VOLUNTARY AND CONDITIONAL TAKEOVER BID
IN CASH

BY
SANOFI

FOR
all Shares, Warrants and Convertible Bonds not yet owned by Sanofi issued by

ABLYNX NV

Centralizing Agent

Receiving & Paying Agents

in cooperation with KBC Bank NV/SA

The Bid runs from 4 April 2018 to 4 May 2018 inclusive, subject to extension
Date Prospectus: 27 March 2018

Financial advisors to Sanofi

Voluntary and Conditional Takeover Bid

possibly followed by a

Squeeze-out

for all 75,253,667 Shares, 2,747,725 Warrants and 983 Convertible Bonds not yet owned by Sanofi issued by

ABLYNX NV

a public limited liability company (*naamloze vennootschap*) incorporated and existing under the laws of Belgium, having its registered office at Technologiepark 21, 9052 Zwijnaarde, Belgium and registered with the Crossroads Bank For Enterprises under number 0475.295.446 (RLE Ghent, section Ghent)

by

SANOFI

a public limited liability company (*société anonyme*) incorporated and existing under the laws of France, having its registered office at 54 rue La Boétie, 75008 Paris, France and registered with the Paris Commercial and Companies Register under number 395 030 844, advised by

MORGAN STANLEY and LAZARD

Price of the Bid:	EUR 45 per Share EUR 18.66 - EUR 41.79 per Warrant* EUR 393,700.78 per Convertible Bond *: See Section 7.1.3.3 of the Prospectus for a complete overview of the Warrant Bid Price
Initial Acceptance Period:	From 4 April 2018 from 9 a.m. CET to 4 May 2018 11:00 p.m. CET, subject to extension
Squeeze-out:	If (i) the Bidder's stake reaches 95% or more of the Shares at the close of the Bid, or subsequent thereto in connection with the reopening of the Bid, and (ii) provided it has acquired, through acceptance of the Bid, at least 90 % of the Shares that form the object of the Bid, Sanofi shall proceed with the Squeeze Out at the same terms as the Bid if the legal requirements for a simplified squeeze out are fulfilled. This Squeeze Out shall extend to the Shares, the Warrants and the Convertible Bonds.

Centralizing Agent

BNP PARIBAS FORTIS NV/SA

Receiving and Paying Agents

BNP PARIBAS FORTIS NV/SA - KBC SECURITIES NV/SA in cooperation with KBC BANK NV/SA

This Prospectus includes the response memorandum of the board of directors of Ablynx NV.

An electronic version of this Prospectus (including the Forms) can be found on the websites of the Receiving & Paying Agents (for BNP Paribas Fortis NV/SA, https://www.bnpparibasfortis.be/epargneretplacer (French and English) and https://www.bnpparibasfortis.be/sparenenbeleggen (Dutch and English); for KBC Securities NV/SA in cooperation with KBC Bank NV/SA, https://www.kbcsecurities.com/prospectus-documents-overviews/prospectus-overview, https://www.kbc.be, https://www.cbc.be and https://www.bolero.be), Sanofi (https://www.sanofi.com/en/investors/tender-offers-ablynx and https://www.sanofi.com/fr/investisseurs/offres-ablynx) and Ablynx (http://www.ablynx.com/investors/sanofi-takeover-bid/). The Prospectus can also be obtained in hard copy free of charge (i) at the counters of the Receiving & Paying Agents or (ii) by contacting the Receiving& Paying Agents at +32 (0)2 433 41 13 (BNP Paribas Fortis NV/SA), +32 (0)78 15 21 53 (KBC Bank NV/SA, Dutch & English), +32 (0) 800 92 020 (CBC Banque NV/SA, French & English) or +32 32 83 29 81 (Bolero by KBC Securities NV/SA, Dutch, French & English).

The Prospectus is available in English and Dutch. The summary of the Prospectus is also available in French.

TABLE OF CONTENTS

SUMMARY OF THE PROSPECTUS

Important notice
The present summary covers the principal characteristics of the Bid (possibly followed by a Squeeze-out), which are described in more detail in the Prospectus. This summary should be read as an introduction to the Prospectus.

Any decision to accept or not to accept the Bid must be based on a careful and comprehensive reading of the whole Prospectus. The Security Holders of Ablynx are requested to form their own opinion on the conditions of the Bid as well as on the advantages and disadvantages which this decision is likely to have for them.

No civil liability can be attributed to anyone simply on the basis of this summary or the translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The terms used with a capital letter in the present summary that are not expressly defined therein shall have the meaning attributed to them in the Prospectus.

The Bidder	
Sanofi	The Bidder is Sanofi, a public limited liability company (*société anonyme à conseil d'administration*) incorporated under the laws of France, with its registered office at 54 rue La Boétie, 75008 Paris (France), registered with the *Registre du Commerce et des Sociétés* (Trade and Companies Register of Paris) under number 395.030.844. Sanofi is a leading global healthcare company, focused on patient needs and engaged in the research, development, manufacture and marketing of therapeutic solutions. Sanofi invests in the following activities: Rare Diseases, Multiple Sclerosis, Oncology, Diabetes, Cardiovascular, Established Prescription Products, Consumer Healthcare, Generics, and Vaccines. Sanofi shares have been listed on Euronext Paris since 25 May, 1999 under ISIN code FR0000120578. Sanofi shares have also been listed on the New York Stock Exchange in the form of ADSs (American Depositary Shares) since 1 July, 2002. One ordinary share represents two ADSs.
The Target	
Ablynx	The Target is Ablynx, a public limited liability company (*naamloze vennootschap*) incorporated under the laws of Belgium, with its registered office at Technologiepark 21, 9052 Zwijnaarde (Belgium), registered with the Crossroads Bank of Enterprises under number: 0475.295.446 (RLE Ghent).

	Ablynx is a late-stage clinical biopharmaceutical company utilizing its proprietary Nanobody platform to develop treatments for a broad range of therapeutic indications with an unmet medical need. Ablynx has more than 45 proprietary and partnered Nanobody programs across a range of therapeutic indications including: hematology, inflammation, infectious disease, autoimmune disease, oncology and immuno-oncology. Ablynx employs a hybrid business model whereby it pursues its wholly owned programs through to commercialization or key value inflection points while also working with pharmaceutical partners on programs in areas where they bring specific disease expertise and resources. Ablynx's shares are listed on the regulated market of Euronext Brussels under ISIN code BE0003877942. Ablynx's shares have also been listed on NASDAQ Global Select Market in the form of ADSs (American Depositary Shares) 27 October 2017 under the symbol "ABLX".
Background, objectives and intentions of the Bidder	
Background	On 8 January 2018, Novo Nordisk publicly disclosed the offer it made for Ablynx's Securities. On the same day, Ablynx publicly confirmed its rejection of such offer. Ablynx then instructed J.P. Morgan, its financial advisor, to contact other parties, including Sanofi, which Ablynx's management and financial advisors had identified as being reasonably likely to have interest in, and the financial capacity to pursue, a possible strategic transaction involving Ablynx. Preliminary contacts followed between Sanofi and Ablynx. Between 16 January 2018 and 28 January 2018 Ablynx and Sanofi entered into discussions regarding a potential acquisition of Ablynx. In particular: – On 22 January 2018, Ablynx and Sanofi entered into a confidentiality agreement and executed an exclusivity agreement until 4 February 2018; – On the same day, Sanofi submitted to Ablynx a written non-binding proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx at a price per Share in the range of EUR 43.00 to EUR 45.00 in cash, subject to confirmatory due diligence; – On 26 January 2018, Sanofi sent a letter to Ablynx confirming its proposal at a price of EUR 45.00 per Share in cash, and stating that, subject to reaching a final Heads of Agreement, a binding proposal could be submitted by 28 January 2018.

	From 26 January 2018 through 28 January 2018, Sanofi, Ablynx and their respective financial and legal advisors negotiated the terms and conditions of the Heads of Agreement. Finally, in the afternoon of 28 January 2018, the board of directors of Sanofi approved the acquisition of all of the outstanding Securities of Ablynx at a price of EUR 45.00 per Share in cash and the Heads of Agreement. Later in the day on 28 January 2018, the board of directors of Ablynx had a meeting where the board of directors of Ablynx reviewed with Ablynx's management and financial and legal advisors the offer submitted by Sanofi. Following discussions, the board of directors of Ablynx approved Sanofi's offer and the Heads of Agreement. Later that evening, the Heads of Agreement was executed by Sanofi and Ablynx. On 29 January at 8 a.m., Sanofi filed the voluntary and conditional takeover bid for Ablynx's Securities. Shortly thereafter on 29 January 2018, the FSMA published the notice pursuant to Article 7 of the Takeover RD and, subsequently, Sanofi and Ablynx issued a joint press release announcing the transaction. *Heads of agreement - Break fee* The Heads of Agreement provided that Ablynx will pay Sanofi a break-up fee by way of compensation for any loss or damages that may be suffered by Sanofi in case Sanofi terminates the Heads of Agreement by reason of: i. Ablynx's failure to comply with the prohibition for Ablynx to (a) solicit or seek in any way the direct or indirect acquisition of Ablynx by a third party (i.e. other than Sanofi), (b) negotiate with any party in relation to such acquisition (unless such party submits a proposal for a counter bid or a higher bid that is not a result of a violation of (a) and is made at a price per share that is at least 5% higher than the price offered by Sanofi) or (c) provide non-public information to any party in relation to such acquisition, unless such party has made a proposal for a counter bid or a higher bid in accordance with (c); or ii. Ablynx withdrawing, qualifying or modifying in any manner adverse to Sanofi the response memorandum (*memorie van antwoord*) of Ablynx's board of directors, which, in accordance with the Heads of Agreement, shall contain a positive recommendation of the Bid by Ablynx's board of directors and shall qualify the Bid as being friendly.

Reasons for the Bid	Sanofi and Ablynx already entered into a collaboration to discover and develop certain multi-specific nanobodies against selected targets. Sanofi's R&D model and priorities are focused on technology platforms such as Ablynx' Nanobody platform. Sanofi has particular interest in Ablynx's platform, since it has led to promising results within the framework of the collaboration agreement and it would provide Sanofi with an important strategic and competitive advantage in drug discovery. The acquisition of Ablynx will enhance the Sanofi Group's strategy by contributing to sustaining leadership in rare diseases thanks to caplacizumab, Ablynx's most advanced product candidate. Further, Ablynx's expertise will allow Sanofi to make great progress in the prevention and treatment of diseases Sanofi has been developing antibodies for. Sanofi has a global footprint and a large R&D scale, which should allow Sanofi to accelerate the development and maximize the commercial potential of Ablynx's ongoing programs, and to further leverage the platform with the introduction of new programs. The acquisition of Ablynx is expected to significantly broaden Sanofi's Specialty Care portfolio and its long-term R&D capabilities. Thanks to its Nanobody platform and the quality of products currently in development, Ablynx constitutes a unique opportunity for Sanofi to accelerate its portfolio reshaping, sustain R&D innovation, and therefore enhance growth at Sanofi Group level.
Intentions	**Ablynx's position within the Sanofi Group following the Bid and possible reorganisations:** It is Sanofi's intention to maintain Ablynx as a separate legal entity for a period of at least 24 months after the closing of the Bid, and to maintain Ablynx's R&D structure in Ghent. Following completion of the bid, Sanofi will ensure a smooth integration process and work to maximize the success of the ongoing development programs. No organisational changes at Ablynx are expected in 2018. Starting in 2019, Sanofi will consider the gradual integration of Ablynx into its wider organisation.

	After completion of the Bid, Sanofi shall carefully review the details of each significant collaboration agreement entered into by Ablynx. The collaboration partners of Ablynx might continue the existing collaborations, they might choose to transfer the technology and continue work on collaboration targets internally, or they might choose to terminate the collaboration with Ablynx. **Impact of corporate governance and employment of Ablynx** Detailed discussions between Sanofi and Ablynx's senior management team about the senior team members' specific roles in the enlarged group and the terms of their employment have yet to take place. It is envisaged that such discussions will take place after the Bid has been completed. Sanofi confirms that, following implementation of the Bid, the existing contractual and statutory employment rights, including in relation to pension rights, but excluding any current Ablynx equity compensation, of the current employees and management of Ablynx will be honoured. **Dividend policy** Ablynx has never declared or paid any dividend on its Shares and Sanofi does not expect that Ablynx shall pay any dividend on the Shares for the foreseeable future. **Intentions of Sanofi with respect to Ablynx's articles of association** At this time, Sanofi does not intend to amend Ablynx's articles of associations, unless Ablynx is no longer a listed company. In case of such delisting, Sanofi may consider to amend the provisions of the articles of association of Ablynx including those that would appear to be no longer relevant. **Future delisting of Ablynx's Shares, Convertible Bonds and ADSs** When conducting the Bid, Sanofi reserves the right to request the delisting of (i) the Shares from admission to trading on the regulated market of Euronext Brussels, (ii) the Convertible Bonds from admission to trading on the open market of the Frankfurt MTF (*Freiverkehr*), and (iii) the ADSs from admission to trading on the NASDAQ Global Select Market, in accordance with the applicable legislation. In the event of delisting of the Shares, the Convertible Bonds and the ADSs, the remaining Security Holders shall hold illiquid financial instruments.

<table>
<tr><th colspan="2">Characteristics of the Bid</th></tr>
<tr><td>Belgian Bid - U.S. Bid</td><td>Concurrently with the Bid, Sanofi will launch the U.S. Bid, i.e. the offer to acquire all Shares held by U.S. Persons (within the meaning of Rule 14d-l(c) under the Exchange Act), as well as all outstanding ADSs held by holders wherever located, in accordance with applicable U.S. law.</td></tr>
<tr><td>Nature of the Bid</td><td>The Bid is a voluntary and conditional takeover bid made by Sanofi in accordance with the Takeover Act and Chapter II of the Takeover RD. The Bid will be paid in cash.</td></tr>
<tr><td>Scope of the Bid</td><td>The Bid covers all 75,253,667 Shares, 2,747,725 Warrants and 983 Convertible Bonds which are not already, directly or indirectly, held by Sanofi. On the contrary, the Bid does not cover the ADSs, which are listed on NASDAQ Global Select Market under the symbol ABLX. The ADSs are subject to the U.S. Bid.

Ablynx has not issued any securities with voting rights or giving access to voting rights, other than the abovementioned Shares, Warrants and Convertible Bonds.</td></tr>
<tr><td>Bid Price and payment</td><td>Share Bid Price
The price offered for each Share tendered to the Bid, including the Shares underlying the Warrants and the Convertible Bonds that are exercised and that are tendered in the Bid, amounts to EUR 45.

If Ablynx declares or pays a distribution (in capital or a dividend) on its Shares, prior to the acquisition of Ablynx's Shares by Sanofi, the price to be paid for a Share pursuant to the Bid shall be reduced by one EUR per each EUR of the distribution per Share of Ablynx paid to the shareholders or to which they are entitled by detaching the coupon or otherwise prior to the sale of Ablynx's Shares to Sanofi.

Warrant Bid Price

<table>
<tr><th>Warrant</th><th>Warrant Bid Price (€)</th></tr>
<tr><td>Warrants 2008</td><td>40.12</td></tr>
<tr><td>Warrants 2012</td><td>41.79</td></tr>
<tr><td>Warrants 2013 (1)</td><td>38.56</td></tr>
<tr><td>Warrants 2013 (2)</td><td>38.57</td></tr>
<tr><td>Warrants 2013 (3A)</td><td>38.04</td></tr>
<tr><td>Warrants 2013 (3B)</td><td>37.68</td></tr>
<tr><td>Warrants 2014 (1)</td><td>35.91</td></tr>
<tr><td>Warrants 2014 (2A)</td><td>36.15</td></tr>
<tr><td>Warrants 2014 (2B)</td><td>36.16</td></tr>
</table>
</td></tr>
</table>

Warrants 2014 (2C)	36.75
Warrants 2015 (1A)	34.87
Warrants 2015 (1B)	35.50
Warrants 2015 (2)	34.78
Warrants 2015 (3)	32.90
Warrants 2015 (4A)	32.71
Warrants 2015 (4B)	33.33
Warrants 2016 (1)	32.98
Warrants 2016 (2A)	32.98
Warrants 2016 (2B)	31.69
Warrants 2016 (2C)	31.01
Warrants 2017 (1)	32.67
Warrants 2017 (2)	32.67
Warrants 2017 (3)	32.67
Warrants 2017 (4A)	32.74
Warrants 2017 (4B)	32.04
Warrants 2017 (4C)	31.68
Warrants 2017 (4D)	27.16
Warrants 2017 (4E)	25.22
Warrants 2017 (5)	30.47
Warrants 2017 (6)	21.64
Warrants 2018 (1A)	18.66
Warrants 2018 (1B)	19.36

Convertible Bond Bid Price

The price offered for each Convertible Bond tendered to the Bid amounts to EUR 393,700.78.

Payment

If the Bid is successful, then within ten Business Days following announcement of the results of the Initial Acceptance Period, Sanofi shall pay to the Security Holders that have validly offered their Securities during the Initial Acceptance Period, the Bid Price or, in respect of Warrants exercised conditionally upon a successful closing of the Initial Acceptance Period of the Bid and the underlying Shares of which were tendered into the Bid and for which Sanofi advanced the exercise price, the Bid Price less the Warrant exercise price paid by Sanofi on behalf and for the account of the Warrant Holder.

	If there are subsequent Acceptance Periods (due to one or more reopening(s) of the Bid, including within the context of a Squeeze Out), then within ten Business Days following the announcement of the results of the subsequent Acceptance Period(s), Sanofi shall pay the Bid Price. The Bid Price shall be paid to the Security Holders that have duly accepted the Bid, without condition or restriction, by wire transfer to the bank account specified by the Security Holders in their Acceptance Form.
Justification of the Price of the Bid	**Justification of the Share Bid Price** Sanofi offers a Share Bid Price of EUR 45 for each Share. The Share Bid Price has been based on the most relevant and the most commonly used financial analyses in similar contexts. First, Sanofi has used methods that provide context to the bid price, such as an analysis of the historical share price performance, an analysis of the broker target prices, and an analysis of the premia observed in selected biopharmaceutical public takeover transactions. In all three cases, the Share Bid Price that is offered by Sanofi represents a significant premium to the valuation implied by the above-mentioned financial analyses. In addition, Sanofi used the Discounted Cash Flow ("DCF") valuation method as part of its multi-criteria approach. A DCF analysis aims at determining the enterprise value of a company by discounting its future free cash flows at the weighted average cost of capital. Given the nature of Ablynx's business, it should be noted that there is a high degree of variability in a number of assumptions, and that the DCF only reflects the value attributable to the most advanced product candidate, caplacizumab. The share bid price that is offered by Sanofi is consistent with the results of the DCF valuation method. **Justification of the Warrant Bid Price** Sanofi has valued the Warrants on the basis of their intrinsic value at the Bid Price. The Warrant Bid Price is different for each category of Warrants. As the Warrants are not freely transferrable, they cannot be tendered directly into the Bid. Therefore, Sanofi has made a valuation of the Warrants which calculates their intrinsic value, thus providing the full benefit of the Bid to Warrant Holders.

	Justification of the Convertible Bond Bid Price The Convertible Bond Bid Price amounts to EUR 393,700.78 per Convertible Bond tendered during the Initial Acceptance Period from 4 April 2018 through 4 May 2018, or any later date announced in the event of an extension. The Convertible Bond Bid Price has been determined in such a way that it is in general equivalent to the value Convertible Bonds Holders would get by converting the Convertible Bonds after a Change of Control has occurred at the end of the Initial Acceptance Period, i.e. at an enhanced Conversion Price (the Change of Control Conversion Price – CoCCP), and subsequently tendering the underlying Shares in the Bid. On 29 January 2018, at the time when Sanofi and Ablynx published a press release to announce they had entered into a definitive agreement under which Sanofi would acquire Ablynx, the announced Convertible Bond Bid Price had been determined based on the ask closing price of the Convertible Bonds on 26 January 2018, being the day preceding the announcement date, not taking into account the Share Bid Price. Later on, Sanofi decided to take into account the Share Bid Price and to anticipate the impact of an event of a Change of Control on the conversion ratio, in the framework of the determination of the Convertible Bond Bid Price.
Conditions of the Bid	The Bid is subject to the following conditions precedent: (i) the tendered (and not withdrawn) Shares, Warrants, Convertible Bonds and ADSs represent at least 75% of the number of Shares at the end of the Initial Acceptance Period of the Bid; (ii) the waiting period (and any extension thereof) applicable to the Bid under US antitrust law shall have expired or been terminated and the consent or approval required under German antitrust law shall have been received. This condition precedent has been fulfilled; (iii) no change or event has occurred prior to the publication of the results of both the Bid and the U.S. Bid that results in, or is at that moment reasonably likely to result in, a material loss or liability of Ablynx or its Subsidiary; (iv) with respect to the U.S. Bid only, the Bid has not been withdrawn ("*intrekking*") by Sanofi; and (v) there is no judgment of any kind issued in the United States that would make the U.S. Bid illegal or otherwise prohibit the consummation thereof. Sanofi has the right to waive the aforementioned conditions, in whole or in part (except for the condition in (iv), which is only applicable to the U.S Bid) at any time. Sanofi shall publish its decision in this respect at the latest at the time of publication of the results of the Initial Acceptance Period of the Bid.

