**1,310**	**+91.0%**	**174**	**+109.6%**	**150**	**+101.4%**
Aubagio®	1,068	+16.5%	+18.3%	775	+17.2%	231	+13.7%	62	+18.5%
Lemtrada®	68	-59.0%	-59.0%	35	-57.8%	18	-72.3%	15	-16.7%
Kevzara®	117	+40.2%	+42.7%	64	+31.3%	37	+105.6%	16	-6.3%
Total Multiple Sclerosis, Neurology, Other Inflammatory Diseases & Immunology	**1,253**	**+7.3%**	**+8.9%**	**874**	**+10.1%**	**286**	**—**	**93**	**+6.8%**
Cerezyme®	368	+5.8%	+1.4%	90	-1.1%	125	-2.3%	153	+17.0%
Cerdelga®	115	+16.3%	+17.3%	63	+7.0%	45	+28.6%	7	+33.3%
Myozyme®/ Lumizyme®	472	+4.4%	+4.0%	178	+6.8%	193	-1.0%	101	+11.3%
Fabrazyme®	413	+3.8%	+4.3%	206	+1.0%	98	+10.0%	109	+3.7%
Aldurazyme®	122	+1.7%	+0.8%	26	—	39	—	57	+3.6%
Total Rare Diseases	**1,532**	**+5.2%**	**+4.1%**	**563**	**+3.0%**	**500**	**+2.9%**	**469**	**+10.2%**
Jevtana®	271	+13.1%	+14.3%	123	+18.8%	92	+5.7%	56	+14.3%
Fasturtec®	72	+9.2%	+10.8%	45	+7.3%	20	+5.3%	7	+40.0%
Libtayo®	27	—	—	—	—	24	—	3	—
Sarclisa®	5	—	—	5	—	—	—	—	—
Total Oncology	**375**	**+23.2%**	**+24.2%**	**173**	**+19.0%**	**136**	**+28.3%**	**66**	**+24.1%**
Alprolix®	226	+10.5%	+13.0%	161	+9.0%	—	—	65	+14.3%
Eloctate®	330	-7.0%	-4.3%	234	-16.2%	—	—	96	+27.4%
Cablivi®	52	+155.0%	+160.0%	33	+190.9%	19	+111.1%	—	—
Total Rare Blood Disorders	**608**	**+5.0%**	**+7.6%**	**428**	**-2.3%**	**19**	**+111.1%**	**161**	**+21.7%**
Specialty Care GBU	**5,402**	**+23.9%**	**+25.2%**	**3,348**	**+28.3%**	**1,115**	**+14.9%**	**939**	**+21.0%**
Lantus®	1,417	-6.8%	-7.5%	474	-18.7%	281	-8.2%	662	+4.1%
Toujeo®	496	+15.3%	+15.1%	143	—	188	+13.2%	165	+35.2%
Apidra®	173	+2.9%	—	15	-44.0%	67	-1.5%	91	+21.3%
Soliqua® / Suliqua®	75	+50.0%	+50.0%	47	+27.8%	11	+50.0%	17	+183.3%
Total Diabetes	**2,476**	**-3.4%**	**-4.2%**	**766**	**-17.7%**	**618**	**-0.5%**	**1,092**	**+7.0%**
Plavix®	509	-33.6%	-33.6%	5	—	67	-4.3%	437	-37.1%
Lovenox®	630	-6.1%	-8.7%	15	-16.7%	298	-22.3%	317	+16.4%
Renagel® / Renvela®	131	-10.3%	-9.7%	45	-25.4%	24	-11.1%	62	+5.1%
Aprovel	306	-17.4%	-18.2%	12	-14.3%	53	-1.9%	241	-20.3%
Synvisc® / Synvysc one	96	-38.1%	-38.1%	63	-40.8%	9	-35.7%	24	-31.6%
Mozobil®	99	+5.4%	+6.5%	58	+3.7%	26	+4.0%	15	+14.3%
Thymoglobulin®	149	-14.9%	-14.9%	88	-9.5%	13	-27.8%	48	-19.4%
Taxotere®	78	-12.4%	-12.4%	—	-100.0%	1	-50.0%	77	-12.5%
Eloxatin®	94	-11.9%	-13.8%	1	-125.0%	1	—	92	-16.1%
Praluent®	146	+18.0%	+19.7%	68	+50.0%	56	-11.1%	22	+46.7%
Multaq®	154	-6.2%	-4.3%	135	-2.2%	12	-40.0%	7	+16.7%
Generics	494	-1.7%	-7.8%	75	-7.6%	57	-13.6%	362	+1.5%
Other Prescription products	2,256	-5.1%	-6.2%	127	-13.1%	997	-5.0%	1,132	-4.1%
Total Cardiovascular & Established Prescription Products	**5,142**	**-10.3%**	**-11.6%**	**692**	**-8.8%**	**1,614**	**-10.0%**	**2,836**	**-10.9%**
General Medicines GBU	**7,618**	**-8.2%**	**-9.4%**	**1,458**	**-13.7%**	**2,232**	**-7.6%**	**3,928**	**-6.5%**
Total Pharmaceuticals	**13,020**	**+2.7%**	**+2.4%**	**4,806**	**+11.8%**	**3,347**	**-1.1%**	**4,867**	**-2.3%**
Polio / Pertussis / Hib vaccines	1,059	+8.8%	+7.2%	183	-6.8%	162	+3.2%	714	+14.9%
Adult Booster vaccines	193	-18.4%	-17.5%	96	-24.2%	74	-14.0%	23	-4.2%
Meningitis / Pneumonia vaccines	220	-11.7%	-11.3%	128	-28.0%	1	-100.0%	91	+29.2%
Influenza vaccines	179	+59.8%	+53.0%	13	+200.0%	5	+150.0%	161	+53.2%
Travel and Other Endemics vaccines	154	-40.5%	-40.1%	43	-44.6%	38	-44.9%	73	-35.1%
Total Vaccines	**1,836**	**-2.0%**	**-3.1%**	**491**	**-21.3%**	**281**	**-11.4%**	**1,064**	**+13.3%**
Allergy, Cough and Cold	640	+3.7%	+3.7%	214	+11.8%	177	-3.3%	249	+2.8%
Pain	635	+3.3%	-0.9%	98	+3.2%	271	-1.1%	266	+7.7%
Digestive	426	-19.5%	-20.8%	38	-65.0%	167	-4.0%	221	-11.9%
Nutritionals	308	+6.3%	+2.7%	23	+21.1%	62	-7.5%	223	+9.3%
Total Consumer Healthcare	**2,324**	**-1.6%**	**-3.4%**	**583**	**-5.2%**	**717**	**-2.8%**	**1,024**	**+1.2%**
Total Sanofi	**17,180**	**+1.6%**	**+0.9%**	**5,880**	**+6.2%**	**4,345**	**-2.1%**	**6,955**	**+0.4%**

(a) With effect from January 1, 2020, the geographical split of net sales is aligned on Sanofi's new organizational structure: Europe, the United States, and Rest of the World. In addition, Israel and Ukraine are now included in the Europe region. The presentation of 2019 first-half figures has been amended to facilitate year-on-year comparisons.

C.3.3. PHARMACEUTICALS SEGMENT

In the first half of 2020, net sales for our **Pharmaceuticals** segment reached €13,020 million, up 2.4% on a reported basis and 2.7% at constant exchange rates.

The year-on-year rise of €302 million reflects negative exchange rate effects of €39 million, and the following effects at constant exchange rates:

- positive performances from Dupixent® (+€774 million), the Multiple Sclerosis, Neurology, Other Inflammatory Diseases & Immunology franchise (+€84 million), the Rare Diseases franchise (+€76 million), the Oncology franchise (+€70 million), and the Rare Blood Disorders franchise (+€28 million);
- negative performances from the Cardiovascular & Established Prescription Products franchise (-€602 million) and the Diabetes franchise (-€89 million).

Comments on the performances of our major Pharmaceuticals segment products are provided below.