Projected timetable	**Event**	**Scheduled Date**
	Filing of the first takeover notice	29 January 2018
	Publication of the first notice pursuant to Article 7 of the Takeover RD	29 January 2018
	Approval of the Prospectus by the FSMA	27 March 2018
	Publication of the Prospectus	3 April 2018
	Opening of the Initial Acceptance Period	4 April 2018
	Close of the Initial Acceptance Period	4 May 2018
	Publication of the results of the Bid	14 May 2018
	Initial Payment Date (i.e. settlement)	18 May 2018
	Voluntary reopening, mandatory reopening (in one of the instances mentioned in Article 35 of the Takeover RD) or Squeeze Out (if the Bidder holds at least 95% of the Shares)	22 May 2018
	Closing of the second Acceptance Period (if applicable)	5 June 2018
	Publication of the results of the period of reopening of the Bid (and Squeeze Out, as the case may be)	12 June 2018
	Payment date following the period of reopening of the Bid (and Squeeze Out, as the case may be) (i.e. settlement)	19 June 2018
	Each amendment to the timetable above will be communicated in a press release and through the Belgian financial press.	
Initial Acceptance of the Bid	The Initial Acceptance Period for the Bid runs from 4 April 2018 until 11:00 p.m. CET on 4 May 2018, subject to extension. Shareholders can tender their Shares to the Bid, by filling out the Acceptance Form 1(a) in accordance with the instructions set out in Section 7.8.1.1 or by otherwise registering their acceptance, directly or indirectly, with the Receiving & Paying Agents.	

	Warrant Holders can tender the Shares, underlying Warrants which are being exercised either unconditionally or conditionally (the condition being a successful closing of the Initial Acceptance Period of the Bid), to the Bid, by filling out the Exercise and Acceptance Form 1(b) in accordance with the instructions set out in Section 7.8.1.2. Convertible Bond Holders can tender their Convertible Bonds to the Bid, by filling out the Acceptance Form 1(c) in accordance with the instructions set out in Section 7.8.1.3 or by otherwise registering their acceptance, directly or indirectly, with the Centralizing Agent. Convertible Bond Holders can also tender the Shares resulting from the conversion of the Convertible Bonds to the Bid. The Security Holders should be aware that submission of the Forms (along with any other document that could be required) at the offices of any intermediary where such Forms should be submitted is only possible during regular business hours. The Security Holders are advised to inquire on these regular business hours. With respect to the Warrants, the Forms can still be submitted by e-mail after such regular business hours, until 11:00 p.m. CET on the last day of the Initial Acceptance Period.
Withdrawal of the Bid	In accordance with Article 25 (1) of the Takeover RD, Security Holders that have accepted the Bid may still withdraw their acceptance during the Initial Acceptance Period (or any subsequent Acceptance Period(s)), in accordance with the instructions set out in Section 7.8.2.
Centralizing Agent	BNP Paribas Fortis NV/SA acts as the Centralizing Agent in the context of the Bid.
Prospectus	The Prospectus was approved by the FSMA on 27 March 2018, in accordance with Article 19 §3 of the Takeover Act. An electronic version of the following documents related to the Bid is available on the websites of the Receiving & Paying Agents (for BNP Paribas Fortis NV/SA, https://www.bnpparibasfortis.be/epargneretplacer (French and English) and https://www.bnpparibasfortis.be/sparenenbeleggen (Dutch and English); for KBC Securities NV/SA in cooperation with KBC Bank NV/SA, https://www.kbcsecurities.com/prospectus-documents-overviews/prospectus-overview, https://www.kbc.be, https://www.cbc.be and https://www.bolero.be), Sanofi (https://www.sanofi.com/en/investors/tender-offers-ablynx and https://www.sanofi.com/fr/investisseurs/offres-ablynx) and Ablynx (http://www.ablynx.com/investors/sanofi-takeover-bid/): – an English and Dutch version of the Prospectus (including the Forms); – a Dutch and French translation of the summary of the Prospectus and Forms.

	A hard copy of the documents listed here above is available free of charge (i) at the counters of the Receiving & Paying Agents or (ii) by phoning the Receiving & Paying Agents at +32 (0)2 433 41 13 (BNP Paribas Fortis NV/SA), +32 (0)78 15 21 53 (KBC Bank NV/SA, Dutch & English), +32 (0) 800 92 020 (CBC Banque NV/SA, French & English) or +32 32 83 29 81 (Bolero by KBC Securities NV/SA, Dutch, French & English). In the event of inconsistencies between the Dutch version of the Prospectus, on the one hand, and the English version of the Prospectus as approved by the FSMA, on the other, the English version shall prevail. In the event of inconsistencies between the French version of the summary of the Prospectus, on the one hand, and the English version of the summary as approved by the FSMA, on the other, the English version shall prevail. Sanofi has verified the translations and is responsible for its consistency.
Receiving & Paying Agents	BNP Paribas Fortis NV/SA and KBC Securities NV/SA in cooperation with KBC Bank NV/SA act as the Receiving & Paying Agents in the context of the Bid. The Receiving & Paying Agents shall collect the Acceptance Forms, directly or indirectly, and ensure payment of the Bid Price.
Response memorandum & opinion works council	The board of directors of Ablynx recommends acceptance of the Bid by its Security Holders. In accordance with Articles 22 and following of the Takeover Act and Articles 26 and following of the Takeover RD, the board of directors of Ablynx has (i) studied the Bid and this Prospectus as submitted with the FSMA, and (ii) drawn up the response memorandum, a copy of which is appended hereto as **Annex 8**. The opinion of the works council of Ablynx on the Bid in accordance with Article 44 of the Takeover Act, is appended hereto as **Annex 9**.
Applicable law and jurisdiction	The Bid is governed by Belgian law, in particular the Takeover Act and the Takeover RD. Any dispute relating to the present Bid shall be submitted to the exclusive jurisdiction of the Market Court (*Marktenhof* / *Cour des Marchés*) (Belgium).

1. DEFINITIONS

For the purposes of this Prospectus, the following capitalised terms shall have the meanings set out below:

Ablynx or Target	the company targeted by the Bid made by Sanofi, namely Ablynx NV, a public limited liability company (*naamloze vennootschap*) incorporated and existing under the laws of Belgium, having its registered office at Technologiepark 21, 9052 Ghent/Zwijnaarde, Belgium and registered with the Crossroads Bank For Enterprises under number 0475.295.446 (RLE Ghent, section Ghent)
Acceptance Forms	the forms attached hereto as **Annex 1**, **Annex 2** and **Annex 3** allowing Security Holders to accept the Bid, or any other form provided by the Security Holders' financial institution for the purpose of tendering Securities into the Bid
Acceptance Period	the Initial Acceptance Period of the Bid and/or the subsequent acceptance period(s) of any reopening of the Bid (including within the context of a squeeze-out)
Act of 2 May 2007	the Act of 2 May 2007 on the disclosure of major shareholdings in issuers whose shares are admitted to trading on a regulated market, as amended from time to time
ADS	any of the American Depositary Shares, each representing 1 Share. At the date of the Prospectus, there are 9,926,407 ADSs outstanding
AMF	the *Autorité des Marchés Financiers*, the French financial markets regulator
Bid	the voluntary and conditional takeover bid in cash made by Sanofi for the Shares, Warrants and Convertible Bonds of Ablynx, in accordance with the Takeover Act and the Takeover RD, as detailed in Section 7 (*The Bid*) of the Prospectus
Bid Price	the Share Bid Price, the Warrant Bid Price and the Convertible Bond Bid Price
Business Day	any day on which the Belgian and French banks and the banks of the state of New York are open to the public, except Saturdays and Sundays, as defined in Article 3 §1 (27) of the Takeover Act

Centralizing Agent	BNP Paribas Fortis NV/SA, a public limited liability company (*naamloze vennootschap*) incorporated and existing under the laws of Belgium, having its registered office at Warandeberg 3, 1000 Brussel, Belgium and registered with the Crossroads Bank For Enterprises under number 0403.199.702 (RLE Brussels)
Company Code	The Belgian Company Code, as in effect on the date of the Prospectus
Convertible Bond Bid Price	the cash compensation granted by Sanofi for each Convertible Bond tendered in the framework of the Bid, as detailed in Section 7.1.3 (*Bid Price*)
Convertible Bond Holder	any holder of one or several Convertible Bonds
Convertible Bonds	any of the 983 outstanding EUR 100,000,000 3.25% Senior Unsecured Convertible Bonds due on 27 May 2020 issued by Ablynx on 27 May 2015 in the denomination of EUR 100,000 per bond and listed on the open market Frankfurt MTF (*Freiverkehr*) (ISIN: BE6278650344)
Exchange Act	the United States Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
Exercise Form 1(b)	the form attached hereto as **Annex 2** allowing Warrant Holders (i) to conditionally exercise their Warrants (the condition being a successful closing of the Initial Acceptance Period of the Bid), or any other form provided by the Security Holders' financial institution for the purpose of conditionally exercising the Warrants and (ii) to tender the underlying Shares in the Bid
Forms	the Acceptance Forms and the Withdrawal Form
FSMA	the Belgian Financial Services and Markets Authority
Heads of Agreement	the agreement entered into on 28 January 2018 between Sanofi and Ablynx relating to the Bid
Initial Acceptance Period	the initial acceptance period of the Bid during which Security Holders may tender their Securities under the Bid, starting at 9 a.m. CET on 4 April 2018 and ending at 11:00 p.m. CET on 4 May 2018, subject to the extension of the Initial Acceptance Period, as mentioned in Section 7.5.2 (*Extension*)

Lazard	Lazard Frères S.A.S., a limited liability company (*société par actions simplifiée*) incorporated and existing under the laws of France, having its registered office at 121 Boulevard Haussmann, 75008 Paris, France and registered with the Paris Commercial and Companies Register under number 334 961 737, and Lazard SPRL, a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Belgium, having its registered office at Avenue Louise 326, 1050, Ixelles and registered with the Crossroads Bank for Enterprises under number 0899.695.289 (RLE Brussels, French speaking section)
Morgan Stanley	Morgan Stanley & Co. International plc, company incorporated under the laws of England and Wales, having its registered office at 25 Cabot Square, Canary Wharf, London, E14 4QA, United Kingdom and company number 02068222
Novo Nordisk	Novo Nordisk A/S, a company incorporated and existing under the laws of Denmark, having its registered office at Novo Alle 1, 2880 Bagsværd, Denmark and registered with the Danish commercial register under number 24256790
Prospectus	the present prospectus, including the Annexes which form an integral part hereto, and any possible supplement published in accordance with the applicable laws
Receiving & Paying Agents	(i) BNP Paribas Fortis NV/SA, a public limited liability company (*naamloze vennootschap*) incorporated and existing under the laws of Belgium, having its registered office at Warandeberg 3, 1000 Brussel, Belgium and registered with the Crossroads Bank For Enterprises under number 0403.199.702 (RLE Brussels) and (ii) KBC Securities NV/SA, a public limited liability company (*naamloze vennootschap*) incorporated and existing under the laws of Belgium, having its registered office at Havenlaan 2, 1000 Brussel, Belgium and registered with the Crossroads Bank For Enterprises under number 0437.060.521 (RLE Brussels), in cooperation with KBC Bank NV/SA.
Sanofi Group	the group to which Sanofi belongs, as described in Section 4.5 (*Structure of the Sanofi Group*).
Sanofi or the Bidder	Sanofi, a public limited liability company (*société anonyme*) incorporated and existing under the laws of France, having its registered office at 54 rue La Boétie, 75008 Paris, France and registered with the Paris Commercial and Companies Register under number 395 030 844

SEC	the United States Securities and Exchange Commission
Section	any section of this Prospectus
Securities	the Shares, the Warrants and the Convertible Bonds
Security Holder	any holder of one or several Securities
Share Bid Price	the cash compensation granted by Sanofi for each Share tendered in the framework of the Bid, as detailed in Section 7.1.3 (*Bid Price*)
Shareholder	a holder of one or more Shares
Shares	any of the ordinary shares, issued by Ablynx now or hereafter, of which 9,926,407 are in the form of ADSs, representing the entire share capital of Ablynx (at the date of the Prospectus, there are 75,253,667 Shares outstanding)
Squeeze Out	a squeeze out made by Sanofi, in accordance with Articles 42 and 43 of the Takeover RD and Article 513 of the Company Code, pertaining to the Securities, on the same terms as the Bid, if (i) Sanofi's stake reaches 95% or more of the Shares upon close of the Bid, or subsequent thereto in connection with the reopening of the Bid, and (ii) provided it has acquired, through acceptance of the bid, at least 90% of the Shares that form the object of the Bid
Subsidiary	Ablynx, Inc., a wholly owned subsidiary of Ablynx, a corporation incorporated and existing under the laws of Delaware, having its registered office at 251 Little Falls Drive, City of Wilmington, County of New Castle, State of Delaware 19808 (United States) and registered with the companies register of Delaware under number 6575960
Takeover Act	the Act of 1 April 2007 on takeover bids, as amended from time to time
Takeover RD	the Royal Decree of 27 April 2007 on takeover bids, as amended from time to time
U.S. Bid	the takeover bid in the U.S. relating to (i) all ADSs and (ii) Shares held by U.S. Persons
U.S. Persons	any holder of Shares who is resident in the United States and any holder of ADSs

U.S., USA or United States	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdiction
Warrant Bid Price	the cash compensation granted by Sanofi for each Warrant tendered in the framework of the Bid, as detailed in Section 7.1.3 (*Bid Price*)
Warrant Holder	any holder of one or several Warrants
Warrants	any of the 2,747,725 warrants outstanding, giving right to a maximum of 2,747,725 new ordinary shares
Warrants 2008	any of the 70,417 outstanding warrants (exercise price EUR 4.88 per warrant) issued by Ablynx pursuant to the stock option plan of 22 September 2008
Warrants 2012	any of the 76,049 outstanding warrants (exercise price EUR 3.21 per warrant) issued by Ablynx pursuant to the stock option plan of 1 February 2012
Warrants 2013 (1)	any of the 100,000 outstanding warrants (exercise price EUR 6.44 per warrant) issued by Ablynx to consultants pursuant to the stock option plan of 29 January 2013
Warrants 2013 (2)	any of the 65,853 outstanding warrants (exercise price EUR 6.43 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 29 January 2013
Warrants 2013 (3A)	any of the 5,028 outstanding warrants (exercise price EUR 6.96 per warrant) issued by Ablynx pursuant to the stock option plan of 5 August 2013
Warrants 2013 (3B)	any of the 4,781 outstanding warrants (exercise price EUR 7.32 per warrant) issued by Ablynx pursuant to the stock option plan of 5 August 2013
Warrants 2014 (1)	any of the 101,168 outstanding warrants (exercise price EUR 9.09 per warrant) issued by Ablynx to consultants and members of the executive committee pursuant to the stock option plan of 24 April 2014
Warrants 2014 (2A)	any of the 53,084 outstanding warrants (exercise price EUR 8.85 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 24 April 2014

Warrants 2014 (2B)	any of the 4,252 outstanding warrants (exercise price EUR 8.84 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 24 April 2014
Warrants 2014 (2C)	any of the 3,500 outstanding warrants (exercise price EUR 8.25 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 24 April 2014
Warrants 2015 (1A)	any of the 20,000 outstanding warrants (exercise price EUR 10.13 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 16 March 2015
Warrants 2015 (1B)	any of the 118,742 outstanding warrants (exercise price EUR 9.50 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 16 March 2015
Warrants 2015 (2)	any of the 285,995 outstanding warrants (exercise price EUR 10.22 per warrant) issued by Ablynx to members of the executive committee pursuant to the stock option plan of 16 March 2015
Warrants 2015 (3)	any of the 150,000 outstanding warrants (exercise price EUR 12.10 per warrant) issued by Ablynx to members of the executive committee pursuant to the stock option plan of 14 September 2015
Warrants 2015 (4A)	any of the 38,000 outstanding warrants (exercise price EUR 12.29 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 14 September 2015
Warrants 2015 (4B)	any of the 27,500 outstanding warrants (exercise price EUR 11.67 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 14 September 2015
Warrants 2016 (1)	any of the 198,552 outstanding warrants (exercise price EUR 12.02 per warrant) issued by Ablynx to members of the executive committee pursuant to the stock option plan of 24 February 2016
Warrants 2016 (2A)	any of the 162,059 outstanding warrants (exercise price EUR 12.02 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 24 February 2016
Warrants 2016 (2B)	any of the 1,500 outstanding warrants (exercise price EUR 13.31 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 24 February 2016
Warrants 2016 (2C)	any of the 12,500 outstanding warrants (exercise price EUR 13.99 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 24 February 2016

Warrants 2017 (1)	any of the 33,244 outstanding warrants (exercise price EUR 12.33 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 22 February 2017
Warrants 2017 (2)	any of the 283,440 outstanding warrants (exercise price EUR 12.33 per warrant) issued by Ablynx to members of the executive committee pursuant to the stock option plan of 22 February 2017
Warrants 2017 (3)	any of the 183,061 outstanding warrants (exercise price EUR 12.33 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 22 February 2017
Warrants 2017 (4A)	any of the 89,000 outstanding warrants (exercise price EUR 12.26 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 20 September 2017
Warrants 2017 (4B)	any of the 42,500 outstanding warrants (exercise price EUR 12.96 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 20 September 2017
Warrants 2017 (4C)	any of the 150,000 outstanding warrants (exercise price EUR 13.32 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 20 September 2017
Warrants 2017 (4D)	any of the 10,000 outstanding warrants (exercise price EUR 17.84 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 20 September 2017
Warrants 2017 (4E)	any of the 37,500 outstanding warrants (exercise price EUR 19.78 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 20 September 2017
Warrants 2017 (5)	any of the 150,000 outstanding warrants (exercise price EUR 14.53 per warrant) issued by Ablynx to members of the executive committee pursuant to the stock option plan of 20 September 2017
Warrants 2017 (6)	any of the 150,000 outstanding warrants (exercise price EUR 23.36 per warrant) issued by Ablynx to members of the executive committee pursuant to the stock option plan of 20 September 2017
Warrants 2018 (1A)	any of the 20,000 outstanding warrants (exercise price EUR 26.34 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 17 January 2018

Warrants 2018 (1B)	any of the 100,000 outstanding warrants (exercise price EUR 25.64 per warrant) issued by Ablynx to employees pursuant to the stock option plan of 17 January 2018
Withdrawal Form	the form attached hereto as **Annex 4** allowing Security Holders to withdraw their acceptance of the Bid, or any other form provided by the Security Holders' financial institution for the purpose of withdrawing the acceptance of the Bid

2. IMPORTANT NOTICES

2.1 INFORMATION CONTAINED IN THE PROSPECTUS

The Prospectus contains the only information authorised about the Bid. Sanofi has not authorised any other person to provide information to Security Holders other than that contained in the Prospectus or the Schedule TO and related documents filed with the SEC. The information contained in the Prospectus is correct as of its date. Any new significant fact or any material error or inaccuracy in the information contained in the Prospectus which could influence the evaluation of the Bid, occurring or noticed between approval of the Prospectus and the close of the final Acceptance Period, shall be mentioned in a supplement to the Prospectus, in accordance with Article 17 of the Takeover Act.

Security Holders are requested to read the Prospectus carefully and in its entirety and to base their decision on their own analysis of the terms and conditions of the Bid, taking into account the advantages and disadvantages it presents. Any summary or description contained in the Prospectus relating to legal provisions, corporate or restructuring transactions or contractual relations is provided for information purposes only and should not be construed as a legal or tax opinion on the interpretation or applicability of such provisions. If in doubt as to the substance or meaning of information contained in the Prospectus, Security Holders are requested to seek advice from an accredited financial consultant or professional specialising in the purchase and sale of financial instruments.

2.2 RESTRICTIONS

It is prohibited to copy or distribute all or part of this Prospectus and to disclose its content or use the information contained herein for any purpose other than assessment of the Bid, unless the information is already publicly available in another form. Receipt by a Security Holder of this Prospectus indicates that Security Holder's agreement with the foregoing and the following provisions.

This Prospectus does not constitute an offer to buy or sell Securities or the solicitation of an offer to buy or sell Securities (i) in a jurisdiction where such an offer or solicitation is not authorised or (ii) vis-à-vis any person to whom it would be unlawful to make such an offer or solicitation. It is the responsibility of every person in possession of this Prospectus to obtain information regarding the existence of such restrictions and to ensure that they are observed, where appropriate.

No action has been or will be taken elsewhere than in Belgium and the United States of America to allow a public bid in any jurisdiction in which such steps would be required.

Neither the Prospectus, the Acceptance Form nor any advertisement or other information shall be publicly disseminated in a jurisdiction other than Belgium and the United States of America in which a registration, authorisation or other obligation exists or could exist with respect to an offer to buy or sell Securities or a solicitation to that end by any person. Sanofi expressly disclaims all liability for any violation of the present restrictions by any person.

2.3 NOTICE TO U.S. PERSONS

Each Security Holder resident in the U.S. is urged to consult with his or her independent professional adviser regarding any acceptance of the Bid including, without limitation, to consider the tax consequences associated with such Security Holder's election to participate in the Bid.

No offer to acquire securities has been made, or will be made, directly or indirectly, in or into, or by the use of mails or any means of instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the United States or any other country in which such offer may not be made other than (i) in accordance with the tender offer requirements under the Exchange Act or the securities laws of such other country, as the case may be or (ii) pursuant to an available exemption from such requirements.

Neither the SEC nor any U.S. federal, state or other securities commission or regulatory authority has registered, approved or disapproved the securities or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Bid described in this Prospectus is subject to the laws of Belgium. It is important for U.S. Persons to be aware that this Prospectus is subject to disclosure and takeover laws and regulations in Belgium that are different from those in the U.S. The U.S. Bid is being made in the United States pursuant to the tender offer requirements under the Exchange Act. Accordingly, the Bid is subject to certain disclosure and other procedural requirements which may differ from those applicable under U.S. domestic tender offer procedures and laws. In addition, U.S. Persons should be aware that this Prospectus has been prepared in accordance with Belgian format and style, which may differ from the U.S. format and style.

It may be difficult to enforce any rights and any claim arising under the U.S. federal securities laws since Sanofi and Ablynx are located in non-U.S. jurisdictions and certain of their officers and directors are or may be residents of non-U.S. jurisdictions and certain property of Sanofi and Ablynx is or may be located in non-U.S. jurisdictions. It may not be possible to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

Holders of the ADSs and Shares subject to the U.S. Bid who wish to participate in the U.S. Bid, are also urged to read the tender offer on Schedule TO that will be filed with the SEC by Sanofi and the related solicitation/recommendation statement on Schedule 14D-9 that will be filed with the SEC by Ablynx, respectively, relating to the U.S. Bid. You may obtain a free copy of these documents after they have been filed with the SEC, and other documents filed by Ablynx and Sanofi with the SEC, at the SEC's website at https://www.sec.gov.

2.4 AVAILABLE INFORMATION

The notice required by Article 11 of the Takeover Act, setting out the publication terms of the complete Prospectus, shall be published in the Belgian financial press around 3 April 2018.

An electronic version of the following documents related to the Bid is available on the websites of the Receiving & Paying Agents (for BNP Paribas Fortis NV/SA, https://www.bnpparibasfortis.be/epargneretplacer (French and English) and https://www.bnpparibasfortis.be/sparenenbeleggen (Dutch and English); for KBC Securities NV/SA in cooperation with KBC Bank NV/SA, https://www.kbcsecurities.com/prospectus-documents-overviews/prospectus-overview, https://www.kbc.be, https://www.cbc.be and https://www.bolero.be), Sanofi (https://www.sanofi.com/en/investors/tender-offers-ablynx and https://www.sanofi.com/fr/investisseurs/offres-ablynx) and Ablynx (http://www.ablynx.com/investors/sanofi-takeover-bid/):

- an English and Dutch version of the Prospectus (including the Forms);
- a Dutch and French translation of the summary of the Prospectus and Forms.

A hard copy of the following documents is available free of charge (i) at the counters of the Receiving & Paying Agents or (ii) by phoning the Receiving & Paying Agents at +32 (0)2 433 41 13 (BNP Paribas Fortis NV/SA), +32 (0)78 15 21 53 (KBC Bank NV/SA, Dutch & English), +32 (0) 800 92 020 (CBC Banque NV/SA, French & English) or +32 32 83 29 81 (Bolero by KBC Securities NV/SA, Dutch, French & English):

- an English and Dutch version of the Prospectus (including the Forms);
- a Dutch and French translation of the summary of the Prospectus and Forms.

In the event of inconsistencies between the Dutch version of the Prospectus, on the one hand, and the English version of the Prospectus as approved by the FSMA, on the other, the English version shall prevail. In the event of inconsistencies between the French version of the summary of the Prospectus, on the one hand, and the English version of the summary as approved by the FSMA, on the other, the English version shall prevail. Sanofi has verified the translations and is responsible for its consistency.

The text of the Prospectus, as available on the Internet, does not constitute a bid in a jurisdiction where such a bid is not authorised. It is expressly prohibited to reproduce the electronic version of the Prospectus on another website or in any other place, or to reproduce the Prospectus in printed form for distribution.

2.5 FORWARD-LOOKING STATEMENTS

The Prospectus contains forward-looking statements such as those with the terms: "believe", "foresee", "expect", "anticipate", "project", "pursue", "tend to", "may" and similar expressions, as well as future and conditional tenses. These forward-looking statements demonstrate and involve risks and uncertainties, and although Sanofi considers that the expectations and assumptions reflected in these forward-looking statements are based on reasonable and sensible hypotheses, nothing in this Prospectus can be construed as a guarantee that the subject projections will be realised or accomplished, nor that they will be proven exact. Such statements deal with known and unknown risks, uncertainties and other factors capable of leading to a substantial difference between the actual earnings, financial situation, performance or achievements of Sanofi or Ablynx and the future sector results, earnings, performance or achievements expressly or implicitly alluded to in these forward-looking statements. These forward-looking statements are only valid as of the date of the Prospectus. Sanofi expressly disclaims any obligation to update the forward-looking statements contained in this Prospectus if the relevant expectations, conditions, circumstances or facts on which they are based should change, unless such an update is required pursuant to Article 17 of the Takeover Act.

2.6 FINANCIAL AND OTHER INFORMATION

Certain financial and statistical information in this Prospectus has been rounded off and adjusted. Accordingly, the sum of certain data may not be equal to the expressed total.

Unless indicated otherwise in this Prospectus, the information, industry data, market share data and other data provided in this Prospectus was derived from independent industry publications, reports of marketing research and other independent sources or on Sanofi's management own estimates, believed by management to be reasonable. The information has been accurately reproduced and as far as Sanofi is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. Sanofi and its advisors have not independently verified this information. Furthermore, market information is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of data and other limitations and uncertainties inherent in any statistical survey of market information. As a result, the Security Holders should be aware that market share, ranking and other similar data in this Prospectus, and estimates and beliefs based on such data, may not be reliable.

2.7 APPLICABLE LAW AND JURISDICTION

The Bid is governed by Belgian law, in particular the Takeover Act and the Takeover RD.

The Market Court (*Marktenhof* / *Cour des Marchés*) (Belgium) shall have exclusive jurisdiction to settle any disputes relating to the present Bid.

3. GENERAL INFORMATION

3.1 APPROVAL BY THE FSMA

The English version of the Prospectus was approved by the FSMA on 27 March 2018, in accordance with Article 19 §3 of the Takeover Act. Such approval does not imply an assessment or evaluation of the merits or quality of the Bid or of the position of Sanofi or Ablynx.

In accordance with Article 5 of the Takeover RD, Sanofi formally notified the FSMA of its intention to proceed with the Bid on 29 January 2018. This notification was published by the FSMA on 29 January 2018 in accordance with Article 7 of the Takeover RD.

Apart from the FSMA, no other authority in any other jurisdiction has approved the Prospectus or the Bid. The Bid is launched in Belgium only and no action has been taken or will be taken to obtain authorisation to distribute the Prospectus outside Belgium.

3.2 RESPONSIBILITY FOR THE PROSPECTUS

Sanofi, represented by its board of directors ("*conseil d'administration*")[1], is exclusively responsible for the content of the Prospectus, in accordance with Article 21 of the Takeover Act, it being understood that, insofar as information relating to Ablynx and its Subsidiary is concerned (including but not limited to (i) the statutory financial statements of Ablynx for the financial year which ended on 31 December 2017, appended hereto as**Annex 6**, (ii) the consolidated financial statements of Ablynx for the financial year which ended on 31 December 2017, appended hereto as **Annex 7**, (iii) the response memorandum of the board of directors of Ablynx, appended hereto as **Annex 8** and (iv) the opinion of the works council of Ablynx, appended hereto as **Annex 9**), such information has been obtained from documents disclosed or made available by Ablynx. Any information from third parties identified in this Prospectus as such has been accurately reproduced and, as far as Sanofi is aware and is able to ascertain from the information published by a third party, does not omit any facts which would render the reproduced information inaccurate or misleading.

Subject to the foregoing, the board of directors ("*conseil d'administration*") of Sanofi confirms that, to the best of its knowledge, the content of this Prospectus is accurate, not misleading and consistent with reality and it does not contain any material omission capable of altering its scope.

No person is authorised to provide information or make statements about the Bid other than those contained in the Prospectus or claim that such information or statements were authorised by Sanofi.

3.3 FINANCIAL AND LEGAL ADVISORS TO SANOFI

Morgan Stanley and Lazard advised Sanofi on certain financial aspects of the Bid. This advice was provided for the sole benefit of Sanofi, and third parties may not rely on it. Morgan Stanley and Lazard accept no responsibility for the information contained in the Prospectus, and no part of that information may be construed as a promise, guarantee or opinion by Morgan Stanley and Lazard.

[1] See Section 4.3.1. for a description of the composition of the board of directors of Sanofi.

NautaDutilh BVBA advised Sanofi on certain legal aspects of the Bid as to Belgian law. Weil, Gotshal & Manges LLP advised Sanofi on certain legal aspects of the Bid as to U.S. law. This advice was provided for the sole benefit of Sanofi, and third parties may not rely on it. NautaDutilh BVBA and Weil, Gotshal & Manges LLP accept no responsibility for the information contained in the Prospectus, and no part of that information may be construed as a promise, guarantee or opinion by NautaDutilh BVBA and Weil, Gotshal & Manges LLP.

3.4 WORKS COUNCIL

The opinion of the works council of Ablynx on the Bid in accordance with Article 44 of the Takeover Act, is appended hereto as **Annex 9**.

3.5 RESPONSE MEMORANDUM OF ABLYNX'S BOARD OF DIRECTORS TO THE BID

In accordance with Articles 22 and following of the Takeover Act and Articles 26 and following of the Takeover RD, the board of directors of Ablynx has (i) studied the Bid and this Prospectus as submitted with the FSMA, and (ii) drawn up the response memorandum, a copy of which is appended hereto as **Annex 8**.

The response memorandum of Ablynx's board of directors was approved by the FSMA on 27 March 2018. The FSMA's approval of the response memorandum does not imply an assessment or evaluation of the merits or quality of the Bid or of the position of Sanofi or Ablynx.

4. THE BIDDER - SANOFI

4.1 IDENTIFICATION OF SANOFI

Corporate name	Sanofi
Registered office	54 rue La Boétie, 75008 Paris (France)
Date of incorporation and term of existence	28 April 1994 - 18 May 2093
Registre du Commerce et des Sociétés number	395.030.844 (R.C.S. Paris)
Corporate form	Public limited liability company (*société anonyme à conseil d'administration*)
Financial year	From 1 January until 31 December
Date of the annual general meeting	In the month of May of each year
Auditor(s)	PricewaterhouseCoopers Audit, a limited liability company (*société par actions simplifiée*) incorporated under French law with its registered office at 63 Rue de Villiers, 92200 Neuilly-sur-Seine, registered with the *Registre du Commerce et des Sociétés* (Nanterre) under number 672006483, permanently represented by Mr Stéphane Basset and Mr Philippe Vogt Ernst & Young et Autres, a joint-stock company (*société par actions simplifiée à capital variable*) incorporated under French law with its registered office at 1-2 Place des Saisons - Paris la Défense 1, 92400 Courbevoie, registered with the *Registre du Commerce et des Sociétés* (Nanterre) under number 438476913, permanently represented by Mr Nicolas Pfeuty.

4.2 CORPORATE PURPOSE OF SANOFI

Pursuant to Article 3 of its articles of association, the corporate purpose of Sanofi reads as follows:

Acquiring interests and holdings, in any form whatsoever, in any company or enterprise, in existence or to be created, connected directly or indirectly with the health and fine chemistry sectors, human and animal therapeutics, nutrition and bio-industry;

In the following areas:

- Purchase and sale of all raw materials and products necessary for these activities;
- Research, study, and development of new products, techniques and processes;
- Manufacture and sale of all chemical, biological, dietary and hygienic products;
- Obtaining or acquiring all intellectual property rights related to results obtained and, in particular, filing all patents, trademarks and models, processes or inventions;
- Operating directly or indirectly, purchasing, and transferring – for free or for consideration - pledging or securing all intellectual property rights, particularly all patents, trademarks and models, processes or inventions;
- Obtaining, operating, holding and granting all licences;
- Within the framework of a group-wide policy and subject to compliance with the relevant legislation, participating in treasury management transactions, whether as lead company or otherwise, in the form of centralized currency risk management or intragroup netting, or any other form permitted under the relevant laws and regulations;

And, more generally:

- All commercial, industrial, real or personal, property financial or other transactions, connected directly or indirectly, totally or partially, with the activities described above and with all similar or related activities and even with any other purposes likely to encourage or develop the company's activities.

4.3 MANAGEMENT STRUCTURE OF SANOFI & CORPORATE GOVERNANCE

Sanofi is a limited liability company with a board of directors (*société anonyme à conseil d'administration*), which is the most common type of limited liability company under French law.

The corporate governance of Sanofi has been organised in accordance with the AFEP-MEDEF Corporate Governance Code for listed companies. Sanofi is administered by a Board of Directors and run by the Chief Executive Officer and its Executive Committee (*comité exécutif*)

To enhance its overall effectiveness the board of directors has created four specialist committees namely:

- Audit Committee (*comité d'audit*);
- Compensation Committee (*comité des rémunérations*);
- Appointments and Governance Committee (*comité des nominations et de la gouvernance*);
- Strategy Committee (*comité de réflexion stratégique*).

On 6 March 2018, the board of directors announced the creation of a fifth specialist committee, the Scientific Committee.

4.3.1 The Board of Directors

The Board of Directors determines the orientation of Sanofi's business and supervises its implementation. It concerns itself with any issue of interest to the proper operation of Sanofi and through its deliberations resolves the business concerning it. Within the scope of its mission, the Board of Directors, amongst others:

- determines the strategic orientations of Sanofi, based on advice from the strategy committee, and more generally on any significant transaction involving notably major investments or divestments;
- appoints the corporate officers in charge of the management (executive committee) of the company and supervises their management;
- monitors the quality of information provided to the shareholders and to the financial markets through the financial statements and annual report or on the occasion of major transactions;
- appoints the members of the specialised committees which are tasked with providing specialist input to assist the board in its decision-making process.

When a director participates in board deliberations and casts his vote, he acts in the corporate interests of Sanofi.

According to Sanofi's board charter, at least half of the members of the Board of Directors shall be independent directors. The independence of directors shall be assessed by reference to the AFEP-MEDEF Code.

In addition to his or her obligations under the articles of association, each director must within no more than two years from his or her appointment as director hold 1,000 Sanofi shares in his or her own name. Directors shall be required to convert into registered form any financial instruments of the company they may hold at the time they assume office, and any that they may acquire during their term of office.

Pursuant to Article 11 of the articles of association of Sanofi, one employee representative director shall be designated by the trade union body which is the most representative, within the meaning of the applicable legislation, in the company and those of its direct or indirect subsidiaries that have their registered office in French territory, and one director shall be designated by the European Works Council.
Members of the Board of Directors are appointed for a maximum term of four years; reappointment of directors is on a rotation basis. No more than one third of the serving members of the Board of Directors may be aged more than 70.

At the date of the Prospectus, the Board of Directors consists of the following persons:

i. Mr Serge Weinberg (until the 2019 AGM) - Chairman and independent director

Mr Serge Weinberg is a French citizen. He holds a Bachelor's degree in Law, a Graduate Degree of Institut d'Études Politiques and is a Graduate of ENA (Ecole Nationale d'Administration).

Since 2009, he has been a director of Sanofi and was appointed Chairman of the Board in May 2010. He is also Chairman of the Strategy Committee and Chairman of the Appointments and Governance Committee of Sanofi. He was interim CEO between October 29, 2014 and April 1, 2015. Mr Serge Weinberg has been an independent director of Sanofi since October 2015.

Mr Serge Weinberg held different positions as a *sous-préfet* from 1976 to 1981, and became Chief of Staff of the French Budget Minister, Laurent Fabius, in 1981. After serving as Deputy General Manager for Finance at the French Television Channel FR3 (1982-1983), he became Chief Executive Officer and then Chairman of the Havas Tourisme Group from 1983 to 1987. He served as CEO of Pallas Finance for three years before joining the Pinault Group in 1990 as President of CFAO. In the Pinault Group he served as Chairman and CEO of Rexel from 1991 to 1995 and chaired the Management Board of the PPR Group (currently named Kering) for 10 years. He is Chairman of the investment firm Weinberg Capital Partners that he founded in March 2005. He is also Chairman of the supervisory board of Financière Climater SAS and of Financière Tess SAS, as well as a director of Madrigall.

He is also a member of the Board of the AFEP and a member of the Council on Foreign Relations.
He is also a founder of the Institute for Brain and Spinal Cord Disorders (ICM).

ii. Mr Olivier Brandicourt (until the 2018 AGM) - Chief Executive Officer

Mr Olivier Brandicourt is a French citizen. A physician by training, Mr Olivier Brandicourt has 29 years of global experience in the pharmaceutical industry. He joined Sanofi in April 2015 after serving as Chief Executive Officer of Bayer Healthcare AG since 2013. In this role, he was responsible for leading the company's global portfolio across the pharmaceuticals, consumer care, animal health, and medical care businesses.

Prior to Bayer Healthcare, Mr Brandicourt worked at Pfizer for 13 years, where he most recently served as a member of the Executive Leadership Team and as President and General Manager of the Emerging Markets and Established Products business units. Over his career at Pfizer, he served in a series of leadership positions, including heading its Global Primary Care business unit from 2009 to 2012 and its Global Specialty Care business unit from 2008 to 2009. He also led its Cardiology business in the U.S., as well as several regional operations around the world.

Mr Brandicourt started his career as a Medical Director for the Region Africa at Warner-Lambert/Parke-Davis, where he held other senior positions in medical and marketing before being appointed General Manager of Canada. He also spent eight years with the Institute of Infectious and Tropical Diseases at the Pitié-Salpêtrière Hospital in Paris with a focus on malaria research in West and Central Africa and two years in the Republic of Congo as a doctor.

He is a member of the Board of Management of the Pharmaceutical Research and Manufacturers of America (PhRMA), as well as a member of the Council of the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA), member and Vice-President of the European Federation of Pharmaceutical Industries and Associations (EFPIA). He is also member of the National Committee on US-China Relations and an Honorary Member of the Royal College of Physicians in London. He is also President of Sanofi Biotechnology SAS.

Mr Olivier Brandicourt studied medicine in Paris where he specialized in Infectious Diseases and Tropical Medicine (University of Paris V) and holds an Advanced Degree in Cellular and Immunological Pathophysiology from the Paris Descartes University. He also holds a Master's Degree in Biology (University of Paris XII).

iii. Mr Laurent Attal (until the 2020 AGM)

Mr Laurent Attal holds the French nationality. He holds a Doctorate of Medicine with a specialty in dermatology from the Faculty of Medicine in Paris, and holds an MBA from INSEAD (Institut Européen d'Administration des Affaires).

He has been a director of Sanofi and a member of the Strategy Committee since 2012.

Mr Laurent Attal joined L'Oréal in 1986 in France as a sales representative. Over the next several years he held various positions within the Active Cosmetics division and was appointed CEO of Vichy in 1994. Four years later, He was named President of the Active Cosmetics division, with brands including Vichy, La Roche-Posay and Innéov, joint venture between L'Oréal and Nestlé related to Nutricosmetics. In 2002, he became member of the Executive Committee of L'Oréal and Head of the pharmaceutical company Galderma, the joint-venture between Nestlé and L'Oréal. From 2005 to 2009 he was President and CEO of L'Oréal USA. Since January 2010, he is Executive Vice-President Research and Innovation at L'Oréal.