SPECIALTY CARE GBU

DUPIXENT®

Dupixent® (developed in collaboration with Regeneron) generated net sales of €1,634 million in the first half of 2020, up 98.1% on a reported basis and 93.8% at constant exchange rates. In the United States, sales of Dupixent® reached €1,310 million in the first half of 2020, boosted by continuing growth in atopic dermatitis, in which the product is indicated for adults, adolescents and more recently children aged 6 to 11 (approved in May 2020); by a rapid start-up in asthma; and by its launch as a treatment for nasal polyps, an indication approved in June 2019. In Europe, the product's net sales for the first half of 2020 were €174 million, up 109.6% CER, driven by further growth in atopic dermatitis in key markets and by new launches. In the Rest of the World region, Dupixent® posted net sales of €150 million (+101.4% CER), including €86 million in Japan, where a government-imposed price cut came into force in April 2020. Dupixent® was approved in China in June 2020 for the treatment of moderate-to-severe atopic dermatitis in adults; launch is scheduled for the third quarter. Dupixent® has now been launched in 44 countries as a treatment for atopic dermatitis in adults. Dupixent® has also been launched in 18 countries for adolescents (and in one country for children) in the same indication; in 18 countries for asthma; and in six countries for nasal polyps. Potentially more than 50 additional launches are anticipated in those indications by the end of 2020. We are reiterating our objective of achieving sales of Dupixent® in excess of €10 billion by the time the product reaches maturity.

MULTIPLE SCLEROSIS, NEUROLOGY, OTHER INFLAMMATORY DISEASES AND IMMUNOLOGY

In the first half of 2020, the **Multiple Sclerosis, Neurology, Other Inflammatory Diseases and Immunology** franchise reported net sales of €1,253 million, up 8.9% on a reported basis and 7.3% CER, with higher sales of Aubagio® more than compensating for a decrease in sales of Lemtrada® in the United States and Europe.

Net sales of **Aubagio®** amounted to €1,068 million, up 16.5% CER, driven by the United States (+17.2% CER at €775 million) and Europe (+13.7% CER at €231 million). The rise in sales was driven by favorable price effects, increased demand, and a build-up of stocks at patient level.

First-half net sales of **Lemtrada®** were down 59.0% CER at €68 million, on lower sales in the United States (-57.8% CER at €35 million) and in Europe (-72.3% CER at €18 million), reflecting tougher competition globally and a decline in sales that may have been accelerated in the context of the Covid-19 crisis (product route of administration and mode of action).

First-half net sales of **Kevzara®** (developed in collaboration with Regeneron) reached €117 million (+40.2% CER), including sales of €64 million in the United States (+31.3% CER) and €37 million in Europe (+105.6% CER). On July 2, 2020, Sanofi and Regeneron announced that the Phase III clinical trial in the United States on the administration of Kevzara® 400 mg to patients infected with Covid-19 requiring mechanical ventilation had not met its primary or secondary endpoints when Kevzara® was added to best supportive care compared to best supportive care alone. Based on the results, the US trial was stopped. A separate Sanofi-led trial outside the US in hospitalized patients with severe and critical Covid-19 using a different dosing regimen is ongoing. The same Independent Data Monitoring Committee (IDMC) is overseeing both the Regeneron-led US trial and the Sanofi-led trial outside the US, and has recommended that the trial outside the US continue. Sanofi and Regeneron expect to report results in the third quarter of 2020.

RARE DISEASES

In the first half of 2020, net sales of the **Rare Diseases** franchise were €1,532 million, up 4.1% on a reported basis and 5.2% at constant exchange rates. In Europe, net sales for the franchise rose by 2.9% CER to €500 million. In the United States, net sales were up 3.0% CER at €563 million. A strong performance in the Rest of the World region (+10.2% CER at €469 million) reflected increased demand, and a favorable sequence of tender bids.

Net sales from the **Gaucher disease** franchise (**Cerezyme®** and **Cerdelga®**) for the first half of 2020 increased by 8.0% CER to €483 million. Sales of Cerezyme® rose by 5.8% CER to €368 million, helped by a solid performance in the Rest of the World region (+17.0% CER at €153 million) on a favorable sequence of shipments in Brazil. Sales of Cerdelga® were 16.3% higher CER at €115 million, driven by sales in Europe (+28.6% CER at €45 million) as new patients adopted the product.

Net sales of **Myozyme®** / **Lumizyme®** for the treatment of Pompe disease increased by 4.4% CER in the first half of 2020 to €472 million, supported by sales growth in the Rest of the World region (+11.3% CER at €101 million) and the United States (+6.8% CER at €178 million), reflecting the growing number of patients diagnosed with and treated for Pompe disease. Conversely, sales decreased slightly in Europe (-1.0% CER at €193 million).

In the first half of 2020, net sales of the **Fabry disease** treatment **Fabrazyme®** were €413 million, up 3.8% CER, propelled by Europe (+10.0% CER at €98 million). In the United States and the Rest of the World region, net sales of Fabrazyme® rose by 1.0% CER (to €206 million) and 3.7% CER (to €109 million), respectively. Sales growth reflected the increasing number of patients diagnosed with and treated for Fabry disease in Europe and the Rest of the World region, the latter region having also benefited from a favorable sequence of orders.

ONCOLOGY

First-half net sales for the **Oncology** franchise were up 24.2% on a reported basis and by 23.2% at constant exchange rates at €375 million, with all regions delivering double-digit growth.

Jevtana® reported net sales of €271 million in the first half of 2020, up 13.1% CER, reflecting sales growth in all geographies and especially in the United States (+18.8% CER at €123 million) and the Rest of the World region (+14.3% CER at €56 million). In Europe, sales of the product were 5.7% higher CER at €92 million. Sales were boosted by publication of results from the CARD trial evaluating the product in metastatic castration-resistant prostate cancer at the European Society of Medical Oncology and in the New England Journal of Medicine (NEJM) in September 2019.

Libtayo® (developed in collaboration with Regeneron), approved for patients with metastatic or locally advanced cutaneous squamous cell carcinoma who are not candidates for surgery or curative radiotherapy, reported net sales of €27 million outside the United States in the first half of 2020. Libtayo® has been launched in 16 countries outside the US, and is scheduled for launch in up to 8 countries by the end of 2020. In the United States, sales of Libtayo® are consolidated by Regeneron under the terms of the alliance between Sanofi and Regeneron (see Note C.1. “Alliance arrangements with Regeneron Pharmaceuticals, Inc. (Regeneron)” to our consolidated financial statements for the year ended December 31, 2019, at Item 18 of our 2019 Annual Report on Form 20-F).

Sarclisa® (isatuximab-irfc) was approved during the first half of 2020 by the US Food and Drug Administration (FDA), the European Commission and the Japanese health authorities (PDMA) for the treatment of adults with relapsed or refractory multiple myeloma (RRMM). In the United States, where the product launch was hampered by Covid-19 lockdown measures, sales reached €5 million in the first half of 2020.

RARE BLOOD DISORDERS

In the first half of 2020, the **Rare Blood Disorders** franchise generated net sales of €608 million, up 7.6% on a reported basis and 5.0% at constant exchange rates. Higher sales for the franchise in the Rest of the World region (+21.7% CER at €161 million), with Japan the main contributor, and a good performance from Cablivi® in the United States and Europe, more than offset a decrease in sales of Eloctate® in the United States.

Eloctate®, indicated in the treatment of hemophilia A, generated net sales of €330 million in the first half of 2020, down 7.0% at constant exchange rates. In the United States, sales were €234 million, a decrease of 16.2% CER, reflecting ongoing competitive pressure. In the Rest of the World region, Eloctate® sales rose by 27.4% CER to €96 million, driven by increased sales to Swedish Orphan Biovitrum AB (SOBI). In Japan, the product posted net sales of €45 million in the first half of 2020.

In the first half of 2020, sales of **Alprolix®**, indicated in the treatment of hemophilia B, amounted to €226 million, up 10.5% CER. Growth was driven by the United States, where sales of the product were up 9.0% CER at €161 million; this reflected transfers of patients using shorter-acting drugs, and also switches to prophylactic treatments. in the Rest of the World region, Alprolix® sales advanced by 14.3% CER to €65 million.

Cablivi®, which treats acquired thrombotic thrombocytopenic purpura (aTTP) in adults, posted net sales of €52 million in the first half of 2020. Of this, €33 million was generated in the United States and €19 million in Europe, where the product is sold in several countries and was granted a temporary authorization for use (ATU) by the French health authorities.

GENERAL MEDICINES GBU

DIABETES

In the first half of 2020, global **Diabetes** sales were €2,476 million, down 4.2% on a reported basis and 3.4% at constant exchange rates due to lower sales of Lantus® in the United States and Europe; this was partly offset by a good performance for the franchise in the Rest of the World region (+7.0% CER, at €1,092 million). First-half Diabetes net sales in the United States totaled €766 million, down 17.7% CER, reflecting an ongoing decline in average net prices of insulin glargines in the territory. Over the same period, European sales held fairly steady at €618 million (-0.5% CER versus the first half of 2019), with a good performance from Toujeo® cushioning the effect of lower sales of Lantus®.