Mr Laurent Attal is also director of the Fondation d'Entreprise L'Oréal.

iv. Mr Robert Castaigne (until the 2018 AGM) - independent director

Mr Robert Castaigne is a French citizen. He holds a degree from Ecole Centrale de Lille and Ecole Nationale Supérieure du Pétrole et des Moteurs and holds a Doctorate in economics.

He has been a Director of Sanofi since 2000 and has been qualified as independent director since May 4, 2012. He also serves as Chairman of the Audit Committee since March 2015.

Between 1972 and 2008, Mr Robert Castaigne held various positions at the Total group, including Chief Financial Officer and member of the Executive Committee (1994-2008).
Mr Robert Castaigne is currently director of Société Générale, Vinci and Novatek.

v. Mr Bernard Charlès (until the 2021 AGM) - independent director

Mr Bernard Charlès is a French citizen. Mr Bernard Charlès has served since May 2016 as Vice-Chairman and Chief Executive Officer of Dassault Systèmes, a world leader in 3D software with over 220,000 customers in 12 industry sectors. He has been CEO of Dassault Systèmes since September 1995. He joined the company in 1983 and created the New Technology, Research and Strategy division, before being appointed Director for Strategy, Research and Development in 1988. Through his contributions to digital mock-up, product lifecycle management and 3DEXPERIENCE®, Mr Bernard Charlès helped install a culture of ongoing innovation to further consolidate Dassault Systèmes' scientific capabilities and make science part of the company's identity.

He has been an independent Director of Sanofi since 2017.

Mr Bernard Charlès is a member of the Academy of Technology (France) and of the National Academy of Engineering (United States).

He is a graduate of the Ecole Normale Supérieure engineering school in Cachan and has a Ph.D. in mechanical engineering majoring in automation engineering and information science. He also holds an Aggregation in mechanical engineering; this is the most senior teaching qualification achievable in France.

vi. Ms Claudie Haigneré (until the 2020 AGM) - independent director

Ms Claudie Haigneré holds the French nationality. She is a rheumatologist, with a Doctorate in sciences majoring in neurosciences. In 1985 she was selected by the CNES (French National Space Center) as an astronaut candidate.

She has been an independent director of Sanofi since 2008, member of the Appointments and Governance Committee and of the Compensation Committee.

Ms Claudie Haigneré began her career as a rheumatologist at Cochin Hospital in Paris in 1984. In 1996, she participated in the scientific space mission to the MIR space station (Cassiopée, Franco-Russian mission), then in 2001, in the scientific and technical space mission to the International Space Station (Andromède mission). From 2002 to 2004, she was Deputy Minister for Research and New Technologies in the French government, then Deputy Minister for European Affairs from 2004 to 2005. Between 2005 and 2009, she was Counselor to the European Space Agency (ESA).

Ms Claudie Haigneré is currently a director for several foundations in France: Fondation de L'Université de Lyon, Fondation C-Génial, Fondation d'Entreprise L'Oréal. She is also Member of Académie des Technologies, of Académie des Sports, of Académie Nationale de l'Air et de l'Espace and Académie des Sciences de l'Outre-Mer.

vii. Mr Patrick Kron (until the 2018 AGM) - independent director

Mr Patrick Kron holds the French nationality. He is a graduate of École polytechnique and the Paris École des mines.

He has been an independent Director of Sanofi since 2014 and currently serves as Chairman of the Compensation Committee of Sanofi and Member of the Appointments and Governance Committee and the Strategy Committee of Sanofi.

Mr Patrick Kron started his career in the French Ministry of Industry where he served from 1979 until 1984. He then joined the Pechiney Group where from 1984 until 1988 he held operational responsibilities in one of the Group's most important factories in Greece, becoming manager of the Greek subsidiary. From 1988 to 1993, he occupied several senior operational and financial positions within Pechiney, first managing a group of activities in the processing of aluminium and eventually as President of the Electrometallurgy Division. In 1993, he became a member of the Executive Committee of the Pechiney Group and was appointed Chairman of the Board of the Carbone Lorraine Company, a position he held until 1997. From 1995 to 1997, he ran the Food and Health Care Packaging Sector of Pechiney and held the position of Chief Operating Officer of the American National Can Company in Chicago (USA). From 1998 to 2002, Patrick Kron was Chief Executive Officer of Imerys before joining Alstom in 2002.

He has been Chief Executive Officer of Alstom since January 1, 2003, and Chairman and Chief Executive Officer since March 11, 2003.

Patrick Kron was awarded the Légion d'honneur in 2004 and is Officer of National Order of Merit since 2007. Additionally, he is a Director of Bouygues, Lafarge-Holcim and Elval Halcor S.A., Chairman of Truffle Capital SAS and of PKC&I SAS and Vice-President of the Les Arts Florissants choral group association.

viii. Ms Fabienne Lecorvaisier (until the 2021 AGM) - independent director

Ms Fabienne Lecorvaisier holds the French nationality. She is a graduate of Ecole Nationale des Ponts et Chaussées.

She is an independent director at Sanofi and serves as a member of the Audit Committee since 2013.

Ms Fabienne Lecorvaisier began her career at Société Générale and later held various positions at Barclays Bank and the Banque du Louvre. In 1993, she joined the Essilor Group as Development Director before being appointed Finance and Information Systems Director of Essilor America in 1996, then Chief Financial Officer of the Group in 2001 and Senior Vice-President Strategy and Acquisitions in 2007. In 2008, she was appointed Chief Financial Officer of the Air Liquide Group, and member of its Executive Committee. Since July 2017, she has been appointed Executive Vice President of the Air Liquide Group in charge of Finance, Operations Control and General Secretariat. In addition to her current functions, the Legal Department, the General Control Departement and the Shareholders Services report to her.

Ms Fabienne Lecorvaisier is Chairwoman and Chief Executive Officer of Air Liquide Finance SA and Air Liquide Welding SA and a Director of Air Liquide International, Air Liquide France Industries, Air Liquide Eastern Europe and Aqualung International SA, as well as a Director of American Air Liquide Holdings and SOAEO. She is also Executive Vice President of Air Liquide International Corporation and Manager of Air Liquide US LLC.

ix. Ms Melanie Lee (until the 2021 AGM) - independent director

Ms Melanie Lee is a British citizen. Ms Melanie Lee, PhD, CBE, is Chief Scientific Officer at BTG plc (since November 2014), a company which operates in interventional medicine in vascular disease, oncology and pulmonology.

Following her academic career she spent 10 years at Glaxo/GlaxoWellcome (1988-1998). In 1998, Ms Melanie Lee joined Celltech plc as Executive Director of Research. Celltech plc was subsequently acquired by UCB where she became Executive Vice President, Research and Development. After leaving UCB in 2009 she had a successful tenure as CEO at Syntaxin Ltd, a UK based biotech and following the sale to Ipsen, founded NightstaRx Ltd, a Syncona backed company in 2014.

Ms Melanie Lee received an undergraduate degree in Biology from the University of York and then a Ph.D. at National Institute for Medical Research in London. She worked as a molecular genetics postdoc, first at Imperial College London on yeast and then from 1985 with Sir Paul Nurse, a Nobel Prize winner, at the Imperial Cancer Research Fund's Lincoln's Inn Laboratories. Ms Lee received her CBE for services to medical science in 2009.

x. Ms Suet-Fern Lee (until the 2019 AGM) - independent director

Ms Suet-Fern Lee is a Singaporean citizen. She holds a law degree from Cambridge University.

She has been an independent director of Sanofi since 2011.

Ms Suet-Fern Lee qualified as a Barrister-at-Law at Gray's Inn, London in 1981 before being admitted to the Singapore Bar in 1992. She is Partner of Morgan Lewis & Bockius LLP and a Member of the Board.

Since 2006, she is a member of the Board of Trustees of Nanyang Technological University and of the Accounting Advisory Board of National University of Singapore Business School. In 2007, she became a member of the Advisory Committee of the Singapore Management University School of Law.

Suet-Fern Lee is currently a Board Member of Axa and member of the Supervisory Board of Rothschild in France. In Singapore, she is a Director of Stamford Corporate Services Pte Ltd. In the United States, she is a Director of the World Justice Project and of Morgan Lewis & Bockius. In the Cayman Islands, she is a Director of Caldecott Inc.

xi. Mr Christian Mulliez (until the 2018 AGM)

Mr Christian Mulliez is a French citizen. He holds a degree from ESSEC (Ecole Supérieure des Sciences Economiques et Commerciales).

He has been a director of Sanofi since 2004, and serves as member of the Audit Committee and the Compensation Committee.

From 1984 to 2002, Mr Christian Mulliez held various positions at Synthélabo and then at Sanofi-Synthélabo, including Vice President Finance. Since 2003, he has been Executive Vice President and Chief Financial Officer of L'Oréal.

Mr Christian Mulliez is also Chairman of the Board of Directors of Regefi and Director of DG 17 Invest in France. He is a Director of L'Oréal USA Inc.

xii. Ms Carole Piwnica (until the 2020 AGM) - independent director

Ms Carole Piwnica is a Belgian citizen. She holds a degree in law from Université Libre de Bruxelles and a Masters in law from New York University.

She is an independent director of Sanofi since 2010 and a member of the Audit Committee.

Member of the bar of New York and Paris, Ms Carole Piwnica started her career in 1985 at Proskauer Rose, New York, before joining the merger & acquisitions department of Shearman & Sterling, Paris, in 1987. She was General Counsel at Gardini et Associés from 1991 to 1994 when she joined Amylum Group where she was Chairman from 1996 to 2000. Between 1996 and 2006, she was Vice-president and Board Member of Tate & Lyle Plc, a world leader in sugar derivatives.

Ms Carole Piwnica currently is a Board Member of Eutelsat Communications, Member of the Supervisory Board, of the audit committee and Strategic committee of Rothschild & Co in France. She is also Director of Naxos UK Ltd, a company specialized in private equity consulting in the UK, Director of Big Red, Elevance and Amyris Inc. in the U.S. and Director of i20 in the United Kingdom.

xiii. Ms Diane Souza (until the 2020 AGM) - independent director

Ms Diane Souza is a U.S. citizen. She holds a degree in Accounting from University of Massachusetts and an honorary doctorate in Business Studies from University of Massachusetts Dartmouth. She is a certified public accountant.

Ms Diane Souza has been an independent director of Sanofi and a member of the Compensation Committee since 2016.

Diane Souza started her career as an Audit Staff Accountant at Price Waterhouse in 1979, then held various positions at Deloitte Haskins & Sells from 1980-1988 before returning to Price Waterhouse from 1988-1994. From 1994-2006, she held various senior positions at Aetna Inc. From 2007-2008, she served as Principal Consultant at Strategic Business Solutions, LLC and from 2008-2014, she served as Chief Operating Officer of OptumHealth Specialty Benefits, then Chief Executive Officer of UnitedHealthcare Specialty Benefits. She is a Director at Farm Credit East in the United States.

xiv. Mr Thomas Südhof (until the 2020 AGM) - independent director

Mr Thomas Südhof, MD, is a German and U.S. citizen. He holds a Medical Degree from the University of Göttingen Medical School (Germany).

Mr Thomas Südhof has been an independent director of Sanofi since 2016.

He is the Avram Goldstein Professor in the School of Medicine of Stanford University, as well as a Professor of Molecular & Cellular Physiology, Neurosurgery, Psychiatry, and Neurology. Prior to this position, he spent 25 years at the University of Texas, Southwestern, where he acted as Chairman of the Department of Neuroscience. Most of his research at that time focused on the mechanisms of synaptic information transmission which have pharmacological consequences for the treatment of neurodegenerative and neuro-psychiatric diseases. Mr Thomas Südhof, MD, won the Nobel Prize in Physiology or Medicine (shared with James Rothman and Randy Shekman) in 2013, the Albert Lasker Medical Basic Research Award together with Richard Scheller, as well as the Bernhard Katz Award of the Biophysical Society (shared with Reinhard Jahn).

xv. Ms Marion Palme (until the 2021 AGM) - director representing employees

Ms Marion Palme is a German citizen. She holds a Bachelor of Science in Chemical Engineering from Provadis School of International Management and Technology (Frankfurt, Germany).

She has been a director of Sanofi representing employees since May 2017. She has been an employee of Sanofi since 2002.

Marion was a member of the European Works Council from 2010 to 2017. She is a member of the German Industrial Union Mining, Chemistry, Energy (IG BCE).

xvi. Mr Christian Senectaire (until the 2021 AGM) - director representing employees

Mr Christian Senectaire is a French citizen. He has 30 year experience in employee representative bodies and social dialogue.

He has been a director at Sanofi representing employees since May 2017. He was designated by the CFDT, the company's first trade union organization in France.

Mr Christian Senectaire has been with Sanofi (and former companies Roussel-Uclaf, HMR, Aventis) since 1985.

He is a qualified production technician at Sanofi's Vertolaye site (Auvergne-Rhône-Alpes region).
He has been involved in employee representation since 1987.

Specifically, he has been an alternate member of the Works Council at the Vertolaye site and of the Sanofi Chimie Works Central Council (1995-2017) and Secretary of this body (2005 to 2006), the Committee on hygiene, safety and working conditions (CHSCT) and the employee representatives; member of the Sanofi Group Works Council (2005-2017) and Secretary of this body (2010 to 2013). He has also been the Central Delegate for the CFDT union, Sanofi Chimie from 2013 to 2017 and Deputy Group Delegate for the CFDT union, Sanofi France from 2015 to 2016.

Mr Christian Senectaire has also been a member of the supervisory boards of PEG and PERCO (Group savings and pension savings plans) since 2009.

Mr Christian Senectaire is Member of the Compensation and Disclosure Committee of Laboratoires Pichot SAS

4.3.2 The Executive Committee

The Executive Committee is chaired by the Chief Executive Officer. The Executive Committee carries out the daily management of Sanofi and meets at least twice a month. At the date of the Prospectus, it consists of the following members:

i. Mr Olivier Brandicourt - Chief Executive Officer

See supra for biography.

ii. Mr Dominique Carouge

Dominique Carouge is a graduate of "Ecole Supérieure de Commerce de Reims". He also holds a CPA degree in France, as well as a Corporate Governance and Board management certificate from Sciences Po (Certificat d'Administrateur de Sociétés).

Dominique Carouge started his career in 1985 as an external auditor at Ernst & Young (EY) both in France (Paris) and in the US (Philadelphia). He joined Sanofi in 1991. Since then and for the past 27 years, he held various finance positions of increasing responsibility and leadership across Australia, New Zealand, Germany and France. In 1991, he joined Roussel Uclaf where he upheld a series of progressive financial positions. In 1996, he was appointed Chief Financial Officer for Hoechst Marion Roussel in Australia. From 1999 to 2002, he was in charge of Business Planning and Reporting at Aventis Pharma in Frankfurt, Germany. In 2003, he is appointed Operations Controller for the Aventis Group.

In 2005, Dominique Carouge became Chief Financial Officer for the Vaccines division.

From 2009 to 2011, he held the role of VP, Chief Strategy and Finance Officer for Sanofi Pasteur, and the one of Vice-President, Administration & Management for Global R&D from 2011 to 2016.

On January 1st 2016, he was appointed Deputy CFO and Head of Finance Operations and Group Controlling.

He was appointed to his present position in January 2018 with an effective date on February 15, 2018.

Dominique Carouge is a citizen of France.

iii. Mr Olivier Charmeil - Executive Vice President, General Medicines and Emerging Markets

Mr Olivier Charmeil is a graduate of HEC (Ecole des Hautes Etudes Commerciales) and of the Institut d'Etudes Politiques in Paris.

A French national, he worked in the Mergers & Acquisitions department of Banque de l'Union européenne from 1989 to 1994. He joined Sanofi Pharma in 1994 as head of Business Development. He has held a number of key positions since then including CFO Asia, Chief of Staff to the Sanofi CEO, and CEO of the French affiliate, and integration leader for the Sanofi and Aventis merger. In 2006 he was appointed Head of Asia Pharma Operations and in 2008, Pharma Operations Japan was added to his responsibilities, as well as Asia/Pacific & Japan Vaccines in February 2009. Mr Olivier Charmeil led Sanofi Pasteur starting January 2011 and was named EVP Sanofi Pasteur in mid-2015.

He has been appointed to his present post in June 2016.

iv. Mr Jerôme Contamine - Executive Vice President, Chief Financial Officer

Jérôme Contamine is a Graduate of École Polytechnique (X), ENSAE (École Nationale de la Statistique et de l'Administration Économique), and ENA (Ecole Nationale d'Administration). After four years at the Cour des Comptes as a Senior State General Auditor, he joined Elf Aquitaine in 1988 as advisor to the Chief Financial Officer, and became Group Finance and Treasury Director in 1991. He became the General Manager of Elf Petroleum Norway in 1995, after being named Deputy Vice President of Elf Upstream Division for Europe and the US. In 1999, he was appointed as a member of the taskforce for integration with Total, in charge of the reorganization of the merged entity, TotalFinaElf, and in 2000 became Vice President Europe and Central Asia, Upstream Division of Total. The same year, he joined Veolia Environnement as CFO and Deputy General Manager. In 2003, he was appointed Vice-President Senior Executive, Deputy Chief Executive Officer, Financial Director of Veolia Environnement. Since 2006 he has been a director of Valeo.

Jérôme Contamine joined Sanofi as Executive Vice President, Chief Financial Officer (CFO) in March 2009.

Jérôme Contamine is a citizen of France.

v. Ms Karen Linehan - Executive Vice President, Legal Affairs and General Counsel

Ms Karen Linehan graduated from Georgetown University with bachelor of arts and juris doctorate degrees. Prior to practicing law, Ms Linehan served on the congressional staff of the Speaker of the U.S. House of Representatives from September 1977 to August 1986. Until December 1990, she was an Associate in a law firm in New York, New York.

In January 1991, she joined Sanofi as Assistant General Counsel of its US subsidiary. In July 1996, Ms Linehan moved to Paris to work on international matters within the Company and she has held a number of positions within the Legal Department, most recently as Vice President - Deputy Head of Legal Operations.

She was appointed to her current position in March 2007.

vi. Mr David Loew, Executive Vice President of Sanofi Pasteur

Mr David Loew has a degree in Finance and Marketing and an MBA from the University of St. Gallen

A Swiss national, he started his career in the United States at Coopers & Lybrand and Hewlett Packard in 1990, before joining Roche in 1992. Over the next 21 years, Mr David Loew held a variety of positions with Roche including Global Oncology Head, General Manager Switzerland, Global Chief Marketing Officer & Head of Global Product Strategy, Region Head Eastern Europe, Middle East and Africa for the Pharma Division of Roche. Mr David Loew joined Sanofi in July 2013 as Senior Vice President Commercial Operations Europe and became Head Global Commercial Operations Sanofi Pasteur in January 2016.

He was appointed to his present position in June 2016.

vii. Mr Philippe Luscan - Executive Vice President, Global Industrial Affairs

Mr Philippe Luscan has graduated from Ecole Polytechnique and Ecole des Mines of Paris in biotechnologies. He started his career in 1987 as Head of production at Danone.

In 1990, he joined the Company as Head of site at Sanofi Chemistry in Sisteron and was then named Head of industrial affairs at Sanofi in the United States followed by an appointment as Vice President Supply Chain, before being named Vice President Chemistry in September 2006.

He has been President of Sanofi in France from January 2015 until September 2017.

He was appointed Executive Vice President Global Industrial Affairs in September 2008.

viii. Mr Alan Main - Executive Vice President, Consumer Healthcare

Alan Main has a BA (Hons) in International Marketing from Thames Polytechnic in London, and has completed various executive and leadership development programs at London, Harvard and Columbia Business Schools, as well as INSEAD (Asia).

Alan has more than 30 years of marketing and general management experience in the Consumer Health and Medical Device fields, initially with Stafford Miller/Block Drug (now part of GSK). He then moved to Merrell Dow (now part of Sanofi) and London Rubber Company. In 1992, he joined Roche Consumer Health where he took on positions of increasing responsibility in the United Kingdom, South Africa and the Asia-Pacific region. Following the acquisition of Roche Consumer Health by Bayer in 2004, Alan continued to occupy key management roles, including Region Head for Asia Pacific and Europe. In 2010 Alan transferred to the medical device business of Bayer as Global President for Bayer Medical Care.

He was appointed to his present position in October 2016.

Alan Main is a citizen of the United Kingdom.

ix. Mr Muzammil Mansuri , Ph.D. - Executive Vice President, Strategy & Business Development

A dual citizen of the U.S. and United Kingdom, Mr Muzammil Mansuri holds a Bachelor of Science degree in Chemistry and a Ph.D in Organic Chemistry from the University College London. He held post-doctoral positions at the University of California, Los Angeles (UCLA) and Columbia University.