Net sales of **Lantus®** in the first half of 2020 were down 6.8% CER at €1,417 million. In the United States, net sales of the product were 18.7% lower CER at €474 million, due largely to a drop in the average net price. In Europe, net sales of Lantus® amounted to €281 million (-8.2% CER), reflecting competition from biosimilars and patients switching to Toujeo®. In the Rest of the World region, first-half net sales of Lantus® were up 4.1% CER at €662 million, helped by a solid performance in China.

Toujeo® posted 2020 first-half net sales of €496 million, up 15.3% CER, boosted by strong performances in the Rest of the World region (+35.2% CER at €165 million) and in Europe (+13.2% CER at €188 million). US sales were stable CER at €143 million.

In the first half of 2020, net sales of **Apidra**® increased by 2.9% CER to €173 million. Lower sales in the United States (-44.0% at €15 million) were more than offset by growth in the Rest of the World region (+21.3% CER at €91 million). In Europe, net sales of the product decreased slightly to €67 million (-1.5% CER).

Net sales of **Amaryl**® for the first half of 2020 were down 19.3% CER at €137 million due to lower sales in China (-39.4% CER at €42 million), reflecting a second wave of the Volume Based Procurement (VBP) program that includes glimepiride (the international proprietary name for Amaryl®). As previously indicated, Sanofi decided not to submit a tender bid for Amaryl® and expects a significant drop in sales of the product in China during 2020.

In the first half of 2020, net sales of **Soliqua**® **100/33/Suliqua**® (insulin glargine 100 units/ml and lixisenatide 33 mcg/ml injectable) rose by 50.0% CER to €75 million. Sales of the product were higher in all geographies, reaching €47 million in the United States (+27.8% CER). Soliqua® was launched in Japan in June 2020.

CARDIOVASCULAR & ESTABLISHED PRESCRIPTION PRODUCTS

Net sales of the **Cardiovascular & Established Prescription Products** franchise for the first half of 2020 were €5,142 million, down 11.6% on a reported basis and 10.3% at constant exchange rates. Key factors included a decrease in European sales of Lovenox®, and lower net sales of Aprovel® family products in China due to price adjustments following the nationwide rollout of the Volume Based Procurement (VBP) program in December 2019. In addition, the decrease in the franchise's net sales in the period was exacerbated by the negative effects of the Covid-19 crisis.

Net sales of **Lovenox**® amounted to €630 million, a decrease of 6.1% CER, mainly reflecting lower sales in Europe (-22.3% CER at €298 million) due to competition from biosimilars in a number of European countries and the negative effects of Covid-19 on non-urgent surgery. The effect was partly offset by sales growth in the Rest of the World region (+16.4% CER at €317 million).

In the first half of 2020, net sales of **Plavix**® were €509 million, down 33.6% CER, mainly due to lower sales in China (-55.6% CER at €205 million) following price adjustments related to the VBP program (see above). Net sales of Plavix® in Japan were down 16.4% CER at €58 million, due to price cuts implemented in October 2019.

Net sales of **Aprovel**®**/Avapro**® for the first half of 2020 were €306 million, down 17.4% CER, primarily as a result of lower sales in China (-37.5% CER at €109 million) due to net price adjustments related to the VBP program (see above).

As previously announced, Sanofi expects net sales of Plavix® and Aprovel® family products in China to decrease by approximately 50% in 2020 due to the rollout of the VBP program. Sales of these products in China increased nearly 70% by volume in the first half, in line with our full-year forecasts.

Net sales of **Multaq**® totaled €154 million in the first half of 2020, down 6.2% CER. Most of the product's sales are generated in the United States (€135 million, down 2.2% CER), and in Europe (€12 million, down 40.0% CER).

In the first half of 2020, net sales of **Praluent**® reached €146 million, up 18.0% CER, driven by the United States (+50.0% CER at €68 million) and the Rest of the World region (+46.7% CER at €22 million), with the product being launched in China in April 2020. In Europe, sales of Praluent® were down 11.1% CER at €56 million, with sales in Germany suspended in August 2019 following a ruling by the Düsseldorf Regional Court in the ongoing patent litigation with Amgen.

On April 6, 2020, Sanofi announced that it had finalized the planned restructuring related to Praluent® with Regeneron. Effective April 1, 2020, Sanofi has sole responsibility for Praluent® outside the United States, while Regeneron has sole responsibility for Praluent® in the United States. The restructuring simplifies the antibody collaboration between the companies, increases efficiency, and streamlines operations for Praluent®. As a result of the restructuring, Sanofi ceased to include US sales of Praluent® in its consolidated net sales with effect from April 1, 2020.

Net sales of **Renvela**®**/Renagel**® (sevelamer) in the first half of 2020 were €131 million, down 10.3% CER, due to competition from generics in the United States (-25.4% CER at €45 million), and despite growth in China (+40.9% CER, at €30 million).

In the first half of 2020, net sales of **Generics** amounted to €494 million, a decrease of 1.7 % CER. Sales growth in the Rest of the World region (+1.5% CER at €362 million) did not fully offset lower sales in Europe (-13.6% CER at €57 million) and the United States (-7.6% CER at €75 million).

C.3.4. VACCINES SEGMENT/GBU

In the first half of 2020, the Vaccines segment posted net sales of €1,836 million, down 3.1% on a reported basis and 2.0% CER. A strong performance from Polio/Pertussis/Hib vaccines in the Rest of the World region (+14.9% CER at €714 million) and from influenza vaccines across all geographies (+59.8% CER at €179 million) only partly offset the impact of the Covid-19 pandemic on sales for the Travel Vaccines franchise (-40.5% CER at €154 million), the Adult Booster vaccines franchise (-18.4% CER at €193 million, and Menactra® (-11.7% CER at €220 million).

Net sales of **Polio/Pertussis/Hib** (PPH) vaccines in the first half of 2020 reached €1,059 million, up 8.8% CER, mainly on stronger sales in the Rest of the World region (+14.9% CER at €714 million), especially in China (+44.9% CER at €239 million) with a rise in sales of Pentaxim®. Those effects more than offset a decrease in US sales of PPH vaccines (-6.8% CER at €183 million), linked to the negative impact of Covid-19 on vaccinations in the United States. In Europe, sales of PPH vaccines were up 3.2% CER at €162 million.

Sales of **Menactra®** in the first half of 2020 were down 11.7% CER at €220 million. Increased sales in the Rest of the World region (+29.2% CER at €91 million), due largely to a successful tender in Brazil, partly offset a decrease in sales of Menactra® in the United States (-28.0% CER at €128 million) linked to the negative effect of Covid-19 on vaccinations.

Net sales of **Adult Booster vaccines** for the period were down 18.4% CER at €193 million, on lower sales in the United States (-24.2% CER at €96 million) and Europe (-14.0% CER at €74 million), mainly reflecting the negative effect of Covid-19.

Sales of **Influenza vaccines** were sharply higher in the first half (+59.8% CER at €179 million) due to a late influenza season in the northern hemisphere and to increased shipments in the southern hemisphere due to a positive effect related to Covid-19.

First-half net sales of **Travel and Other Endemics vaccines** were €154 million, down 40.5% CER, reflecting travel restrictions associated with the Covid-19 pandemic.

C.3.5. CONSUMER HEALTHCARE SEGMENT/GBU

Net sales from the **Consumer Healthcare** (CHC) segment for the first half of 2020 were down 3.4% on a reported basis and 1.6% at constant exchange rates, at €2,324 million. This reflects the negative effects of the Zantac® recall, the divestment of non-strategic brands, and product suspensions due to tighter regulatory requirements (especially in Europe). CHC sales for the first half of 2020 rose in the Allergy Cough & Cold (+3.7% CER at €640 million), Pain (+3.3% CER at €635 million) and Nutritionals (+6.3% CER at €308 million) categories, but sales for the Digestive category decreased by 19.5% CER to €426 million. Excluding Zantac®, CHC net sales increased by 2.0% CER in the first half of 2020.

In September 2019, the US Food and Drug Administration (FDA) and the Canadian health authorities announced publicly that ranitidine-based medicines, including **Zantac®**, might contain low levels of N-nitrosodimethylamine (NDMA), and that manufacturers had been asked to conduct tests. Inconsistencies in the results of preliminary tests on the active ingredient used in the products we sell in the United States and Canada led Sanofi to voluntarily recall Zantac® in October 2019. On April 1, 2020, the FDA ordered the immediate withdrawal from the US market of all ranitidine-based medicines.