Mr Muzammil Mansuri has more than 35 years of experience beginning in 1981 with Shell Research Limited where he began as a research scientist. After Shell, he spent several years with Bristol-Myers Company in various R&D roles with increasing responsibility. From 2007 to 2010, Muzammil Mansuri was Chairman and CEO at CGI Pharmaceuticals. He most recently was Senior Vice President, Research & Development Strategy and Corporate Development at Gilead Sciences.

He was appointed to his present position in February 2016.

x. Mr Ameet Nathwani, MD - Executive Vice President, Medical Affairs

A U.K. citizen, born in Uganda and educated in the U.K., Dr Nathwani qualified in medicine in 1987 in London, acquired his specialization in Cardiology at a number of University Hospitals in London, and has a diploma in Pharmaceutical Medicine and an executive Masters in Business Administration.

Dr Nathwani has more than 20 years of experience in the pharmaceutical industry beginning in 1994 when he joined Glaxo Group Research. From the period of 1994 to 2004 he held increasingly senior global functional and franchise leadership roles in research and development in Glaxo, SmithKline Beecham and GlaxoSmithKline, both in Europe and US. He joined Novartis in 2004 as the Senior Vice President and Global Development Head of the Cardiovascular and Metabolic Franchise and over the period of 11 years has held a number of senior development and commercial positions including the Global Head of the Critical Care Business Franchise. He was appointed as Global Head of Medical Affairs Novartis Pharma AG in June 2014 and became an extended member of the Pharma Executive Committee where he led the establishment of a Real World Evidence Center of Excellence and Digital Medicine capability.

He was appointed to his present position in May 2016.

xi. Mr Stefan Oelrich - Executive Vice President, Diabetes & Cardiovascular

A citizen of Germany, Mr Stefan Oelrich holds a Master's degree in Business Administration from the Business School of the Cologne Chamber of Commerce.

He began his career in Bayer AG in Germany in 1992 where he held positions of increasing responsibility and leadership across Latin America, Europe and the US including General Manager for Bayer Healthcare in Belgium and in France. He led Bayer Pharmaceutical's US Marketing as VP of Marketing followed by a promotion to SVP & General Manager US Women's Healthcare.

At Sanofi, Mr Stefan Oelrich previously served as head of Sanofi's global diabetes franchise since June 2016. Prior to that, he held the role of Diabetes & Cardiovascular (DCV) Europe Region Head & Sanofi Europe Coordinator, and he was heavily involved in establishing the Diabetes & Cardiovascular (DCV) global business unit since mid-2015. Between 2011 and 2015 he served as General Manager in Germany, Switzerland and Austria.

He was appointed to his present position in October 2017.

xii. Mr Roberto Pucci - Executive Vice President, Human Resources

Mr Roberto Pucci has a Law degree from the University of Lausanne, Switzerland. He started his career in 1985 at Coopers & Lybrand in Geneva, Switzerland as an external auditor.

He then joined Hewlett- Packard (HP) in 1987, where he held various positions in Human Resources in Switzerland and Italy including HR Manager for the European Headquarter and Human Resources Director in Italy. In 1999, he became Director, Compensation & Benefits for Agilent Technologies, a spin off from HP, and was appointed Vice President Human Resources Europe in 2003.

In 2005 he moved to the United States to join Case New Holland, a subsidiary of the Fiat Group, as Senior Vice President, Human Resources, and was appointed, in 2007, Executive Vice President, Human Resources for the Fiat Group in Torino, Italy.

He was appointed to his present position in October 2009.

xiii. Mr Bill Sibold - Executive Vice President, Sanofi Genzyme

Mr Bill Sibold, an American and Canadian citizen, holds an MBA from Harvard Business School and a BA in Molecular Biophysics and Biochemistry from Yale University.

He has more than twenty-five years of experience in the biopharmaceutical industry since starting his career with Eli Lilly. He held a number of leadership positions within Biogen, including driving their U.S. commercial operations in neurology, oncology and rheumatology and general management of Biogen’s Australian and Asia-Pacific business. In addition to his time with Biogen, Mr Sibold also served as the chief commercial officer of Avanir Pharmaceuticals.

Mr Bill Sibold joined Sanofi in late 2011 as head of the MS franchise where he oversaw the successful launches of Aubagio® and Lemtrada®. He most recently served as head of Sanofi Genzyme’s Global Multiple Sclerosis, Oncology and Immunology organization, a position he held since January 2016 and where he led preparation for the global launches of Dupilumab and Sarilumab.

He was appointed to his present position in July 2017.

xiv. Ms Kathleen Tregoning - Executive Vice President, External Affairs

A U.S. citizen, Ms Tregoning has a bachelor of arts in international relations from Stanford and a master of arts from Harvard University, John F. Kennedy School of Government.

She has more than 20 years of professional experience in policy, advocacy, stakeholder outreach and external engagement. She began her career in 1993 with Andersen Consulting in San Francisco and then later served as Assistant Deputy Mayor, Office of the Mayor for the City of Los Angeles. In 2001, Ms Tregoning moved to Washington, D.C. where she served in various healthcare policy positions in the United States Senate and United States House of Representatives, including a tenure with the House Ways & Means Committee. She joined Biogen in 2006 as Vice President, Public Policy & Government Affairs and in 2015 was appointed Senior Vice President, Corporate Affairs.

She was appointed to her present position in February 2017.

xv. Mr Elias Zerhouni , MD - President, Global Research & Development

Born in Algeria where he completed his initial medical training, Mr Zerhouni continued his academic career at the Johns Hopkins University and Hospital (United States) in 1975 where he rose to the rank of professor of Radiology and Biomedical Engineering. He served as Chair of the Russell H. Morgan Department of Radiology and Radiological Sciences, Vice Dean for Research and Executive Vice Dean of the School of Medicine from 1996 to 2002 before his appointment as Director of the National Institutes of Health of the United States of America from 2002 to 2008. Mr Zerhouni was received as member of the US National Academy of Sciences' Institute of Medicine in 2000. He was appointed as Chair of Innovation at the Collège de France and elected a member of the French Academy of Medicine in 2010, and received the Transatlantic Innovation Leadership award in December 2011. He is the author of over 200 scientific publications and has filed eight patents. In 2013, he was appointed as a member of the US National Academy of Engineering. He is also a member of the Board of Directors of Danaher. Dr. Zerhouni is a citizen of the United States of America.

In February 2009, Sanofi named Mr Zerhouni Scientific Advisor to the Chief Executive Officer and to the Senior Vice-President Research & Development. He was appointed President Global Research & Development Medicines and Vaccines and became a member of Sanofi's Executive Committee in January 2011.

4.3.3 Specialised committees

In accordance with the AFEP-MEDEF guidelines, four specialised committees have been created by the Board of Directors:

i. Audit Committee

The Audit Committee shall oversee matters relating to the preparation and audit of accounting and financial information. Without prejudice to the powers of the Board of Directors, the Committee shall inter alia be responsible for overseeing:

- the process for the preparation of financial information;
- the effectiveness of the internal control and risk management systems;
- the audit of the parent company financial statements and consolidated financial statements by the statutory auditors;
- the independence of the statutory auditors.

The role of the Audit Committee shall be not so much to examine the financial statements in detail as to monitor the process of preparing them and to assess the validity of elective accounting treatments used for significant transactions.

At the date of the Prospectus, the Audit Committee is composed of following Board Members:

- Mr Robert Castaigne, Chairman;
- Ms Fabienne Lecorvaisier;
- Mr Christian Mulliez;
- Ms Carole Piwnica.

All members of this committee have financial or accounting knowledge as a result of their training and work experience.

ii. Compensation Committee

The role of the Compensation Committee shall be to:

- make recommendations and proposals to the Board about the compensation, pension and welfare plans, top-up pensions plans, benefits in kind and other pecuniary benefits of the executive directors of Sanofi, and about the granting of performance shares and stock options;
- define the methods used to set the variable portion of the compensation of the executive directors, and check that these methods are applied;
- formulate general policy on the granting of performance shares and stock options, and determine the frequency of grants for each category of grantee;
- review the system for allocating attendance fees between Directors;
- advise the Chief Executive Officer on the compensation of key senior executives.

At the date of the Prospectus, the Committee consists of the following Board Members:

- MR Patrick Kron, Chairman;
- Ms Claudie Haigneré;
- Mr Christian Mulliez;
- Ms Diane Souza.

iii. Appointments and Governance Committee

The role of the Appointments and Governance Committee shall be to:

- recommend suitable candidates to the Board for appointment as directors or executive officers;
- establish corporate governance rules for the company, and oversee the application of those rules;
- ensure that there is adequate succession planning for the company's executive bodies;
- oversee compliance with ethical standards within the company and in its dealings with third parties;
- determine whether each director qualifies as being independent, both on his or her initial appointment and annually prior to publication of the Reference Document, and report its conclusions to the Board of Directors;
- propose methods for evaluating the operating procedures of the Board, and oversee the application of these methods;
- examine the Chairman's report on corporate governance.

At the date of the Prospectus, this Committee consists of the following Board Members:

- Mr Serge Weinberg, Chairman;
- Mr Patrick Kron;
- Ms Claudie Haigneré.

iv. Strategy Committee

The Strategy Committee is tasked with assessing major strategic options with a view to the development of Sanofi's business. It briefs the Board of Directors on issues of major strategic interest, such as:

- acquisition, merger and alliance opportunities;
- development priorities;
- financial and stock market strategies, and compliance with key financial ratios;
- potential diversification opportunities; and
- and more generally, any strategic option judged to be essential to the company's future.

At the date of the Prospectus, this Committee consists of the following directors:

- Mr Serge Weinberg, Chairman;
- Mr Laurent Attal;
- Mr Olivier Brandicourt;
- Mr Patrick Kron.

4.4 SHAREHOLDER AND CAPITAL STRUCTURE OF SANOFI

To date of the Prospectus, the share capital of Sanofi amounts to EUR 2,508,039,808 represented by a total number of 1,254,019,904 shares. The number of real voting rights is 1,400,552,310 (excluding treasury shares), while the number of theoretical voting rights is estimated at 1,400,726,036 (including treasury shares).

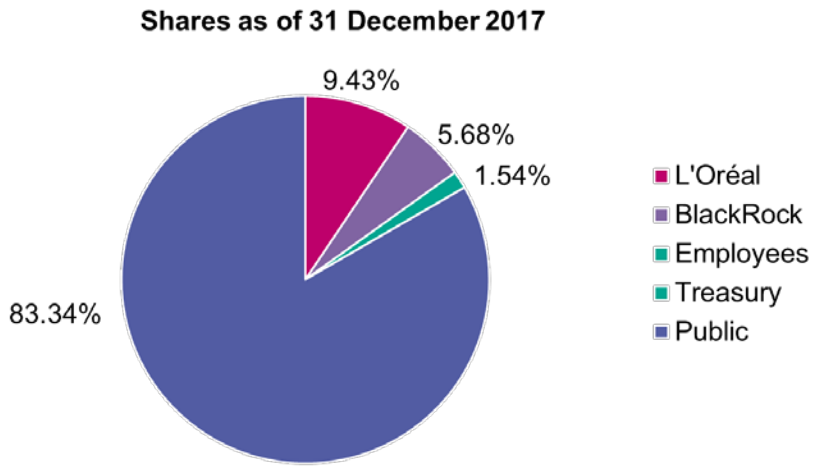
All shares have a par value of EUR 2 each, all of the same class and fully paid.

Sanofi shares have been listed on Euronext Paris since 25 May, 1999 under ISIN code FR0000120578. Sanofi shares have also been listed on the New York Stock Exchange in the form of ADSs (American Depositary Shares) since 1 July, 2002. One ordinary share represents two ADSs.

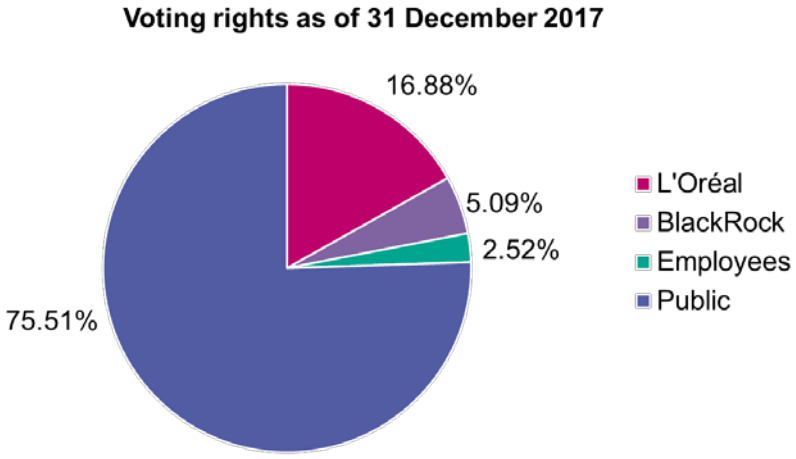
A double voting right is assigned to each registered share that is paid for in full and that has been registered in the name of the same shareholder for at least two years.

The double vote ceases automatically for any share converted into a bearer share or transferred from one owner to another, subject to exceptions laid down by law. Bonus shares arising from an increase of share capital by incorporation of reserves, profits or share premiums receive the benefit of the double vote as from the time of their issue in so far as they have been assigned on the basis of shares already benefiting from this right.

On 31 December 2017, the shareholder structure was as follows:

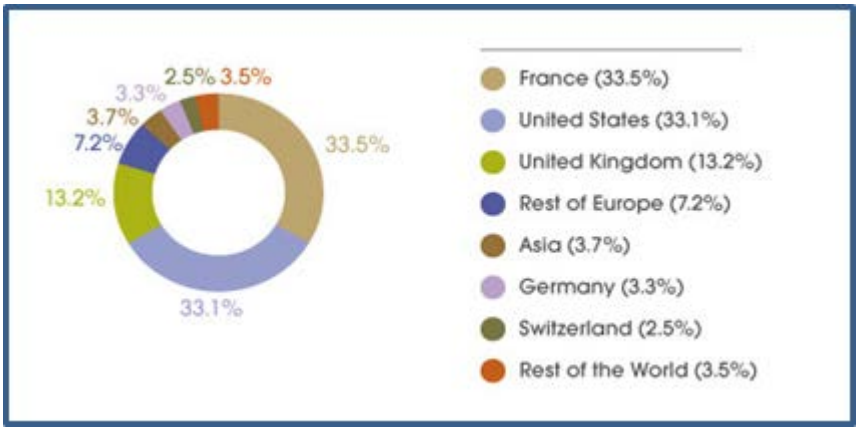


On 31 December 2017, the voting rights were as follows:



The difference between the percentage of shares and the percentage of voting rights is due to the existence of double voting rights and the fact that Sanofi hold shares as treasury shares that do not have voting rights.

The geographical origin of the shareholders per 31 December 2017 was as follows:



4.5 STRUCTURE OF THE SANOFI GROUP

4.5.1 General

The Sanofi Group consists of five global business units, which focus on different therapeutic areas. First of all, there is the Vaccines Unit (*Sanofi Pasteur*). Second there is the Diabetes & Cardiovascular Unit, which is dedicated to delivering innovative, value-based medicines and integrated solutions in these therapeutic areas. Third, there is the Specialty Care Unit (*Sanofi Genzyme*), which focuses on developing specialty treatment for debilitating diseases which are often hard to diagnose, mostly in the field of rare diseases, multiple sclerosis, oncology and immunology. Sanofi is also present in Consumer Healthcare (*CHC*) with a broad range of products, in different strategic categories, such as Vitamins, Minerals and Supplements, Cough & Cold Care, Digestive Health and Pain Care. Finally, Sanofi has a business unit dedicated to General Medicine and Emerging Markets, which focuses on generic mature products and commercializes all of Sanofi's established products and generics everywhere in the world.

Sanofi has branches in over 100 countries, all over the world.

4.5.2 Significant subsidiaries

Sanofi is the holding company of a consolidated group consisting of over 400 companies. The table below sets forth Sanofi's significant subsidiaries as of 31 December 2017.

Significant Subsidiary	Date of Incorporation	Country of Incorporation	Principal Activity	Financial and Voting Interest
Aventis Inc.	07/01/1968	United States	Pharmaceuticals	100%
Aventis Pharma SA	09/24/1974	France	Pharmaceuticals	100%
Genzyme Corporation	11/21/1991	United States	Pharmaceuticals	100%
Hoechst GmbH	07/08/1974	Germany	Pharmaceuticals	100%
Sanofi-Aventis Amérique du Nord	09/20/1985	France	Pharmaceuticals	100%
Sanofi-Aventis Deutschland GmbH	06/30/1997	Germany	Pharmaceuticals	100%
Sanofi-Aventis Europe	07/15/1996	France	Pharmaceuticals	100%
Sanofi-Aventis US LLC	06/28/2000	United States	Pharmaceuticals	100%
Sanofi-Aventis Participations SAS	02/25/2002	France	Pharmaceuticals	100%
Sanofi Pasteur	02/08/1989	France	Vaccines	100%
Sanofi Pasteur Inc.	01/18/1977	United States	Vaccines	100%
Sanofi Winthrop Industrie	12/11/1972	France	Pharmaceuticals	100%
Chattem, Inc.	11/11/1909	United States	Pharmaceuticals	100%

Since 2009, Sanofi has been transformed through numerous acquisitions, in particular those of Genzyme in April 2011 and Merial in September 2009. On January 1, 2017, Sanofi and Boehringer Ingelheim (BI) finalized the strategic transaction agreed in June 2016, involving the exchange of Sanofi’s Animal Health business (Merial) for BI’s Consumer Healthcare business. At the end of December 2016, Sanofi Pasteur and MSD (known as Merck in the United States and Canada) ended their Sanofi Pasteur MSD joint venture. On 8 March 2018, Sanofi acquired Bioverativ Inc., a leading company in the haemophilia market, for an amount of USD 11.6 billion, expanding Sanofi's presence in specialty care and strengthening its leadership in rare diseases.

In certain countries, Sanofi carries on some of its business operations through joint ventures with local partners. In addition, Sanofi has entered into worldwide collaboration agreements (i) with Regeneron, relating to Zaltrap®, human therapeutic antibodies such as Praluent® and antibodies in immunology such as Dupixent® and Kevzara®; and (ii) with BMS, relating to Plavix®.

4.5.3 Internal organisation of activities

Sanofi and its subsidiaries collectively form a group organized around three activities: Pharmaceuticals, Consumer Healthcare and Human Vaccines (Vaccines).

During 2017, Sanofi has gradually integrated the Consumer Healthcare operations of Boehringer Ingelheim (BI), acquired on 1 January 2017. Following the completion of the integration process and effective 31 December 2017, Consumer Healthcare business forms a distinct operating segment.

Within Sanofi, responsibility for research and development (R&D) in their respective fields rests with Sanofi SA and Genzyme Corporation in Pharmaceuticals, and with Sanofi Pasteur and Sanofi Pasteur, Inc. in Vaccines. However, within Sanofi's integrated R&D organization, strategic priorities are set and R&D efforts coordinated on a worldwide scale. In fulfilling their role in R&D, the aforementioned companies subcontract R&D to those of their subsidiaries that have the necessary resources. They also license patents, manufacturing know-how and trademarks to certain of their French and foreign subsidiaries. Those licensee subsidiaries manufacture and distribute the majority of Sanofi's products, either directly or via local distribution entities.
Sanofi's industrial property rights, patents and trademarks are mainly held by the following companies:

- Pharmaceuticals: Sanofi, Aventis Pharma SA, Sanofi Biotechnology SAS (France), Sanofi-Aventis Deutschland GmbH (Germany) and Genzyme Corporation (US);
- Vaccines: Sanofi Pasteur (France) and Sanofi Pasteur, Inc. (US).
- For a description of Sanofi's principal items of property, plant and equipment, see "– D. Property, Plant and Equipment" below. Sanofi's property, plant and equipment is held mainly by the following companies:
- in France: Sanofi Pasteur SA, Sanofi Chimie, Sanofi Winthrop Industrie, Sanofi, and Sanofi-Aventis Recherche & Développement;
- in the United States: Sanofi Pasteur, Inc., Genzyme Corporation, and Genzyme Therapeutics Products LP;
- in Canada: Sanofi Pasteur Limited;
- in Germany: Sanofi-Aventis Deutschland GmbH;
- in Belgium: Genzyme Flanders BVBA Holding Co; and
- in Ireland: Genzyme Ireland Limited.

4.6 ACTIVITIES OF SANOFI

4.6.1 Description of the activities

Sanofi is a leading global healthcare company, focused on patient needs and engaged in the research, development, manufacture and marketing of therapeutic solutions.