In **Europe**, CHC net sales decreased by 2.8% CER in the first half of 2020 to €717 million, due largely to the divestment of non-strategic brands and tougher regulatory requirements for some products.

In the **United States**, CHC net sales for the first half were 5.2% lower CER at €583 million, reflecting the impact of the recall of Zantac® (-€68 million). Sales increased in the Allergy, Cough & Cold (+11.8% CER at €214 million), Nutritionals (+21.1% CER at €23 million) and Pain (+3.2% CER at €98 million) categories. Sales of Gold Bond® increased by 4.1% CER to €104 million, boosted by a strong rise in demand.

In the **Rest of the World** region, first-half CHC net sales were up 1.2% CER at €1,024 million, driven by growth in the Pain (+7.7% CER at €266 million), Nutritionals (+9.3% CER at €223 million) and Allergy, Cough & Cold (+2.8% CER at €249 million) categories. That growth was partly offset by lower sales in the Digestive category (-11.9% CER at €221 million), due largely to the impact of the Zantac® recall in Canada and reduced sales of Essentiale® in Russia and Enterogermina® in Latin America.

C.3.6. NET SALES BY GEOGRAPHICAL REGION

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months) [(a)]	Change on a reported basis	Change at constant exchange rates
United States	5,880	*5,401*	+8.9%	+6.2%
Europe [(b)]	4,345	*4,451*	-2.4%	-2.1%
Rest of the World	6,955	7,167	-3.0%	+0.4%
of which China	*1,307*	*1,507*	*-13.3%*	*-12.4%*
of which Japan	*926*	*997*	*-7.1%*	*-10.8%*
of which Brazil	*460*	*503*	*-8.5%*	*+10.5%*
of which Russia	*364*	*339*	*+7.4%*	*+11.2%*
Total net sales	**17,180**	**17,019**	**+0.9%**	**+1.6%**

(a) With effect from January 1, 2020, the geographical split of net sales is aligned on Sanofi's new organizational structure: Europe, the United States, and Rest of the World. The presentation of 2019 first-half figures has been amended to facilitate year-on-year comparisons.

(b) Israel and Ukraine are now included in the Europe region.

In the first half of 2020, net sales in the **United States** reached €5,880 million, up 8.9% on a reported basis and 6.2% at constant exchange rates. This reflects a solid performances by Dupixent® (+91.0% CER at €1,310 million) and Aubagio® (+17.2% CER at €775 million), influenced by favorable inventory build-ups linked partly to Covid-19. Those effects more than offset lower sales of Lantus® (-18.7% CER at €474 million) and Zantac® (-€68 million), and more generally a decrease in Vaccine segment sales (-21.3% CER at €491 million) related to the negative effect of Covid-19 on vaccinations.

In **Europe**, net sales were 2.4% lower on a reported basis and 2.1% lower at constant exchange rates in the first half of 2020, at €4,345 million. This decrease mainly reflected erosion in sales of Lovenox®, Lemtrada® and Lantus®; of Travel Vaccines, due to the Covid-19 pandemic; and of Consumer Healthcare products. Those effects were partly offset by the performances of Dupixent®, Aubagio®, Libtayo® and Toujeo®.

In the **Rest of the World** region, first-half net sales were down 3.0% on a reported basis, but rose slightly at constant exchange rates (+0.4%) to €6,955 million. Good sales performances from Dupixent® and the Speciality Care GBU in general and from the Diabetes franchise were offset by lower sales of Plavix® and Aprovel®, of Travel Vaccines (due to Covid-19), and to the Digestive category of CHC products. In **China**, net sales decreased by 12.4% CER to €1,307 million, impacted by a reduction in net sales of Plavix® and the Aprovel® family due to the VBP program, despite significant growth in sales volumes for both products. Chinese sales of non-VBP products rose by 20.7% in the first half. In **Japan**, net sales decreased by 10.8% CER in the first half to €926 million on lower sales for the Cardiovascular & Established Prescription Products franchise and for Vaccines, and despite a solid performance from Dupixent®. In **Brazil,** net sales were 8.5% lower on a reported basis but increased by 10.5% at constant exchange rates in the first half of 2020 to €460 million, driven by Rare Diseases and Vaccines.

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C.4. OTHER INCOME STATEMENT ITEMS

C.4.1. OTHER REVENUES

Other revenues decreased by 14.8% to €574 million in the first half of 2020 (versus €674 million in the first half of 2019). This mainly reflects a lower level of VaxServe sales of non-Sanofi products (€471 million, versus €543 million for the first half of 2019, within the Vaccines segment). This line item also includes revenues arising from the distribution of Eloctate® and Alprolix® (mainly in Europe) under Sanofi's agreements with Swedish Orphan Biovitrum AB (SOBI).

C.4.2. GROSS PROFIT

Gross profit for the first half of 2020 was €12,211 million, versus €12,308 million for the first half of 2019, a decrease of 0.8 %. Gross margin was also lower, at 71.1% for the first half of 2020 compared with 72.3% for the first half of 2019.

In the Pharmaceuticals segment, gross margin for the first half of 2020 was 1.1 percentage points lower at 74.2%. Positive effects from good performances in the Specialty Care GBU and from industrial productivity gains only partially offset the negative impacts of adjustments to the net prices of Plavix® and Aprovel® family products in China and of price trends for Diabetes products in the United States.

In the Vaccines segment, gross margin for the first half of 2020 was down 1.2 percentage points at 61.3%, largely due to an unfavorable product mix effect.

In the Consumer Healthcare segment, gross margin for the first half of 2020 was 0.4 of a percentage point lower at 68.2%, due in particular to a reduction in US sales following the recall of Zantac®.

C.4.3. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses (R&D expenses) in the first half of 2020 totaled €2,692 million (versus €2,972 million in the first half of 2019). That represents 15.7% of net sales, compared with 17.5% in the first half of 2019. Overall, R&D expenses decreased by 9.4%, mainly due to reduced R&D spend in diabetes.

C.4.4. SELLING AND GENERAL EXPENSES

Selling and general expenses were €4,607 million in the first half of 2020 (26.8% of net sales), versus €4,835 million in the first half of 2019 (28.4% of net sales). The year-on-year reduction of 4.7% reflects global cost containment measures, amplified by the effects of Covid-19.

C.4.5. OTHER OPERATING INCOME AND EXPENSES

In the first half of 2020, ***Other operating income*** amounted to €281 million (versus €273 million in the first half of 2019), and ***Other operating expenses*** to €693 million (versus €466 million in the first half of 2019).

Overall, other operating income and expenses represented a net expense of €412 million in the first half of 2020, compared with a net expense of €193 million in the first half of 2019.

(€ million)	June 30, 2020	June 30, 2019	Change
Other operating income	281	273	+8
Other operating expenses	(693)	(466)	-227
Other operating income/(expenses), net	**(412)**	**(193)**	**-219**

The overall negative change of €219 million reflects (i) an increase in the net expense relating to our pharmaceutical partners (€433 million in the first half of 2020, versus €223 million in the first half of 2019), and above all an increase in the share of profits/losses generated by the alliance with Regeneron under our collaboration agreement (see Note C.1. to our consolidated financial statements for the year ended December 31, 2019), due mainly to increased sales of Dupixent®.

The table below sets forth the contribution from the Regeneron alliance to this line item:

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Share of (profits)/losses of the Antibody Alliance	(341)	(16)	(253)
Additional share of profit paid by Regeneron related to development costs	35	—	21
Regeneron commercial operating expenses reimbursement	(176)	(218)	(449)
Total: Antibody Alliance	**(482)**	**(234)**	**(681)**
Immuno-Oncology Alliance	**44**	**30**	**62**
Other (mainly Zaltrap®)	**(8)**	**(7)**	**(14)**
Other operating income/(expenses), net, related to Regeneron Alliance	**(446)**	**(211)**	**(633)**

This line item also includes gains on divestments of assets and operations, relating mainly to mature products (€147 million in the first half of 2020, versus €71 million in the first half of 2019).

It does not include the €157 million gain arising from the remeasurement at market value effective May 29, 2020 of the 400,000 Regeneron shares retained by Sanofi to support its ongoing collaboration with Regeneron. That amount is included within the "Other operating income and expenses" line in the segment results of the Pharmaceuticals segment (see Note B.20.1 to our condensed half-year consolidated financial statements).