Sanofi invests in the following activities: Rare Diseases, Multiple Sclerosis, Oncology, Diabetes, Cardiovascular, Established Prescription Products, Consumer Healthcare, Generics, and Vaccines.

4.6.2 Collaboration agreement with Ablynx

In July 2017, Sanofi entered into a research collaboration and global exclusive licensing agreement with Ablynx. For more information regarding this collaboration agreement, see Section 5.8.1.8 (*Significant collaborations*).

4.6.3 Recent developments

For an overview of the recent developments with respect to Sanofi, reference is made to the press releases published on the Sanofi's website (http://mediaroom.sanofi.com/press-releases/).

The following recent developments of 2017, early 2018 have a substantial impact on the business of Sanofi:

On 1 January 2017 – Sanofi and Boehringer Ingelheim confirmed that the strategic transaction signed in June 2016, which consisted of an exchange of Sanofi's animal health business (Merial) and Boehringer Ingelheim's consumer healthcare (CHC) business, has been successfully closed on 1 January 2017.

Following several marketing approvals, several products launches were initiated in 2017 including Dupixent® (for the treatment of adults with moderate-to-severe atopic dermatitis (AD) in the US and in certain E.U countries, Kevzara ® (rheumatoid arthritis) in the US and in certain EU, and SoliquaTM 100/33 in the US and SuliquaTM in Europe (insulin glargine 100 units/ml and lixisenatide 33 mcg/ml, solution for injection).

On 7 January 2018 – Sanofi and Alnylam Pharmaceuticals, Inc. the leading RNAi therapeutics company, announced a strategic restructuring of their RNAi therapeutics alliance to streamline and optimize development and commercialization of certain products for the treatment of rare genetic diseases. Specifically:

- Sanofi will obtain global development and commercialization rights to fitusiran, an investigational RNAi therapeutic, currently in development for the treatment of people with hemophilia A and B. Global commercialization of fitusiran, upon approval, will be done by Sanofi Genzyme, the specialty care global business unit of Sanofi. Alnylam will receive royalties based on net sales of fitusiran products.
- Alnylam will obtain global development and commercialization rights to its investigational RNAi therapeutics programs for the treatment of ATTR amyloidosis, including patisiran and ALN-TTRsc02. Sanofi will receive royalties based on net sales of these ATTR amyloidosis products.
- With respect to other products falling under the RNAi therapeutics alliance, the material terms of the 2014 Alnylam-Sanofi Genzyme alliance remain unchanged.

On 8 January 2018 - Sanofi and Regeneron Pharmaceuticals, Inc. announced they will accelerate and expand investment for the clinical development of the PD-1 (programmed cell death protein 1) antibody cemiplimab in oncology and dupilumab in Type 2 allergic diseases. Under the terms of the expansion, the investment in cemiplimab will be increased to $1.64 billion, an increase of approximately $1 billion over the initial 2015 agreement and Sanofi and Regeneron will continue to equally fund cemiplimab development. The companies will also continue their investment in other immuno-oncology programs under their existing Immuno-oncology Discovery Agreement.

4.7 FINANCIAL INFORMATION

4.7.1 Financial statements per 31 December 2017

Sanofi's consolidated financial statements for the financial year ending on 31 December 2017 were drafted in accordance with International Financial Reporting Standards (IFRS).

Sanofi's consolidated financial statements for the financial year ending on 31 December 2017 were audited by PricewaterhouseCoopers Audit, a limited liability company (*société par actions simplifiée*) incorporated under French law with its registered office at 63 Rue de Villiers, 92200 Neuilly-sur-Seine, registered with the *Registre du Commerce et des Sociétés* (Nanterre) under number 672006483, permanently represented by Mr Stéphane Basset and Mr Philippe Vogt, and by Ernst & Young et Autres, a joint-stock company (*société par actions simplifiée à capital variable*) incorporated under French law with its registered office at 1-2 Place des Saisons - Paris la Défense 1, 92400 Courbevoie, registered with the *Registre du Commerce et des Sociétés* (Nanterre) under number 438476913, permanently represented by Mr Nicolas Pfeuty.

Sanofi's consolidated financial statements for the financial year ending on 31 December 2017 are appended hereto as **Annex 4**.

4.8 SHAREHOLDINGS IN ABLYNX

Neither Sanofi nor any person affiliated to it, acting in concert with it or acting as intermediary of Sanofi holds any Securities on the date of this Prospectus or has acquired Securities in the twelve months preceding the date of this Prospectus.

4.9 SOLE BIDDER

The Bid (and, if applicable, the Squeeze Out) emanates only from Sanofi, who launches the Bid (and, if applicable, the Squeeze Out) entirely on its own behalf.

Sanofi does not act in concert with any other person (within the meaning of Article 3, §1 (5) of the Takeover Act and Article 1, §2 (5) of the Takeover RD).

Sanofi has not undertaken (and does not currently intend) to transfer any Securities which it will hold following the Bid or Squeeze Out to any third party (other than another entity within the Sanofi Group).

5. THE TARGET - ABLYNX

5.1 IDENTIFICATION OF ABLYNX

Company name	Ablynx (incorporated under the name MatchX on 4 July 2001 and called Ablynx as of 12 June 2002)
Registered office	Technologiepark 21, 9052 Zwijnaarde (Belgium)
Date of incorporation and term of existence	4 July 2001 - indefinite term of existence
Register of legal entities	Ghent, section Ghent
Register of legal entities number	0475.295.446
Corporate form	Public limited liability company (*naamloze vennootschap*)
Financial year	1 January till 31 December
Date of the AGM	Last Thursday of the month April at 11.00 a.m. CET
Statutory auditor	Deloitte Bedrijfsrevisoren BV CVBA, having its registered office at Nationale Luchthaven van Brussel 1J, 1930 Zaventem, Belgium and registered with the Crossroads Bank for Enterprises under number 0429.053.863 (RLE Brussels), permanently represented by its permanent representative Mr Nico Houthaeve, auditor Deloitte Bedrijfsrevisoren BV CVBA was appointed by the ordinary general meeting of shareholders of Ablynx held on 27 April 2017 for a term of three years Its term will expire at the end of the general meeting called to approve the financial statements for the financial year closing on 31 December 2019

5.2 CORPORATE PURPOSE OF ABLYNX

Pursuant to Article 3 of its articles of association, the corporate purpose of Ablynx reads as follows:

- the exploitation of biological, chemical or other products, processes and technologies in the sector of life sciences in general and the sector of diagnostics, medicines, pharmaceuticals, cosmetics, chemistry and agro-industry including amongst others veterinary products in particular. "Exploitation" means, amongst others, all activities of research, development, production, marketing and commercialization;
- the acquisition, purchase, sale, licensing, exploitation and realization of intellectual property rights with regard to the above mentioned activities;
- the study, consulting, developing and offering of expertise, engineering and provision of any services with regard to the above mentioned activities.

It may undertake all possible commercial, industrial, financial, movable and immovable transactions, that are directly or indirectly related to its corporate purpose or that are such that they stimulate the realization or development thereof.

It may participate in all companies, associations and undertakings, in Belgium as well as abroad, by way of a contribution, subscription, transfer, participation, legal merger, financial intervention or otherwise, and may as well exercise the functions of director and receiver in case of liquidation in other companies.

Ablynx may use its assets to guarantee both its own commitments and commitments of third parties.

5.3 MANAGEMENT STRUCTURE OF ABLYNX

Ablynx is a public limited liability company (*naamloze vennootschap*), which is the most common type of limited liability company under Belgian law.

The corporate governance of Ablynx has been organised pursuant to the Company Code and Ablynx' articles of association.

Ablynx is administered by a board of directors and run by an executive committee. To enhance its overall effectiveness, the board of directors has created three specialist committees:

(i) audit committee (*auditcomité*);
(ii) nomination and remuneration committee (*benoemings- en remuneratiecomité*); and
(iii) research and development committee (*comité voor onderzoek en ontwikkeling*).

Except for the executive committee, the committees are advisory bodies only and the decision-making remains within the collegial responsibility of the board of directors. The board of directors determines the terms of reference of each committee with respect to its organization, procedures, policies and activities.

The composition and function of all committees is in compliance with all applicable requirements of the Company Code, and will comply with all applicable requirements of the Exchange Act, the rules of NASDAQ and regulations of the SEC.

5.3.1 Board of directors

In general, the board of directors is authorised to perform all acts necessary (or useful) to fulfil the corporate purpose, with the exception of those reserved by law to the general meeting of shareholders (e.g. amendment of the articles of association, winding-up of the company, approval of the annual accounts and allocation of profits, appointment and removal of directors and auditors, and capital increases or decreases).

Under the Company Code and under Ablynx's articles of association, the board of directors must be composed of no less than three members. Above this minimum, the size of the board is determined by the shareholders. Directors are elected, re-elected and may be removed at a general shareholders meeting with a simple majority vote of Ablynx's shareholders, without notice or further compensation. Pursuant to Ablynx's articles of association, the directors are elected for a maximum term of four years.

Without prejudice to Article 21 of the articles of association, the board can only validly deliberate and decide if at least the majority of the directors is present or represented. A new meeting must be convened if such quorum is not reached. The second meeting can validly deliberate and decide on the items that were already on the agenda of the first meeting, regardless of the number of directors present or represented. In any event, the meeting of the board of directors can only take place if at least two directors are present.

The board of directors can only validly deliberate and resolve on matters not appearing on the agenda if all members of the board are present or represented at the meeting and consent thereto. This consent is assumed to have been given, when no objection is recorded in the minutes.

The decisions shall be taken by a majority of the votes cast by the directors present or represented, and in case of abstention from voting by one or more of them, by the majority of the votes cast by the other directors present or represented. In case of a tie, the chairman has no casting vote.

At the date of the Prospectus, Ablynx has seven directors, less than a majority of whom are citizens or residents of the United States.

The following table sets forth certain information with respect to the current members of Ablynx's board of directors, including their ages, as at the date of the Prospectus:

Name	**Age**	**Term**(1)	**Position(s)**
Greig Biotechnology Global Consulting, Inc., permanently represented by Dr. Russell G. Greig, Ph.D.	65	2020	Chairman of the Board of Directors
Dr. Edwin Moses, Ph.D.	63	2019	Director, Chief Executive Officer
William Jenkins Pharma Consulting, permanently represented by its Principal, Dr. William Jenkins, J.	70	2021	Director
Ms Catherine Moukheibir	58	2021	Director
Feadon NV, permanently represented by Prof. Dr. Lutgart Van den Berge, Ph.D.	66	2019	Director
Mr Remi Vermeiren	78	2019	Director
Ms Hilde Windels BVBA, permanently represented by Hilde Windels	52	2021	Director

(1) The term of the mandates of the directors will expire immediately after the annual general meeting of shareholders held in the year set forth next to the director's name.

The shareholders of Ablynx have determined that at the date of the Prospectus, six out of seven of the members of the board are independent under Belgian law: Mr Remi Vermeiren, Dr Russell Greig, Ms Catherine Moukheibir, Dr William Jenkins, Dr Lutgart Van den Berghe and Ms Hilde Windels. In making such determination, Ablynx's shareholders meetings considered the requirements under Article 526ter of the Company Code and the acknowledgment of each such director that he, she or it complies with such requirements. Dr. Edwin Moses, the chief executive officer, is deemed not to be independent under Belgian law.

The board of directors of Ablynx has determined that six out of seven of the members of the board are independent under the NASDAQ listing requirements. Dr. Edwin Moses, the chief executive officer, is deemed to not be independent under the NASDAQ listing requirements.

The following is the biographical information of the members of the board of directors of Ablynx:

i. Dr Edwin Moses

Dr. Edwin Moses, Ph.D. has served as a member of the board of directors since 2004 and as Ablynx's Chief Executive Officer since 2006. He is also a member of the research and development committee since 2014.

In addition to Ablynx, Dr. Moses has held board memberships with the following companies: Capricorn Health-tech Fund from 2011 to 2016, Clinphone Group plc from 2004 to 2008, Fusion IP Plc (formerly Biofusion Plc) from 2004 to 2009, Phoqus Pharmaceuticals Ltd from 2005 to 2008, Pharmaceutical Profiles Ltd from 2004 to 2008, Paradigm Therapeutics Ltd from 2004 to 2006, Avantium Technologies from 2003 to 2006, Evotec OAI AG from 2000 to 2001, Bioimage A/S from 2004 to 2006, Lectus Therapeutics Ltd from 2008 to 2011, Proimmune Ltd from 2001 to 2006, Ionix Pharmaceuticals Ltd. from 2001 to 2005, Oxford Drug Design Ltd from 2001 to 2002, Prolysis Ltd from 2001 to 2003, Oxford Asymmetry International plc from 1993 to 2001, A.M.S. Biotechnology Ltd from February 1993 to June 1993, Hammersmith Imanet Ltd from 1999 to 2000, London Technology Network from June 2002 to November 2002 and Inpharmatica Ltd from 2003 to 2006. Dr. Moses received his B.Sc. and Ph.D. in chemistry from the University of Sheffield.

ii. Dr Russell G. Greig, Ph.D., permanent representative of Greig Biotechnology Global Consulting Inc.

Russell G. Greig, Ph.D., permanent representative of Greig Biotechnology Global Consulting Inc., has served as a member of the board of directors since 2012 and as a member of the audit committee since 2013. He is chairperson of the board since 7 February 2018 and member of the research and development committee since 21 February 2018. He is also chairperson of the nomination and remuneration committee. Dr. Greig has been the current chairperson of AM Pharma since January 2012, Mint Solutions since September 2014, Sanifit since July 2015 and eTheRNA since September 2016. He has been a Director of Tigenix since September 2012. He was also a Venture Partner to Kurma Life Sciences, a position held from 2012 until March 2017 and was director at Onxeo from 2013 until April 2017. He served as acting chief executive officer at Isconova from April 2011 to 2013. He was also chairperson of Bionor from July 2015 to March 2016, Syntaxin from June 2011 to August 2013, which was acquired by Ipsen, Novagali from August 2011 to March 2012 which was sold to Santen, and of Isconova from January 2011 to 2013, which was acquired by Novavax. Dr. Greig received his B.Sc. and Ph.D. in biochemistry from Manchester University.

iii. Dr William J. Jenkins, permanent representative of William Jenkins Pharma Consulting

Dr William J. Jenkins has served on the board of directors and as member of the nomination and remuneration commitee since 2013. He is chairperson of the research and development committee since 2014. He is principal of William Jenkins Pharma Consulting and has been advising a wide range of pharma and biotech companies and investment and venture capital firms in the healthcare sector since 1999. Formerly, Dr Jenkins was Head of Worldwide Clinical Development and Regulatory Affairs for Novartis Pharma from 1996 to 1999, having previously held the same post at Ciba-Geigy since 1992, and head of worldwide clinical research for Glaxo Group Research Limited from 1988 to 1992. At the date of the Prospectus, Dr Jenkins is senior independent director of Consort Medical, a position he has held since 2009, a member of the board of Allecra Therapeutics GmbH since 2013 and a member of the strategic advisory board of Chiesi Farmaceutici since 2009. In addition, he has been a member of the Scientific Advisory boards of BB Biotech Ventures II and III funds since 2005. Dr. Jenkins received his B.A. from Cambridge University in electrophysiology, his M.A. and M.D. in medicine from Cambridge University and his M.Sc. in biochemistry from London University.

iv. Ms Catherine Moukheibir

Ms Catherine Moukheibir has served as a member of Ablynx's board of directors and Ablynx's audit committee since 2013. Ms Moukheibir has held positions in several European biotech companies after an initial career in strategy consulting and investment banking in Boston and London. Ms Moukheibir has been a non-executive board member, chair of the audit committee and member of the remunerations committee of GenKyoTex and non-executive board member and chair of the audit committee of Orphazyme since 2017, the current non-executive chairperson, chair of the audit committee and chair of the remuneration and nominations committee of MedDay Pharma SA since 2016, non-executive board member and chairperson of the Audit Committee at Zealand Pharma since 2014, non-executive board member and member of the Audit Committee at Cerenis since 2015, and Advisory board member at the Imperial College Business School since 2015 and the Yale School of Management since 2016. She served as Senior Advisor, Finance and a member of the executive board of Innate Pharma from 2011 to 2016 and a Chief Financial Officer and a member of the executive committee of Movetis from 2008 until its acquisition by Shire in 2010. Ms Moukheibir holds an M.A. in economics and an MBA from Yale University.

v. Prof Dr Lutgart Van den Berghe, Ph.D., permanent representative of Feadon NV

Prof Dr Lutgart Van den Berghe, Ph.D., permanent representative of Feadon NV, has served as a member of the board of directors since 2015 and as a member of the nomination and remuneration committee since 21 February 2018, has been managing director of GUBERNA (Belgian Governance Institute) since 1996 and has been the extra-ordinary professor in Corporate Governance at the University of Ghent since 1997. Dr Van den Berghe is a Partner of the Vlerick Business School where she served as chairman of the Competence Center “Entrepreneurship, Governance and Strategy” from 1994 to 2010. Dr Van den Berghe has extensive governance experience gained as a member of the Belgian Commission for Corporate Governance and as non-executive director in several companies, such as Belfius since 2012. She is a member of the board and chairman of the policy committee at EcoDA (European Confederation of Directors’ Association), a position she has held since 2006. Formerly she served as a non-executive director of Proximus from 2004 to 2016, Engie from 2003 to 2014, and SHV Holdings from 1997 to 2013. Dr Van den Berghe has a doctorate in business economics from the University of Ghent.

vi. Mr Remi Vermeiren

Mr Remi Vermeiren has served as a member of Ablynx's board of directors and as the chairman of Ablynx's audit committee since 2007. Prior to joining Ablynx, Mr Vermeiren, for more than 43 years, served in various roles with Kredietbank NV (since 1998 KBC Bank and Insurance Group) including as Chief Executive Officer from 1998 until 2003, when he retired. At the date of the Prospectus, Mr Vermeiren is a member of a number of private companies and of charitable organizations, such as Pro Vives, Vives and ‘Foundation RV,’ set up and funded by himself. He has also been a member of the board of ACP II SCA in Luxembourg since 2007. Over the past five years Mr Vermeiren has held positions as a member of the board or governing bodies of the following companies: Devgen NV from 2004-2013 and Zinner NV and MCS NV from 2013-2014. Mr. Vermeiren holds a degree in commercial and financial sciences from the Higher Institute for Administration and Commerce, Brussels.

vii. Ms Hilde Windels, permanent representative of Hilde Windels BVBA

Ms Hilde Windels, permanent representative of Hilde Windels BVBA, has served as a member of Ablynx's board of directors and as a member of the audit committee since August 2017. At the date of the Prospectus, she is an Executive Director at Biocartis Group NV and a member of the board of directors of Erytech Pharma SA, MDx Health NV, Mycartis NV and Vlaams Instituut voor Biotechnologie (VIB). Ms Windels served as Chief Financial Officer for Biocartis NV from 2011 until she became Deputy Chief Executive Officer in 2015, followed by a CEO ad interim position till Sept 2017. From 2009 to 2011, she worked as an independent Chief Financial Officer for several private biotech companies. From 1999 to 2008, Ms Windels was Chief Financial Officer and a board member of Devgen NV. Ms Windels holds a masters in economics from the University of Leuven, Belgium.

5.3.2 Executive committee

Ablynx's board of directors has established an executive committee in accordance with Article 524bis of the Company Code.

The executive committee exercises the powers delegated to it by the board of directors, such powers not being related to the general strategy of the company or to other actions which are reserved for the board of directors according to legal requirements, articles of association or the corporate governance charter of the company.

The tasks of the executive committee include the following matters: the research, identification and development of strategic possibilities and proposals which may contribute to the company's development in general, the drafting and development of policy guidelines to be approved by the board of directors, Ablynx's management through, among other things, the implementation of policy guidelines, the supervision of the performance of the business in comparison with the strategic goals, plans and budgets, and the support of the chief executive officer with the day-to-day management of the company.

Notwithstanding the above, and according to its "evocation right", Ablynx's board of directors retains the right to deliberate and decide on matters which have in principle been delegated to the executive committee, but for which the board of directors is of the opinion that they require deliberation at the board of directors' level.

The following table set forth certain information with respect to the current members of Ablynx's executive committee at the date of the Prospectus:

Name	Age	Position(s)
Dr Edwin Moses, Ph.D.	63	Chief Executive Officer
Dr Robert K. Zeldin, M.D.	55	Chief Medical Officer
Mr Wim Ottevaere (1)	61	Chief Financial Officer
Dr Markus L.E. Ewert, Ph.D	57	Chief Business Officer
Mr Johan Heylen	50	Chief Commercial Officer
Mr Guido Gielen	57	VP Human Resources
Mr Frank Landolt	53	VP Intellectual Property and Legal
Dr Robert Friesen, Ph.D.	53	Chief Scientific Officer
Mr Piet Houwen	50	Chief Operations Officer

(1) As permanent representative of Woconsult BVBA.