C.4.6. AMORTIZATION OF INTANGIBLE ASSETS

Amortization charged against intangible assets in the first half of 2020 was €883 million, versus €1,116 million in the comparable period of 2019. This €233 million decrease was mainly due to a reduction in amortization expense generated by intangible assets recognized in connection with (i) the acquisition of Bioverativ (€170 million, versus €272 million in the first half of 2019), reflecting impairment losses taken against Eloctate® franchise assets in the first half of 2019, and (ii) the acquisitions of Aventis (€68 million, versus €107 million in the first half of 2019) and Genzyme (€295 million, versus €368 million in the first half of 2019) as certain products reached the end of their life cycle.

C.4.7. IMPAIRMENT OF INTANGIBLE ASSETS

In the first half of 2020, this line item showed a net impairment loss of €323 million (versus €1,840 million in the first half of 2019), most of which related to in-house and partnered development projects in Speciality Care and to the discontinuation of a number of R&D programs and collaboration agreements in Diabetes, in line with the strategic roadmap announced in December 2019.

In the first half of 2019, the net impairment loss mainly comprised an amount of €1,609 million taken against Eloctate® franchise assets. It also included inter alia an additional impairment loss of €33 million taken against rights relating to Lemtrada®, and net write-downs of €192 million relating to in-house or partnered development projects.

C.4.8. FAIR VALUE REMEASUREMENT OF CONTINGENT CONSIDERATION

Fair value remeasurements of contingent consideration assets and liabilities relating to business combinations (recognized in accordance with the revised IFRS 3) represented a net gain of €54 million in the first half of 2020 versus a net gain of €190 million in the first half of 2019.

This mainly comprises remeasurements of contingent consideration (i) payable to Bayer as a result of an acquisition made by Genzyme prior to the latter's acquisition by Sanofi (loss of €11 million in the first half of 2020, versus a gain of €140 million in the first half of 2019); and (ii) arising from the dissolution of the Sanofi Pasteur MSD joint venture (net loss of €6 million, versus a net gain of €98 million a year earlier). See Note B.11. to our condensed half-year consolidated financial statements. The above movements were more than offset by the impact of a €71 million change in the contingent consideration arising from Sanofi's March 2018 acquisition of Bioverativ.

C.4.9. RESTRUCTURING COSTS AND SIMILAR ITEMS

Restructuring costs and similar items amounted to a charge of €758 million in the first half of 2020, compared with a charge of €747 million in the first half of 2019. They include employee-related expenses of €642 million in respect of separation costs further to the announcement of plans to adapt Sanofi's organization (primarily in Europe) in line with the new "Play to Win" strategy announced in December 2019.

In the first half of 2019, restructuring costs comprised employee-related expenses arising from headcount adjustment plans in Europe and the United States.

C.4.10. OTHER GAINS AND LOSSES, AND LITIGATION

Other gains and losses, and litigation for the first half of 2020 represent a net gain of €136 million, mainly comprising a gain on the sale of operations related to the Seprafilm product to Baxter for proceeds of €313 million. This compares with a net gain of €317 million in the first half of 2019, mainly relating to litigation.

C.4.11. OPERATING INCOME

Operating income amounted to €10,108 million in the first half of 2020, versus €1,112 million in the first half of 2019. This increase was mainly due to the recognition of the €7,382 million gain on the divestment of Sanofi's equity investment in Regeneron following the transaction of May 29, 2020. Operating income also increased year-on-year due to a reduction in impairment losses taken against intangible assets in the period compared with the first half of 2019, when impairment losses reached €1,840 million due mainly to write-downs of Eloctate® franchise assets.

C.4.12. FINANCIAL INCOME AND EXPENSES

Net financial expenses were €167 million for the first half of 2020, €17 million higher than the 2019 first-half figure of €150 million.

Our cost of net debt (see the definition in Section C.7., "Consolidated balance sheet" below) increased to €100 million in the first half of 2020, versus €89 million in the comparable period of 2019.

Other movements in net financial expenses included:

- the fair value remeasurement of certain financial assets (expense of €18 million in the first half of 2020, versus a gain of €13 million in the first half of 2019); and
- a decrease in the net interest cost of pension plans, mainly in France and Germany (€32 million, versus €45 million in the first half of 2019).

C.4.13. INCOME BEFORE TAX AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Income before tax and investments accounted for using the equity method for the first half of 2020 was €9,941 million, versus €962 million for the first half of 2019.

C.4.14. INCOME TAX EXPENSE

Income tax expense represented €994 million in the first half of 2020, versus €13 million in the first half of 2019, giving an effective tax rate (based on consolidated net income) of 10.0%, compared with 1.3% in the first half of 2019. The increase in income tax expense was mainly due to the tax effects of the transaction involving Regeneron shares (€512 million in the first half of 2020); the amortization and impairment of intangible assets (€302 million in the first half of 2020, versus €711 million in the first half of 2019); and restructuring costs (€232 million in the first half of 2020, versus €197 million in the first half of 2019) as well as the positive tax effects relating to the contingencies arising from business divestitures.

The effective tax rate on our "Business net income"[3] is a non-GAAP financial measure. It is calculated on the basis of business operating income, minus net financial expenses and before (i) the share of profit/loss from investments accounted for using the equity method and (ii) net income attributable to non-controlling interests. We believe the presentation of this measure, used by our management, is also useful for investors as it provides a means to analyze the effective tax cost of our current business activities. It should not be seen as a substitute for the effective tax rate based on consolidated net income.

When calculated on business net income, our effective tax rate was 22.0% in the first half of 2020, compared with 22.0% in the first half of 2019 and 22.0% for 2019 as a whole.

C.4.15. SHARE OF PROFIT/(LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Share of profit/(loss) from investments accounted for using the equity method contributed net income of €354 million in the first half of 2020, versus net income of €116 million in the comparable period of 2019. In the first half of 2020 this line item mainly comprises our share of the profits of Regeneron (€343 million, versus €106 million in the first half of 2019); the year-on-year rise mainly reflects an increase in the company profits of Regeneron as adjusted to reflect Sanofi accounting policies.

C.4.16. NET INCOME

Net income amounted to €9,301 million in the first half of 2020, versus €1,065 million in the first half of 2019.

C.4.17. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Net income attributable to non-controlling interests for the first half of 2020 was €20 million, against €15 million for the first half of 2019.

[3] *See definition in section C.2., "Business net income".*

C.4.18. NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF SANOFI

Net income attributable to equity holders of Sanofi amounted to €9,281 million in the first half of 2020, compared with €1,050 million in the first half of 2019.

Basic earnings per share (EPS) was €7.41, compared with €0.84 for the first half of 2019, based on an average number of shares outstanding of 1,251.7 million for the first half of 2020 and 1,247.2 million for the first half of 2019. Diluted earnings per share was also €7.38, compared with €0.84 for the first half of 2019, based on an average number of shares after dilution of 1,258.2 million for the first half of 2020 and 1,254.7 million for the first half of 2019.

C.5. SEGMENT RESULTS

In the first half of 2020, "Business operating income" (see Note B.20.1 to our condensed half-year consolidated financial statements for a definition and further details) was €4,683 million (versus €4,306 million for the first half of 2019) up 8.8%, while "Business operating income margin" was 27.3% (versus 25.3% for the first half of 2019).

Following the transaction of May 29, 2020, Regeneron is no longer an associate of Sanofi (see Note B.1. to our condensed half-year consolidated financial statements). Consequently, business operating income has been adjusted, and no longer includes Sanofi's share of the net income of Regeneron. This means that the ***Share of profit/(loss) from investments accounted for using the equity method line*** in the table reconciling ***Operating income*** (as shown in the income statement) to total "Business operating income" no longer includes the equity-accounted share of profits from Regeneron. The comparatives presented for 2019 have been restated to reflect that adjustment. In addition, the gain arising on the divestment of the equity investment in Regeneron is not included in "Business operating income", with the exception of the gain on the remeasurement of the 400,000 retained shares at market value at the transaction date.

In addition, with effect from January 1, 2020 "Business operating income" includes depreciation charged against right-of-use assets recognized under IFRS 16 (Leases), applicable since January 1, 2019, and excludes rental expenses previously recognized under IAS 17. In the interests of consistency, "Business operating income" and "Business operating margin" for the comparative periods of 2019 presented have been restated to include the effects of IFRS 16, and of certain expenses and income presented differently for segment reporting purposes to align on Sanofi's new 2020 management reporting structure (see Note C.1.1, "Operating Segments", above).