Below are the biographies of those members of the executive committee who do not also serve on the board of directors:

(i) Dr Robert K. Zeldin

Dr Robert K. Zeldin, M.D. has served as Ablynx's Chief Medical Officer since December 2015. Prior to joining Ablynx, he was the Senior Vice President & Head of Global Clinical Development at Stallergenes SA from 2011 to 2015. From 2005 to 2010, Dr Zeldin served as Executive Medical Director – Respiratory US Clinical Development & Medical Affairs and then as Vice President & U.S. Medical Franchise Head – Respiratory and Dermatology at Novartis Pharmaceuticals Corp. Prior to that he held positions of increasing responsibility at Merck & Co., Inc. from 1997 to 2005. From 1996 to 1997, Dr Zeldin served as Medical Officer – Division of Vaccines & Related Products Applications at the U.S. FDA. Dr. Zeldin holds a B.A. in psychology from Johns Hopkins University and an M.D. from Tufts University School of Medicine.

(ii) Mr Wim Ottevaere

Mr Wim Ottevaere, as the permanent representative of Woconsult BVBA, has served as Ablynx's Chief Financial Officer since August 2006. Prior to joining Ablynx, he was the chief financial officer of Innogenetics, a biotech company listed on Euronext, from 1992 until 2006. Mr Ottevaere also served as Finance Director of Vanhout, a subsidiary of the Besix group, from 1990 until 1992 and held various positions in finance and administration with the Dossche group from 1978 until 1989. Mr Ottevaere holds a master’s degree in business economics from the University of Antwerp.

(iii) Dr Markus L.E. Ewert

Dr Markus L.E. Ewert, Ph.D. has served as Ablynx's Chief Business Officer since June 2017. Prior to joining Ablynx, he provided consulting and advisory services to private equity and venture capital firms through The Healthcare Advisory. From 2011 to 2015, Mr Ewert led the Business Development group at GE Healthcare, a division of the General Electric Company, where he focused on corporate development, mergers and acquisitions, licensing and strategy. Prior to that, he worked at Novartis Pharma AG from 2005 to 2011 in BD&L, M&A and Strategy. Prior to Novartis, Mr Ewert held positions at Xerion Pharmaceuticals AG, Axxima Pharmaceuticals AG, Schwarz Pharma AG and The Boston Consulting Group. Mr Ewert holds a M.Sc. and a Ph.D. in biology from the University of Heidelberg and an MBA from the University of Chicago.

(iv) Mr Johan Heylen

Mr Johan Heylen has served as Ablynx's Chief Commercial Officer since December 2014. Prior to that, he held several positions at GlaxoSmithKline in Belgium and in the United States, including Executive Director, Head Immunotherapeutics, Global Commercial Strategy from 2007 to 2011 and Executive Director, Global Commercial Lead, Cancer Immunotherapeutics from 2011 to 2014. At GlaxoSmithKline Mr Heylen headed the global commercial teams and was responsible for the development and implementation of the launch strategy for the company’s cancer immunotherapeutics portfolio. Mr Heylen holds degrees in pharmaceutical sciences from the University of Leuven, economics from Vlekho and management from the Solvay Business School.

(v) Mr Guido Gielen

Mr Guido Gielen has served as Ablynx's Vice President Human Resources since September 2010. Prior to joining Ablynx, he held numerous local and international human resources positions at Janssen Pharmaceutica NV, a subsidiary of Johnson & Johnson, from 1990 until 2010. Mr Gielen holds a master's degree in sociology from the University of Leuven.

(vi) Mr Frank Landolt

Mr Frank Landolt has served as Ablynx's Director of Intellectual Property and Legal since 2004 and as Ablynx's Vice President of Intellectual Property and Legal since 2013. Prior to joining Ablynx, he served as Director of Intellectual Property and Legal at Devgen from 2000 to 2004. Mr Landolt holds degrees in chemistry and civil law from Leiden University and business law from the University of Antwerp.

(vii) Dr Robert Friesen

As of 1 March 2018, Dr Friesen leads the Ablynx's scientific, research and technology activities and will serve as Ablynx's Chief Scientific Officer. Dr Friesen has more than 20 years of experience in the biopharmaceutical industry, leading multiple Research and Development (R&D) organisations. Dr Friesen joined Ablynx from ProQR Therapeutics, a clinical stage biotechnology company, where he was Senior Vice President, heading the Science and Early Development division.

Prior to joining ProQR Therapeutics, Dr Friesen worked at Janssen BioTherapeutics, a Johnson & Johnson Company as Global Head of Biologics Research, where he established an efficient R&D organisation of more than 200 scientists and professionals located in Europe and US; and at the Crucell Vaccine Institute, a Johnson & Johnson Company, as Vice President Preclinical and Clinical Research where he led the team responsible for discovery, production and preclinical development of monoclonal antibodies. Before Crucell Vaccine Institute, he was Head of Preclinical & Early Clinical Development at MorphoSys. Dr Friesen holds a PhD in biochemistry from the University of Texas and performed postdoctoral research at the University of Groningen.

(viii) Mr Piet Houwen

In his role as Chief Operations Officer, Mr Houwen is responsible for the implementation and execution of supply and supporting business and research processes necessary to execute the strategy of Ablynx. He joined Ablynx as of 1 March 2018. Previously, he worked at Sanofi, where he was Head Operational Excellence & Engineering and before that Head External Supply. During his 25-year professional career, Mr Houwen has built up a strong track record in manufacturing in a dynamic international environment including Fast Moving Consumer Goods (Procter & Gamble), Food Manufacturing (Procter & Gamble, Geest), Pharmaceuticals (Janssen Pharmaceutica, Genzyme, Sanofi) and Consulting (PriceWaterhouseCoopers Consulting). Mr Houwen has experience in human resources, process engineering, project & line management and general management. In 1992 Mr Houwen graduated from the Delft University of Technology and holds a Masters Degree in Mechanical Engineering.

5.3.3 Board committees

5.3.3.1 Audit committee

At the date of the Prospectus, Ablynx's audit committee consists of four members: Mr Remi Vermeiren (chairman), Ms Catherine Moukheibir, Dr Russell Greig and Ms Hilde Windels.

The board of directors has determined that each of Mr Vermeiren, Ms Moukheibir, Dr Greig and Ms Windels are independent under Rule 10A-3 of the Exchange Act and the applicable rules of the NASDAQ and that Ms Moukheibir is qualified as an "audit committee financial expert" as defined under the Exchange Act. All members of the audit committee are independent within the meaning of Article 526ter of the Company Code and Mr Remi Vermeiren and Ms Catherine Moukheibir have expertise in the field of audit and accounting within the meaning of Article 526bis, § 2 of the Company Code.

The audit committee assists the board of directors in overseeing the accuracy and integrity of the accounting and financial reporting processes and audits of the financial statements, the implementation and effectiveness of an internal control system and Ablynx's compliance with legal and regulatory requirements, the independent auditors' qualifications and independence and the performance of the independent auditors.

The audit committee's duties and responsibilities to carry out its purposes include, among others:

- ensuring the integrity of the financial reporting, including review of period information before it is made public;
- assessing the relevance and the consistency of the accounting standards used, the impact of new accounting rules and the treatment of "estimated entries" in annual reports;
- evaluating the system of internal controls set up by the executive committee, including evaluation and approval of the explanatory notes on internal controls in the annual reports;
- reviewing the functions of the internal risk management system and the efficacy of these systems;
- assessing the necessity for setting up an internal audit function;
- supervising the relationship with the external auditors during the external audit process, including evaluation of the auditors' independence and reviewing their financial annual reports including statements in management interviews, analyses and disagreements between the external auditor and the management; and
- reviewing all significant litigation in which the company may be engaged, as well as potential or anticipated litigation.

The audit committee's duties and responsibilities to carry out its purposes include, among others, monitoring Ablynx's accounting processes; monitoring the effectiveness of Ablynx's internal systems of control, monitoring risk management and compliance; assessing and monitoring of matters and processes related to the independence of the external auditor including with respect to the provision of additional services to the company; the preparation of the board of directors' resolutions pertaining to the financial statements; reviewing the interim financial statements; and discussing potential improvements relating to the internal control systems.

The audit committee is required to meet at least four times a year and the chairman of the committee reports to the board of directors on the exercise of its functions after each meeting of the committee, and annually regarding the performance of the committee. It informs the board of directors about all areas in which action or improvement is necessary in its opinion and produces recommendations concerning the necessary steps that need to be taken. The members of the audit committee are entitled to receive all information which they need for the performance of their function, from the board of directors, executive committee and employees. Every member of the audit committee shall exercise this right in consultation with the chairman of the audit committee. All decisions by the audit committee are made by group consensus.

5.3.3.2 Nomination and remuneration committee

At the date of the Prospectus, the nomination and remuneration committee consists of three members: Dr Russell Greig (chairman), Prof Dr Lutgart Van den Berghe and Dr William Jenkins.

The board of directors has determined that each of Drs Greig and Jenkins and Prof Dr Van den Berghe are independent under the applicable rules of the NASDAQ. All members of the nomination and remuneration committee are independent within the meaning of Article 526ter of the Company Code and each member of the committee has appropriate knowledge and experience in compensation and benefit related matters within the meaning of Article 526quater, § 2, section 2 of the Company Code.

Concerning Ablynx's nomination policy, this committee’s duties and responsibilities to carry out its purposes include, among others:

- overseeing, making and evaluating proposals to the board of directors with regard to the election and re-election of non-executive directors;
- advising on the size and composition of the board of directors periodically;
- making selection criteria and nomination procedures for members of the executive committee;
- advising on proposals relating to the recruitment, appointment, dismissal or succession planning of the members of the executive committee, including the chief executive officer;
- drawing up the policy regarding warrant plans and overseeing the general policy for the granting of warrants to employees, executive and non-executive directors and members of the executive committee;
- preparing the annual remuneration report for inclusion in the board’s corporate governance statement in the annual report;
- annually reviewing and presenting the annual goals and objectives for the board of directors to finalize and approve; and
- advising on the accomplishment of targets and initiating discussions with the board to adjust and approve the recommendations.

Concerning Ablynx's remuneration policy, this committee’s duties and responsibilities to carry out its purposes include, among others:

- making and evaluating proposals to the board of directors with regard to all aspects of the remuneration policy for executive and non-executive directors and the proposals which have to be given to the shareholders;
- making proposals relating to individual remuneration, including bonuses; and
- discussing and evaluating the operations and performance of the executive committee at least once a year.

The nomination and remuneration committee meets as is required for its proper functioning to advise and make recommendations to the board. The committee shares the minutes of each meeting with the board of directors and the chairman of the committee reports the recommendations of the committee to the board. The board is responsible for approving the recommendations of the committee.

5.3.3.3 Research and development committee

At the date of the Prospectus, the research and development committee consists of three members: Dr William Jenkins (chairman), Dr Edwin Moses and Dr Russell Greig.

The board of directors has determined that all members of Ablynx's research and development committee, other than Dr Edwin Moses, are independent under the applicable rules of the NASDAQ.

The research and development committee is responsible for, among other things:

- advising the board of directors on overall strategy, direction and effectiveness of Ablynx's research and development programs;
- advising the board of directors on significant emerging trends and issues in science, medicine and technology which are relevant to the company's operations;
- advising the board on risk management in areas relating to intellectual property and research and development;
- reviewing and advising on the selection of targets, the pipeline of product candidates and the intellectual property portfolio;
- assisting the board of directors in setting research and development targets and assess the results in connection with the incentive plans; and
- reviewing and making recommendations on other topics, as requested by the board of directors.

All members of the research and development committee have relevant scientific, research, medical or other related experience.

The research and development committee meets as often as is required for its proper functioning, but at least prior to each meeting of Ablynx's board of directors. The committee shares the minutes of each meeting with the board of directors and the chairman of the committee reports the recommendations of the committee to the board. The board is responsible for approving the recommendations of the committee.

5.3.4 Corporate governance practices, Code of Business Conduct and Ethics

Along with the articles of association, Ablynx adopted a corporate governance charter in accordance with the recommendations set out in the Belgian Corporate Governance Code, or CGC, issued on March 12, 2009 by the Belgian Corporate Governance Committee. The Belgian Corporate Governance Code is based on a "comply or explain" system: Belgian listed companies are expected to follow the Belgian Corporate Governance Code, but can deviate from specific provisions and guidelines provided they disclose the justification for such deviations.

Ablynx's Charter of Corporate Governance is available on the website at http://www.ablynx.com/investors/corporate-governance/.

The board of directors complies with the Belgian Corporate Governance Code, but believes that certain deviations from its provisions are justified in view of the company's particular situation. These deviations include:

- **Provision 2.9 CGC:** Ablynx has no company secretary. The chief financial officer acts as secretary with the assistance of external counsels.
- **Provision 5.2 CGC:** Ablynx has no overall formal internal auditor because of its size. However, the audit committee regularly evaluates the need for this function and may commission external parties to conduct specific internal audit missions and report back to the audit committee.
- **Provision 7.7 CGC:** Only the independent directors receive a fixed remuneration in consideration of their membership of the board of directors and their attendance at the meetings of committees of which they are members. In principle, they will not receive any performance related remuneration, nor will any options or warrants be granted to them in their capacity as director. However, upon advice of the nomination and remuneration committee, the board of directors may propose the shareholders meeting to deviate from the latter principle in case in the board's reasonable opinion the granting of options or warrants would be necessary to attract or to retain independent directors with the most relevant experience and expertise.

The board of directors reviews its corporate governance charter from time to time and makes such changes as it deems necessary and appropriate. Additionally, the board of directors has adopted a written charter for each of the executive committee, the audit committee, the nomination and remuneration committee and the research and development committee, which are part of the corporate governance charter.

The Listing Rules of the NASDAQ include certain accommodations in the corporate governance requirements that allow foreign private issuers, to follow "home country" corporate governance practices in lieu of the otherwise applicable corporate governance standards of the NASDAQ. The application of such exceptions requires that Ablynx discloses each noncompliance with the NASDAQ Listing Rules that it does not follow and describes the Belgian corporate governance practices that it does follow instead of the relevant NASDAQ corporate governance standard. Since Ablynx's ADSs are listed on the NASDAQ, Ablynx intends to continue to follow Belgian corporate governance practices in lieu of the corporate governance requirements of the NASDAQ in respect of the following:

- **Quorum at Shareholder Meetings**. NASDAQ Listing Rule 5620(c) requires that for any shareholders meeting, the quorum must be no less than one third of the outstanding ordinary shares. In principle, there is no quorum requirement under Belgian law for the shareholders meetings, except as provided for by law in relation to decisions regarding certain matters, such as amendments of the articles of association, capital increases or reductions.

- **Compensation Committee**. NASDAQ Listing Rule 5605(c)(2) requires that compensation of officers must be determined by, or recommended to, the board of directors for determination, either by a majority of the independent directors, or a compensation committee comprised solely of independent directors. NASDAQ Listing Rule 5605(e) requires that director nominees be selected, or recommended for selection, either by a majority of the independent directors or a nominations committee comprised solely of independent directors. Under Belgian law, Ablynx is not subject to such composition requirements. Pursuant to Article 526quater of the Company Code and the principles and guidelines of the Belgian Corporate Governance Code, Ablynx is to set up a remuneration committee within its board of directors. In addition, the Belgian Corporate Governance Code provides that the board of directors should set up a nomination committee, which can be combined with the remuneration committee. The board of directors has set up and appointed a nomination and remuneration committee.

According to Article 526quater of the Company Code and the provisions of the Belgian Corporate Governance Code, only a majority of the members of the committee must qualify as independent, within the meaning of Article 526ter of the Company Code. Ablynx's nomination and remuneration committee is currently comprised of three directors, all of whom are independent within the meaning of Article 526ter of the Company Code.

- **Independent Director Majority on Board/Meetings**. NASDAQ Listing Rules 5605(b)(1) and (2) require that a majority of the board of directors must be comprised of independent directors and that independent directors must have regularly scheduled meetings at which only independent directors are present. In order to comply with its obligations under Article 524 of the Company Code, as well as with the Belgian Corporate Governance Code, Ablynx required to have at least three independent directors within the meaning of Article 526ter of the Company Code. Furthermore, the Belgian Corporate Governance Code provides that the majority of the members of the board must be comprised of non-executive directors. Ablynx's non-executive directors will meet at least once a year without the presence of Ablynx's chief executive officer or other executive directors.

Ablynx has adopted a Code of Business Conduct and Ethics, or the Code of Conduct, that is applicable to all of Ablynx's employees, executive officers and directors. The Code of Conduct is available on the website at http://www.ablynx.com/investors/corporate-governance/. The audit committee of the board of directors will be responsible for overseeing the Code of Conduct and will be required to approve any waivers of the Code of Conduct for employees, executive officers and directors.

5.4 SHAREHOLDER STRUCTURE OF ABLYNX

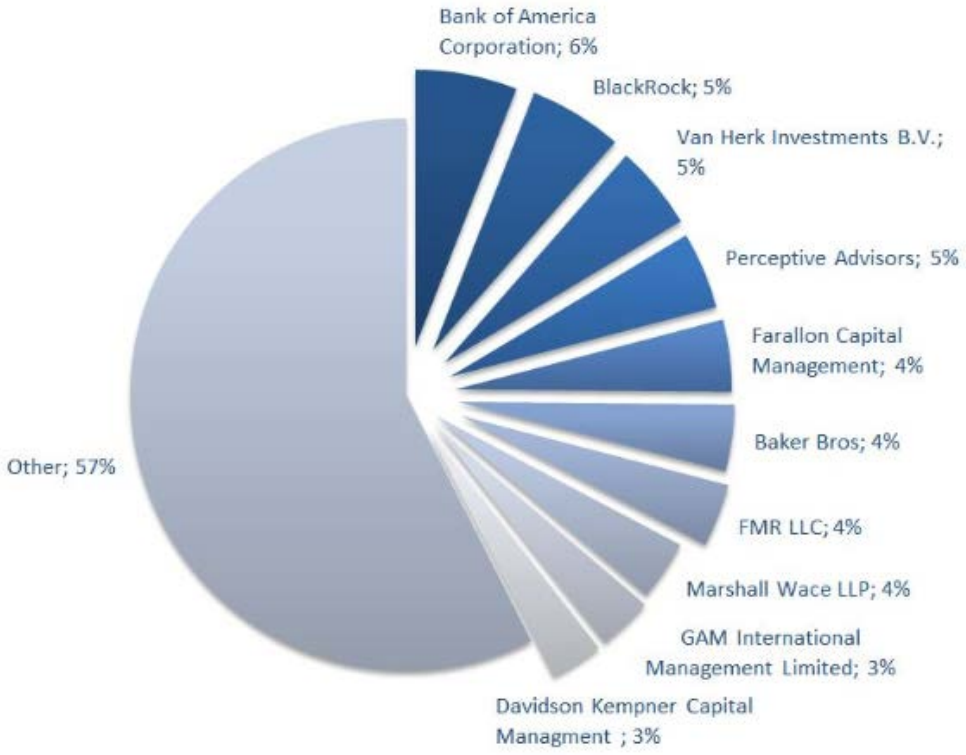
At the date of this Prospectus and taking into account the transparency notifications made at that date in accordance with the Act of 2 May 2007, the shareholder structure of Ablynx is as follows:

Name shareholder	Number of voting rights (1)	% of voting rights (2)
Van Herk Investments B.V.	3,730,065	4.96
FMR LLC	2,780,276	3.69
Baker Bros. Advisors LP	2,928,325	3.89
Bank of America Corporation	4,483,910	5.92
Perceptive Advisors LLC	3,400,628	4.52
Farallon Capital Management LLC	3,175,000	4.22
GAM Holdings AG	2,408,585	3.95
Marshall Wace LLP	2,639,561	3.52

Norges Bank	2,004,478	2.67
BlackRock, Inc.	3,882,078	5.16
David Kempner Capital Management LLP	2,316,079	3.09

(1) The number of voting rights (shares) set out in the table includes both actual voting rights and potential voting rights (assimilated financial instruments).
(2) The percentage of voting rights set out in the table concerns the percentage of (potential) voting rights as indicated in the transparency notification of the relevant major shareholder (and not the percentage of (potential) voting rights compared to the *actual* number of outstanding shares at the date of the Prospectus).

Ablynx's articles of the association provide for shareholders notification threshold of 3%, 5% or a multiple of 5% (i.e. 10%, 15%, 20% etc) of the total number of existing voting rights.