The table below shows "Business operating income" for the six-month periods ended June 30, 2020 and 2019:

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months) [(a)]	Change
Pharmaceuticals segment	4,885	4,244	+15.1%
Consumer Healthcare segment	787	928	-15.2%
Vaccines segment	420	508	-17.3%
Other	(1,409)	(1,374)	+2.5%
Business operating income	**4,683**	**4,306**	**+8.8%**

(a) 2019 figures have been restated (i) to exclude Sanofi's share of net profits from the investment in Regeneron, amounting to €159 million in the six months ended June 30, 2019 (see above); and to include (ii) the effects of IFRS 16; and (iii) the effect of certain expenses and income being presented differently for segment reporting purposes to align on Sanofi's new 2020 management reporting structure.

C.6. CONSOLIDATED STATEMENTS OF CASH FLOWS

Summarized consolidated statements of cash flows

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Net cash provided by/(used in) operating activities	3,926	3,179	7,744
Net cash provided by/(used in) investing activities	8,075	(165)	(1,212)
Net cash inflow/(outflow) from the exchange of the Animal Health business for BI's Consumer Healthcare business	—	—	154
Net cash provided by/(used in) financing activities	(5,402)	(3,209)	(4,193)
Impact of exchange rates on cash and cash equivalents	(57)	12	9
Net change in cash and cash equivalents	**6,542**	**(183)**	**2,502**

Net cash provided by/(used in) operating activities represented a net cash inflow of €3,926 million in the first half of 2020, against €3,179 million in the first half of 2019.

Operating cash flow before changes in working capital for the first half of 2020 was €4,320 million, versus €3,976 million in the first half of 2019.

Working capital requirements rose by €394 million in the first half of 2020, due largely to an increase in inventories (mainly Vaccines and Dupixent®); this compares with a rise of €797 million in the first half of 2019.

Net cash provided by/(used in) investing activities represented a net cash inflow of €8,075 million in the first half of 2020, due mainly to the after-tax proceeds of €10,512 million from the divestment of Regeneron shares on May 29, 2020 and the purchase price of €2,246 million paid for Synthorx; this compares with a net cash outflow of €165 million in the first half of 2019.

Acquisitions of property, plant and equipment and intangible assets totaled €682 million, versus €841 million in the first half of 2019. There were €502 million of acquisitions of property, plant and equipment (versus €654 million in the first half of 2019), most of which (€294 million) were in the Pharmaceuticals segment, primarily in industrial facilities. The Vaccines segment accounted for €181 million of acquisitions of property, plant and equipment during the period. Acquisitions of intangible assets (€180 million, versus €187 million in the first half of 2019) mainly comprised contractual payments for intangible rights under license and collaboration agreements.

After-tax proceeds from disposals amounted to €709 million in the first half of 2020, and relate mainly to (i) the sale of operations relating to the Seprafilm product to Baxter for €313 million; (ii) the divestment of some established prescription products for €105 million; and (iii) contingent consideration of €167 million relating to a past divestment. In the first half of 2019, after-tax proceeds from disposals amounted to €867 million, mainly from the sale of Sanofi's equity interests in Alnylam (€706 million) and MyoKardia (€118 million).

Net cash provided by/(used in) financing activities represented a net cash outflow of €5,402 million in the first half of 2020, compared with a net outflow of €3,209 million in the first half of 2019. The 2020 first-half figure includes the dividend payout to our shareholders of €3,937 million (versus €3,834 million in the first half of 2019); and net external debt repayments of €1,138 million (versus net external debt financing raised of €585 million in the first half of 2019); and movements in Sanofi's share capital (purchases and disposals of treasury shares, net of capital increases) that represented a net outflow of €323 million (versus a net inflow of €49 million in the first half of 2019).

The net change in ***cash and cash equivalents*** in the first half of 2020 was an increase of €6,542 million, compared with a decrease of €183 million in the first half of 2019.

"Free cash flow" is a non-GAAP financial measure which is reviewed by our management, and which we believe provides useful information to measure the net cash generated from the Company's operations that is available for strategic investments[4] (net of divestments[5]), for debt repayment, and for payments to shareholders. Free cash flow is determined from business net income[5] adjusted for depreciation, amortization and impairment, share of undistributed earnings from investments accounted for using the equity method, gains & losses on disposals of non-current assets, net change in provisions including pensions and other post-employment benefits, deferred taxes, share-based payment expense and other non-cash items. It also includes net changes in working capital, capital expenditures and other asset acquisitions[6] net of disposal proceeds[7], and payments related to restructuring and similar items. Free Cash Flow is not defined by IFRS, and is not a substitute for ***Net cash provided by/(used in) operating activities*** as reported under IFRS. Management recognizes that the term "Free Cash Flow" may be interpreted differently by other companies and under different circumstances.

[4] *Amount of the transaction above a cap of €500 million per transaction.*
[5] *Non-GAAP financial measure, as defined in "Business net income" above.*
[6] *Not exceeding a cap of €500 million per transaction.*

The table below sets forth a reconciliation between ***Net cash provided by/(used in) operating activities*** and Free Cash Flow:

(€ million)	June 30, 2020 (6 months)	June 30, 2019 (6 months)	December 31, 2019 (12 months)
Net cash provided by/(used in) operating activities	**3,926**	**3,179**	**7,744**
Acquisitions of property, plant and equipment and software	(534)	(684)	(1,405)
Acquisitions of intangible assets, equity interests and other non-current financial assets [(a)]	(334)	(204)	(576)
Proceeds from disposals of property, plant and equipment, intangible assets and other non-current assets, net of tax [(a)]	682	199	490
Repayment of lease liabilities	(121)	(135)	(267)
Other items	(51)	(218)	40
Free cash flow	**3,568**	**2,137**	**6,026**

(a) Free cash flow includes investments and divestments not exceeding a cap of €500 million per transaction.

C.7. CONSOLIDATED BALANCE SHEET

Total assets were €115,819 million as of June 30, 2020, compared with €112,736 million as of December 31, 2019, an increase of €3,083 million.

Net debt was €7,680 million as of June 30, 2020, versus €15,107 million as of December 31, 2019; this reduction was mainly due to cash flows generated by investing activities during the period, and in particular the net cash proceeds from the sale of Regeneron shares on May 29, 2020. We believe the presentation of this non-GAAP financial measure, which is reviewed by our management, provides useful information to measure our overall liquidity and capital resources. We define "net debt" as (i) the sum total of short-term debt, long-term debt, and interest rate derivatives and currency derivatives used to manage debt, minus (ii) the sum total of cash and cash equivalents and interest rate derivatives and currency derivatives used to manage cash and cash equivalents. Following the first-time application of IFRS 16 with effect from January 1, 2019, net debt no longer includes lease liabilities.

(€ million)	June 30, 2020	June 30, 2019
Long-term debt	20,404	20,131
Short-term debt and current portion of long-term debt	3,329	4,554
Interest rate and currency derivatives used to manage debt	(173)	(117)
Total debt	**23,560**	**24,568**
Cash and cash equivalents	(15,969)	(9,427)
Interest rate and currency derivatives used to manage cash and cash equivalents	89	(34)
Net debt [(a)]	**7,680**	**15,107**
Total equity	63,486	59,108
Gearing ratio	**12.1%**	**25.6%**

(a) Net debt does not include lease liabilities, which amounted to €1,195 million as of June 30, 2020, compared with €1,248 million as of December 31, 2019.

To assess our financing risk, we use the "gearing ratio", another non-GAAP financial measure. This ratio (which we define as the ratio of net debt to total equity) decreased from 25.6% as of December 31, 2019 to 12.1% as of June 30, 2020. Analyses of our debt as of June 30, 2020 and December 31, 2019 are provided in Note B.9. to the condensed half-year consolidated financial statements.

Because our net debt and gearing ratio are not standardized measures, they may not be directly comparable with the non-GAAP financial measures of other companies using the same or similar non-GAAP financial measures. Despite the use of non-GAAP measures by management in setting goals and measuring performance, these measures have no standardized meaning prescribed by IFRS.

We expect that the future cash flows generated by our operating activities will be sufficient to repay our debt. The financing arrangements in place as of June 30, 2020 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 was €63,486 million as of June 30, 2020, versus €59,108 million as of December 31, 2019. The net change reflects the following principal factors:

- increases: our net income for the first half of 2020 (€9,301 million); and

- decreases: the dividend payout to our shareholders (€3,937 million), changes in currency translation differences (€944 million, mainly on the US dollar), share repurchases (€361 million) and the impact of actuarial losses recognized during the period (€146 million).

As of June 30, 2020 we held 2.59 million of our own shares, recorded as a deduction from equity and representing 0.207% of our share capital.

Goodwill and other intangible assets (€62,275 million in total) increased by €1,184 million, the main factors being:

- increases: movements related to our acquisition of Synthorx (€901 million of goodwill and €1,549 million of other intangible assets); and
- decreases: amortization and impairment charged in the period (€1,280 million).

Investments accounted for using the equity method (€196 million) decreased by €3,395 million due to the divestment of our equity investment in Regeneron on May 29, 2020 (see Note B.1. to our condensed half-year consolidated financial statements).

Other non-current assets (€3,031 million) increased by €364 million, due mainly to the classification of the 400,000 Regeneron shares retained by Sanofi after the transaction of May 29, 2020 in “Equity instruments at fair value through other comprehensive income” (see Notes B.1.and B.6. to our condensed half-year consolidated financial statements).

Net deferred tax assets were €2,854 million as of June 30, 2020, compared with €3,140 million as of December 31, 2019. The decrease of €286 million mainly reflects deferred tax arising on the remeasurement of the acquired intangible assets of Synthorx.

Non-current provisions and other non-current liabilities (€9,785 million) rose by €464 million relative to December 31, 2019, due largely to an increase in restructuring provisions to cover headcount adjustment plans in Europe and an increase in provisions for pensions and other post-employment benefits.

Liabilities related to business combinations and to non-controlling interests (€656 million) decreased by €144 million. The main reasons for the change are fair value remeasurements of contingent consideration payable (i) to Bioverativ as a result of a transaction carried out by True North Therapeutics prior to Bioverativ’s acquisition by Sanofi, and (ii) to MSD further to the acquisition of Sanofi Pasteur operations carried on within the former Sanofi Pasteur MSD joint venture.

D/ RISK FACTORS AND RELATED PARTY TRANSACTIONS

D.1. RISK FACTORS

The main risk factors to which Sanofi is exposed are described in our Annual Report on Form 20-F for the year ended December 31, 2019, filed with the US Securities and Exchange Commission on March 5, 2020.

With respect to the COVID-19 pandemic, we are unable to predict the extent to which the pandemic and related developments will continue to adversely impact our business, operations and financial performance. The degree to which COVID-19 impacts our results will depend on future developments, including, but not limited to, the duration and spread of the outbreak, its severity, the actions taken to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume.

The pandemic may reduce our sales in targeted markets due to lower healthcare spending on other diseases and fewer promotional activities, and could therefore significantly impact our business operations.

If the pandemic is prolonged, we may face delays in our clinical trials due to restrictions imposed on clinical trials sites and/or delays or disruptions related to regulatory approvals and/or delays in label expansions for existing products, any of which may have a negative impact on our product development and launches and hence, on future product sales, business and results of operations.

The global COVID-19 pandemic also exposes us to a slowdown or temporary suspension in production of our active pharmaceutical ingredients (API), raw materials and some of our other products. Any prolonged restrictive measures put in place in to control the pandemic may lead to manufacturing delay or disruption and supply chains interruptions (including as it may apply to our third-party suppliers) and may have an adverse effect on our business.

In addition, it is not certain that we will successfully develop a treatment or vaccine for COVID-19, nor that a product or vaccine candidates, if approved, would be commercially successful nor that demand for such a vaccine or product would still exist, despite significant R&D costs generated for its development.

The pandemic could also pose risks to the health and safety of our employees.

Finally, the COVID-19 pandemic, and the volatile global economic conditions stemming from the pandemic, could precipitate or amplify the other risk factors that we identify in the “Risk Factors” section of our 2019 Form 20-F, which could materially adversely affect our business, operations and financial conditions and results. If the pandemic is prolonged, our operations could also be adversely impacted by the work-from-home, lockdown and other restrictions that have been adopted in response to the pandemic.

Any of these risks, and others that we may not yet have identified, could materialize during the second half of 2020 or during subsequent period, and could cause actual results to differ materially from those described elsewhere in this reports.

D.2. RELATED PARTY TRANSACTIONS

Our principal related parties are defined in Note D.33. to the consolidated financial statements included in our 2019 Annual Report on Form 20-F (page F-94)[7].

Note B.5. to the condensed half-year consolidated financial statements provides a description of the principal transactions and balances for the six months ended June 30, 2020 with equity-accounted entities that qualify as related parties.

Sanofi did not enter into any transactions with key management personnel during the first half of 2020.

Financial relations with the Group’s principal shareholders fall within the ordinary course of business and were immaterial in the first half of 2020.

[7] *This report is available on our corporate website: www.sanofi.com.*

E/ OUTLOOK

At constant exchange rates, we expect growth in 2020 full-year business earnings per share[8] (business EPS) to be in a range from 6% to 7%[9], barring major unforeseen adverse events. The impact of exchange rates on 2020 business EPS is estimated to be approximately -3% to -4%, based on July 2020 average exchange rates applied over the rest of the year.

Full-year business net income[9] for 2020 was €7,050 million, giving business earnings per share of €5.64.

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

- 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;
- trends in exchange rates and interest rates;
- the integration of contributions from our acquisitions; and
- 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.

[8] *For a definition, see Section C.2., "Business net income" above.*
[9] *2019 restated business EPS was €5.64, reflecting the discontinuation of equity method accounting for Sanofi's investment in Regeneron.*

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements as defined in the US 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 labelling and other matters that could affect the availability or commercial potential of such product candidates, the fact that product candidates if approved may not be commercially successful, the future approval and commercial success of therapeutic alternatives, Sanofi’s ability to benefit from external growth opportunities, to complete related transactions and/or obtain regulatory clearances, risks associated with intellectual property and any related pending or future litigation and the ultimate outcome of such litigation, trends in exchange rates and prevailing interest rates, volatile economic and market conditions, cost containment initiatives and subsequent changes thereto, and the impact that COVID-19 will have on us, our customers, suppliers, vendors, and other business partners, and the financial condition of any one of them, as well as on our employees and on the global economy as a whole. Any material effect of COVID-19 on any of the foregoing could also adversely impact us. This situation is changing rapidly and additional impacts may arise of which we are not currently aware and may exacerbate other previously identified risks. The risks and uncertainties also include the uncertainties discussed or identified in the public filings with the SEC and the AMF made by Sanofi, including those listed under “Risk Factors” and “Cautionary Statement Regarding Forward-Looking Statements” in Sanofi’s annual report on Form 20-F for the year ended December 31, 2019[10]. For an update on litigation, refer to Note B.14. “Legal and arbitration proceedings” (page 28) to our condensed half-year consolidated financial statements for the six months ended June 30, 2020, and to section “A.3.2. Legal and arbitration proceedings” (page 41) and section “D/ Risk factors and related party transactions” (pages 61) of this 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.

[10] *See pages 3 to 13 of our 2019 Annual Report on Form 20-F, available on our corporate website: www.sanofi.com*

F/ APPENDIX - RESEARCH AND DEVELOPMENT PIPELINE

New Molecular Entities(*)

Phase 1 (Total : 19)		Phase 2 (Total : 6)		Phase 3 (Total : 7)	Registration (Total : 1)
SAR441344(**)(1) Anti-CD40L mAb Multiple Sclerosis	**ST400**(**)(5) *Ex Vivo* ZFN Gene-Edited Cell Therapy, Beta thalassemia	**SAR440340**(**)(10) Anti-IL33 mAb COPD	R **SAR439859** SERD Metastatic Breast Cancer 2/3L	**SAR442168**(**)(13) BTK inhibitor Multiple Sclerosis	**sutimlimab** Anti Complement C1s mAb Cold Agglutinin Disease
SAR439459 mono & with cemiplimab(**)(10), anti-TGFb mAb Advanced Solid Tumors	**BIVV003**(**)(5) *Ex Vivo* ZFN Gene-Edited Cell Therapy, Sickle Cell Disease	**romilkimab** Anti-IL4/IL13 bispecific mAb Systemic Scleroderma	**SAR339375** miRNA-21 Alport Syndrome	**avalglucosidase alfa** Neo GAA Pompe Disease	
O **REGN5458**(**)(2) Anti-BCMAxCD3 bispecific mAb Relapsed Refractory MM	**BIVV020** Complement C1s inhibitor	R **olipudase alfa** rhASM ASMD(11) ad+ped	**Next Gen PCV**(**)(12) Pneumococcal Conjugate Vaccines	**venglustat** Oral GCS inhibitor ADPKD(14)	
O **REGN4018**(**)(2) Anti-MUC16xCD3 bispecific mAb Ovarian Cancer	**SAR443122**(**)(6) RIPK1 inhibitor(7) Inflammatory indications			**fitusiran** RNAi targeting anti-thrombin Hemophilia A and B	
SAR442720(**)(3) SHP2 inhibitor Solid Tumors	**SAR441169**(**)(8) RORC (ROR gamma T) antagonist, Psoriasis			**BIVV001**(**)(15) rFVIIIFc – vWF – XTEN(16) Hemophilia A	
SAR440234 T cell engaging multi specific mAb, Leukemia	**SAR441236** Tri-specific neutralizing mAb HIV			**nirsevimab**(**)(17) Respiratory syncytial virus Monoclonal Antibody	
SAR441000(**)(4) **mono & with PD1,** Cytokine mRNA Solid tumors	**Herpes Simplex Virus Type 2**(**)(9) HSV-2 therapeutic vaccine			**SAR408701** Maytansin-loaded anti-CEACAM5 mAb, NSCLC 2/3L	
SAR442085 Anti CD38 mAb Fc engineered Multiple Myeloma	**Respiratory syncytial virus** Infants 4-month and older Vaccines				
O **REGN5459**(**)(2) Anti-BCMAxCD3 bispecific mAb Relapsed Refractory MM	**SAR442257** Anti-CD38xCD28xCD3 trispecific mAb, MM / N-H Lymphoma				
SAR444245 (THOR-707) mono & combo, Non-alpha IL-2 Solid tumors					

Immuno-inflammation
Oncology
Rare Diseases
Rare Blood Disorders
MS & Neuro
Diabetes
Cardiovascular & metabolism
Vaccines

(1) Developed in collaboration with Immunext
(2) Regeneron product for which Sanofi has opt-in rights
(3) Developed in collaboration with Revolution Medicines
(4) Developed in collaboration with BioNTech
(5) Developed in collaboration with Sangamo
(6) Developed in collaboration with Denali
(7) Receptor-interacting serine/threonine-protein kinase 1
(8) Developed in collaboration with Lead Pharma
(9) Developed in collaboration with Immune Design/Merck
(10) Developed in collaboration with Regeneron
(11) Acid Sphingomyelinase Deficiency also known as Niemann Pick type B
(12) Developed in collaboration with SK
(13) Developed in collaboration with Principia
(14) Autosomal Dominant Polycystic Kidney Disease
(15) Developed in collaboration with Sobi
(16) Recombinant Coagulation Factor VIII Fc – von Willebrand Factor – XTEN Fusion protein
(17) Developed in collaboration with AstraZeneca
O : Opt-in rights products for which rights have not been exercised yet
R : Registrational Study (other than Phase 3)
(*) Phase of projects determined by clinicaltrials.gov disclosure timing when relevant
(**) Partnered and/or in collaboration – Sanofi may have limited or shared rights on some of these products
mono = monotherapy; mAb = monoclonal antibody; MM = Multiple Myeloma; GCS = glucosylceramide synthase; N-H Lymphoma = Non-Hodgkin Lymphoma

Additional Indications(*)

Phase 1 (Total : 6)	Phase 2 (Total : 18)		Phase 3 (Total : 22)		Registration (Total : 4)
O cemiplimab(**)(1) +REGN4018(2)(**) Ovarian Cancer	dupilumab(**)(1) Grass pollen allergy	isatuximab + cemiplimab(**)(1) Lymphoma	Dupixent® (**)(1) Asthma 6 - 11 years old	cemiplimab(**)(1) Adjuvant in CSCC	MenQuadfi™ EU 1y+
SAR439859 + palbociclib(3) Metastatic Breast Cancer	**R** sarilumab(**)(1) Polyarticular JIA(5)	isatuximab + atezolizumab(6) mCRC	dupilumab(**)(1) Eosinophilic Esophagitis	isatuximab Newly Diag. MM Te(9) (GMMG)	Shan 6 Pediatric hexavalent vaccine
sutimlimab ImmuneThrombocytopenic Purpura	**R** sarilumab(**)(1) Systemic Juvenile Arthritis	isatuximab + atezolizumab(6) Solid Tumors	Dupixent®(**)(1) AD 6 months - 5 years old	isatuximab 2L RRMM (IKEMA)	Dupixent®(**)(1) AD 6 – 11 years old (EU)
SAR442720(**)(4) + cobimetinib Relapsed Refractory solid tumors	SAR440340(**)(1) Asthma	SAR408701 + ramucirumab(7) NSCLC 2/3L	dupilumab(**)(1) COPD	isatuximab 1L Newly Diag. MM Ti(10) (IMROZ)	Aubagio® Relapsing MS – Pediatric
SAR442720(**)(4) + pembrolizumab Solid tumors	dupilumab(**)(1) Peanut Allergy	venglustat Fabry Disease	dupilumab(**)(1) Bullous pemphigoid	isatuximab Smoldering multiple myeloma (ITHACA)	
Yellow Fever Vaccine (Vero cells)	**R** cemiplimab(**)(1) 2L Basal Cell Carcinoma	venglustat Gaucher Type 3	dupilumab(**)(1) Chronic spontaneous urticaria	Lemtrada® RRMS - Pediatric	
	SAR439859 Breast Cancer adjuvant	venglustat GBA-PD(8)	dupilumab(**)(1) Prurigo nodularis	Cerdelga® Gaucher T1, ERT switch Pediatric	
	isatuximab 1-2L AML / ALL pediatrics	SP0173 Tdap booster US	fitusiran Hemophilia A and B pediatric	venglustat GM2 gangliosidosis	
	isatuximab patients awaiting kidney transplantation	Fluzone® HD Pediatric	cemiplimab(**)(1) 1L NSCLC	Praluent® (**)(1) LDL-C reduction - Pediatric	
			cemiplimab(**)(1) + chemotherapy 1L NSCLC	MenQuadfi™ US / EU 6w+	
			cemiplimab(**)(1) 2L Cervical Cancer	VerorabVax® (VRVg) Purified vero rabies vaccine	

(1) Developed in collaboration with Regeneron
(2) Regeneron product for which Sanofi has opt-in rights
(3) Pfizer product (palbociclib)
(4) Developed in collaboration with Revolution Medicines - cobimetinib is a Genentech product, pembrolizumab.is a Merck product
(5) Polyarticular JIA = Polyarticular Juvenile Idiopathic Arthritis
(6) Studies in collaboration with Genentech Inc. (atezolizumab)
(7) Ramucirumab is an Eli Lilly product
(8) Parkinson's Disease with an associated GBA mutation
(9) Transplant eligible
(10) Transplant ineligible
(*) Phase of projects determined by clinicaltrials.gov disclosure timing when relevant
(**) Partnered and/or in collaboration - Sanofi may have limited or shared rights on some of these products
O : Opt-in rights products for which rights have not been exercised yet
R : Registrational Study (other than Phase 3)
COPD = chronic obstructive pulmonary disease; AML = acute myeloïd leukemia; ALL = acute lymphoblastic leukemia; MM = multiple myloma;RRMS = Relapsing / Remitting Multiple Sclerosis

3. STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

Period from January 1 to June 30, 2020

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-yearly consolidated financial statements of Sanofi, for the period from January 1 to June 30, 2020;
- the verification of the information contained in the half-yearly management report.

These condensed half-yearly consolidated financial statements have been prepared on July 28th, 2020 under the responsibility of the board of directors on the basis on the information available at that date in an evolving context of the Covid-19 crisis and of difficulties in understanding its impact and prospects. 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 interim 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-yearly 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-yearly management report established on July 28th, 2020 on the condensed half-yearly consolidated financial statements subject to our review.

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

Neuilly-sur-Seine and Paris-La Défense, July 28, 2020

The statutory auditors
French original signed by

PricewaterhouseCoopers Audit		ERNST & YOUNG et Autres	
Dominique Ménard	Stéphane Basset	Alexis Hurtrel	Pierre Chassagne

* 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 users. This report includes information relating to the specific verification of information given in the group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

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 starting on page 38 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 29, 2020

Paul Hudson

Chief Executive Officer

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