Ablynx's shareholder structure based on the most recent number of shares and transparency notifications as of 27 March 2018.

5.5 SHARE CAPITAL OF ABLYNX

5.5.1 Ordinary Shares

Ablynx's share capital is represented by ordinary shares without nominal value, which is its only class of shares. Ablynx's share capital is fully paid-up. Ablynx's ordinary shares are not separated into classes.

At the date of the Prospectus Ablynx's issued and paid-up ordinary share capital amounts to EUR 140,671,002.58 represented by 75,253,667 ordinary shares without nominal value, each ordinary share representing an identical fraction of its ordinary share capital.

As of the date of this Prospectus, neither Ablynx nor its Subsidiary held any of its own ordinary shares.

The Shares are listed on the regulated market of Euronext Brussels under ISIN code BE0003877942 and under ticker symbol ABLX.

5.5.2 American Depositary Shares

On 27 October 2017, Ablynx closed its approximately EUR 200 million initial public offering in the United States and issued 11,430,000 Shares in the form of ADSs. An additional 1,714,500 Shares in the form of ADSs were issued on 30 October 2017 following the exercise of an option granted to the underwriters.

At the date of the Prospectus, 9,926,407 ADSs of Ablynx are listed on NASDAQ Global Select Market under the symbol "ABLX".

Each ADS represents one Share.

JPMorgan Chase Bank, N.A. acts as depositary, pursuant to a deposit agreement governed by New York law and filed with the SEC.

ADSs can be held either directly or indirectly through a broker or other financial institution. If ADSs are held directly, by having an ADS registered in the name of the investor on the books of the depositary, the investor is an American Depositary Receipt (ADR) holder. This description assumes the investor holds its ADSs directly. If the investor holds the ADSs through its broker or financial institution nominee, the investor must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder.

An ADR holder is not treated as a shareholder of Ablynx and does not have any shareholder rights. Because the depositary or its nominee will be the shareholder of record for the Shares represented by all outstanding ADSs, shareholder rights rest with such record holder. The rights of the investor are those of an ADR holder. Such rights derive from the terms of the deposit agreement entered into between Ablynx, the ADR holder (investor), the depositary and all registered holders from time to time of ADRs issued under the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the Shares, the ADR holder must rely on the depositary or its nominee to exercise the rights of a shareholder on its behalf.

The Bid does not cover the ADSs, which are subject to the U.S. Bid.

5.5.3 Warrants

i. Overview

Ablynx has established a number of warrant plans, under which it has granted warrants free of charge to the recipients, i.e., employees, directors and independent consultants of Ablynx.

As of the date of the Prospectus, there were 2,747,725 warrants, giving right to a maximum of 2,747,725 new Shares.

Aside from the Warrants and the Convertible Bonds, Ablynx granted no other stock options, options to purchase securities, or other rights to subscribe for or purchase outstanding securities.

The schedule below provides a general overview of the Warrants at the date of the Prospectus based on the terms of the relevant stock options plans:

Warrant	Ablynx's Internal Note	Issue Date	Outstanding Warrants
Warrants 2008	Issue 9	22-Aug-08	70,417
Warrants 2012	Issue 17	01-Feb-12	76,049
Warrants 2013 (1)	Issue 20 Excom	29-Jan-13	100,000
Warrants 2013 (2)	Issue 20	29-Jan-13	65,853
Warrants 2013 (3A)	Issue 21 Excom	05-Aug-13	5,028
Warrants 2013 (3B)	Issue 21 Excom	05-Aug-13	4,781
Warrants 2014 (1)	Issue 23 Excom	24-Apr-14	101,168
Warrants 2014 (2A)	Issue 23	24-Apr-14	53,084
Warrants 2014 (2B)	Issue 23	24-Apr-14	4,252
Warrants 2014 (2C)	Issue 23	24-Apr-14	3,500
Warrants 2015 (1A)	Issue 24	16-Mar-15	20,000
Warrants 2015 (1B)	Issue 24	16-Mar-15	118,742
Warrants 2015 (2)	Issue 24 Excom	16-Mar-15	285,995
Warrants 2015 (3)	Issue 25 Excom	14-Sep-15	150,000
Warrants 2015 (4A)	Issue 25	14-Sep-15	38,000
Warrants 2015 (4B)	Issue 25	14-Sep-15	27,500
Warrants 2016 (1)	Issue 26 Excom	24-Feb-16	198,552
Warrants 2016 (2A)	Issue 26	24-Feb-16	162,059
Warrants 2016 (2B)	Issue 26	24-Feb-16	1,500
Warrants 2016 (2C)	Issue 26	24-Feb-16	12,500
Warrants 2017 (1)	Issue 28 additional offer	22-Feb-17	33,244
Warrants 2017 (2)	Issue 28 Excom	22-Feb-17	283,440
Warrants 2017 (3)	Issue 28	22-Feb-17	183,061
Warrants 2017 (4A)	Issue 29	20-Sep-17	89,000
Warrants 2017 (4B)	Issue 29	20-Sep-17	42,500
Warrants 2017 (4C)	Issue 29	20-Sep-17	150,000
Warrants 2017 (4D)	Issue 29	20-Sep-17	10,000
Warrants 2017 (4E)	Issue 29	20-Sep-17	37,500

Warrants 2017 (5)	Issue 29 Excom	20-Sep-17	150,000
Warrants 2017 (6)	Issue 29 Excom	20-Sep-17	150,000
Warrants 2018 (1A)	Recruitment Warrants	17-Jan-18	20,000
Warrants 2018 (1B)	Recruitment Warrants (bis)	17-Jan-18	100,000

ii. Transferability and accelerated exercise

The Warrants are not freely transferable, except in the event of death of the Warrant Holder and to the extent that the Warrants were already vested at the time of death. Although the Warrants fall within the scope of the Bid, the non-transferability provisions contained in the issue conditions of the Warrants remain in effect. As a result, such Warrants cannot be tendered to the Bid. However, if Sanofi launches a Squeeze Out, the non-transferability provisions applicable to the Warrants will be overruled by operation of law, and Sanofi shall acquire compulsorily all Warrants not yet exercised.

The Warrant Holders (except for Warrants 2008) have the right to accelerate the exercise of their Warrants when a public takeover bid on Ablynx is issued, irrespective of the fact whether their Warrants were already vested. The Warrants 2008 did not provide for an accelerated exercise of the Warrants in case of a public takeover bid. On 21 February 2018, the board of directors of Ablynx decided to grant an additional exercise period, starting from the end of the closed period in relation to Ablynx's 2017 annual results as set out in Ablynx's dealing code and up to and including the closing of the last acceptance period of the Bid (it being understood that this additional exercise period can never extend beyond the end date of the last (ordinary) exercise period of the Warrants 2008), in order to allow the holders of Warrants 2008 to exercise their Warrants at the occasion of the issue of the Bid.

iii. Conversion rate

All Warrants give the holder thereof the right to subscribe for one Share.

iv. Exercise price

Warrants granted through November 2013 have an exercise price equal to the average closing share price over a period of 30 days before the date of the grant. For the warrants granted as from 24 April 2014, Warrants have an exercise price equal to either (i) the average closing price of the Share on Euronext Brussels over the period of thirty days prior to the date of grant, (ii) the last closing rate prior to the date of grant or (iii) the average closing price of the Share on Euronext Brussels over the period of thirty days preceding the date of decision in principle to issue the Warrants, each time as determined by the proxyholder of Ablynx's shareholders meeting (or of Ablynx's board of directors if the Warrants have been issued in principle in the context of the authorized capital).

The table in Section 7.1.3.3 contains the exercise price of all Warrants.

v. Other terms and conditions

The warrants granted through March 2015 have the features set out hereafter. Such Warrants generally vest ratably over four years: 25% of the Warrants vests after one year; thereafter, the remaining 75% vests on a monthly basis (2.083% per month). The term of such Warrants is mostly seven years, but in some cases Warrants have a term of five years. Such Warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants have been granted. Accordingly, any Warrants that have not been exercised within five or seven years of their grant, as the case may be, become null and void. In case of termination of the employment agreement contract, the consultant agreement or a director's mandate without cause, all the vested Warrants need to be exercised during the then running exercise period, or the next exercise period if such termination does not take place during an exercise period. Vested Warrants which have not been exercised during such exercise period automatically lapse. In the case of a termination of the employment agreement, the consultant agreement or a director's mandate for cause, all Warrants (whether or not vested) lapse. All non-vested Warrants automatically lapse upon termination of the relevant employment agreement, consultant agreement or director's mandate.

Warrants granted as from September 2015 have the features described below. Such Warrants generally vest ratably over three years: 28% of the Warrants vest after one year; thereafter the remaining 75% vests on a quarterly basis (9% per quarter), with certain Warrants granted in February 2017 vesting after three years. The term of the Warrants is seven years. Accordingly, any Warrants that have not been exercised within seven years of their grant become null and void. Such Warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the Warrants have been granted. In the case of termination of the employment agreement or the consultant agreement without cause, all vested Warrants need to be exercised during the first fifteen days of the quarter in which the end of the employment agreement or consultant agreement falls, even if the exercise period precedes the beginning of the fourth year following the calendar year in which the date of the grant occurs. The tax consequences of such exercise will exclusively be borne by the relevant Warrant Holder.
Vested Warrants which have not been exercised in such exercise period automatically lapse. In the case of a termination of the employment agreement or the consultant agreement for cause, all Warrants (whether or not vested) lapse. All non-vested Warrants automatically terminate and are forfeited upon termination of the agreement.

5.5.4 Convertible Bonds

i. General - Maturity - Interest - Conversion rate

In May 2015, Ablynx issued EUR 100.0 million aggregate principal amount of 3.25% convertible senior bonds due 27 May 2020 in a denomination of EUR 100,000 (the "**Convertible Bonds**"), pursuant to a decision by Ablynx' board of directors within the limits of the authorized capital. The Convertible Bonds are in dematerialized form, and bear cash interest at a rate of 3.25% per year, payable semi-annually on 27 May and 27 November of each year, beginning on 27 November 2015. The Convertible Bonds will mature on 27 May 2020, unless earlier redeemed or converted. The conversion rate for the Convertible Bonds was initially EUR 12.93 per Share. As of 27 October 2017, the conversion rate for the Convertible Bonds has been adjusted downwards to EUR 12.6631 (rounded) per Share. The conversion rate is subject to the adjustments described below.

ii. Conversion option for Convertible Bond Holders (other than resulting from a change of control)

Convertible Bond Holders may convert their Convertible Bonds at their option at any time, from and including, the 41st day after the closing of the offering of the Convertible Bonds on 27 May 2015 and the seventh day before (i) the maturity date on 27 May 2020, or (ii) the redemption date set by Ablynx upon proper notice by Ablynx of such redemption. Upon the Convertible Bonds Holder's option to convert the Convertible Bonds, other than in the event of a "change of control" (as defined in the terms and conditions of the Convertible Bonds) Ablynx will have the option to deliver cash, ordinary shares or a combination thereof.

iii. Issuer soft call option and clean-up call option (options for Ablynx)

Ablynx may redeem for cash all, but not a portion of, the Convertible Bonds, at nominal value plus any accrued but unpaid interest, at its option, (i) on or after 17 June 2018, if the volume weighted average price of the Shares exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading days period ending no earlier than the 5th trading day prior the notice given by Ablynx to the Convertible Bond Holders of the exercise of this redemption right or (ii) at any time if conversion rights have been exercised and/or purchases (and corresponding cancellations) and/or redemptions have been effected in respect of at least 85% of the original principal amount of the Convertible Bonds. In case one of the aforementioned conditions is fulfilled and Ablynx wishes to exercise this call option, such redemption will necessarily take place on less favourable conditions than the conditions of the Bid. Should Ablynx opt to exercise this call option, Sanofi would be in favour of such decision and would be willing to provide the necessary financing to Ablynx.

iv. Events of default - redemption

The terms and conditions of the Convertible Bonds contain customary events of default with respect to the Convertible Bonds, including that upon certain events of default (including Ablynx' failure to make any payment of principal or interest on the Convertible Bonds when due and payable) occurring and continuing, the holders of at least 25% in principal amount of the outstanding Convertible Bonds by notice to Ablynx, may, declare 100% of the principal of and accrued and unpaid interest, if any, on all the Convertible Bonds to be due and payable.

v. Event of a change of control – Change of control adjustment

In accordance with the terms and conditions of the Convertible Bonds a "change of control" "*shall occur if an offer is made by any person to all (or, substantially all) Shareholders (or all (or substantially all) such Shareholders other than the offeror and/or any parties acting in concert (as defined in Article 3, paragraph 1, 5° of the Belgian Law of 1 April 2007 on public takeover bids, as amended) with the offeror), to acquire all or a majority of the issued ordinary share capital of the Issuer and (the period for such offer being closed, the definitive results of such offer having been announced and such offer having become unconditional in all respects) the offeror has acquired, or, following the publication of the results of such offer by the offeror, is entitled to acquire as a result of such offer, post-completion thereof, Ordinary Shares or other voting rights of the Issuer so that it has the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer, whereby the date on which the Change of Control shall be deemed to have occurred shall be the date of the publication by the offeror of the results of the relevant offer (and for the sake of clarity prior to any reopening of the offer in accordance with Article 42 of the Belgian Royal Decree of April 27, 2007 on takeover bids)*".

The Bid if successful qualifies as a change of control. In such case, the change of control is deemed to have occurred on the date of the publication by the Offeror of the results of the Initial Acceptance Period. Ablynx will give the Convertible Bond Holders notice of the change of control within 14 calendar days following the occurrence of the change of control.

Consequently if the Bid is successful, Convertible Bonds Holders are entitled to:

(i) exercise their right to require redemption of their Convertible Bonds at their principal amount, together with accrued and unpaid interest; or
(ii) exercise their right to convert their Convertible Bonds into Shares.

The Convertible Bond Holders may tender the Shares subscribed as a result of the conversion of their Convertible Bonds into the Bid, in exchange for the Share Bid Price. They may also tender their Convertible Bonds directly into the Bid in exchange for the Convertible Bond Bid Price.

vi. Exercise of the conversion right (first option)

The number of Shares to be issued or transferred and delivered on exercise of the conversion right of the Convertible Bond Holders shall be determined by the calculation agent (Conv-Ex Advisors Limited) by dividing the principal amount of such Convertible Bond to be converted by the conversion price in effect as of the Conversion Date (as defined below). No fractions of Shares will be issued upon conversion. Rather, the number of Shares so obtained shall be rounded down to the nearest whole number and Ablynx will make a cash payment in respect of any such fractions.

In case of a change of control, the conversion price shall be determined as follows (the "**Change of Control Conversion Price**"):

$$\text{Change of Control Conversion Price} = \frac{CP}{(1 + (IP \times c/t))}$$

Whereby:

CP = the conversion price in effect immediately prior to the Change of Control Period (as defined below)

IP = the issuance premium of each Convertible Bond over the reference price of the ordinary share used to determine the terms of the Convertible Bonds (i.e. EUR 10.2219), expressed as a fraction $\left(\frac{2.7081}{10.2219}\right)$

c = the number of days from and including the date the change of control occurred to but excluding the final maturity date (being 27 May 2020)

t = the number of days from and including the closing date (being 18 May 2015) to but excluding the final maturity date (being 27 May 2020), i.e. 1,827 days

For further information and a detailed calculation, please refer to section 7.1.4.3.

As set out above, a change of control is deemed to have occurred on the date of the publication by the offeror of the results of the relevant offer (and for the sake of clarity prior to any reopening of the offer in accordance with Article 42 of the Belgian Royal Decree of April 27, 2007 on takeover bids) pursuant to which the offeror is entitled to acquire as a result of such offer, post-completion thereof, Shares or other voting rights of Ablynx so that it has the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of Ablynx (the "**Change of Control Date**"). The date of publication of the results of the Initial Acceptance Period will be 14 May 2018. As of 27 October 2017, the conversion price amounts to EUR 12.6631 per Share.

Within 14 calendar days from the Change of Control Date, Ablynx needs to notify the Convertible Bond Holders of such change of control. Such notice is delivered by Ablynx to the National Bank of Belgium and published by the latter. The notice shall be deemed to have been given at the date of such publication (the "**Notification Date**").

The Convertible Bond Holders have the right to exercise their conversion right at the Change of Control Conversion Price during a period of 60 calendar days, commencing on the Change of Control Date, or, if later, the Notification Date (the "**Change of Control Period**"). The Convertible Bond Holders wishing to exercise their conversion right should (i) transfer the relevant Bond(s) to the securities account of the paying and conversion agent (being BNP Paribas Securities Services, Brussels Branch) and (ii) deposit a duly completed and signed conversion notice at the paying and conversion agent's specified office, both during normal business hours.

The conversion date in respect of a certain Convertible Bond shall be the business day in Brussels immediately following the transfer of the Convertible Bond and deposit of the conversion notice as set out above (the "**Conversion Date**").

Prior to or on the delivery date (as set out below), Ablynx shall cause the issue and use all reasonable endeavours to ensure the admission to trading on the relevant stock exchange of the ordinary shares to be issued pursuant to the exercise of the conversion right and procure that such ordinary shares are delivered to the relevant Convertible Bond Holder.

If the Conversion Date occurs on or prior to the 15th calendar day in any month, the delivery date shall be the last calendar day of such month. If the Conversion Date occurs after the 15th calendar day in any month, the delivery date shall be the last calendar day of the following month.

The Bid Price for the shares issued as a result of the conversion of a Convertible Bond will be equal to the Bid Price for the Convertible Bond directly tendered in the Bid, taking into account the enhanced conversion price resulting from a change of control (see section 7.1.4.3).

vii. Exercise the right to require redemption of the Convertible Bonds (second option)

Upon the occurrence of a change of control, the Convertible Bond Holders can alternatively require Ablynx to redeem such Convertible Bonds at their principal amount, together with any accrued and unpaid interest, at any time during the Change of Control Period. Redemption shall take place on the 14th calendar day after the expiry of the Change of Control Period.

viii. Cessation of interest accrual

The Convertible Bonds will cease to bear interest (i) where the conversion right shall have been exercised by a Convertible Bond Holder, from the interest payment date immediately preceding the relevant Conversion Date or (ii) where such Convertible Bond is redeemed or repaid by Ablynx, from the due date for redemption or repayment thereof, unless payment of the principal in respect of the Convertible Bond is improperly withheld or refused on the due date, in which event interest will continue to accrue until the earliest of (a) the day on which all sums due in respect of such Convertible Bond up to that day have been received by or on behalf of the Convertible Bond Holder and (b) the 7th day after the day on which the paying and conversion agent notifies the Convertible Bond Holders of receipt of all sums due in respect of all the Convertible Bonds up to that 7th day (except to the extent that there is failure in the subsequent payment to the relevant Convertible Bond Holders under the terms and conditions of the Convertible Bonds).

ix. Summary

In accordance with the principles set out above, five scenarios can be envisaged, the financial consequences of which are illustrated below based on a sample figure[2].

1. The Convertible Bond Holder exercises its conversion right prior to a change of control occurring (if any)

As set out above, a change of control (if any) is deemed to have occurred on the date of the publication by the offeror of the results of the relevant offer (and for the sake of clarity prior to any reopening of the offer in accordance with Article 42 of the Belgian Royal Decree of April 27, 2007 on takeover bids) pursuant to which the offeror has acquired the control over Ablynx.

In this case, the conversion price will amount to EUR 12.6631 per Share (provided that no event occurs pursuant to which the conversion price is adjusted).

If the Convertible Bond Holder subsequently tenders the shares so obtained in the Bid, this will give the following result:

Step 1:

$$\frac{\text{Nominal value of one Convertible Bond}}{\text{Conversion price}} = \frac{\text{EUR 100,000}}{\text{EUR 12.6631 per Share}} = 7{,}896.9605 \text{ Shares}$$

of which:

- 7,896 Shares will be issued; and
- 0.9605 Share will be compensated in cash.

Step 2:

Number of Shares * Share Bid Price = 7,896 Shares * EUR 45 per Share = EUR 355,320.

[2] Deviations are due to rounding up/down of numbers. For the provisions on rounding of the resulting number of Shares, reference is made to the terms and conditions of the Convertible Bonds.

Number of Shares to be compensated in cash * Share Bid Price = 0.9605 Share * EUR 45 per Share = EUR 43.22.

Step 3:

The total compensation amounts to EUR 355,320 + EUR 43.22 = EUR 355,363.22.

2. The Convertible Bond is tendered directly in the Bid

The Convertible Bond Holder will receive the Convertible Bond Bid Price, being EUR 393,700.78.

3. The Convertible Bond is converted after a change of control (if any) has occurred

The following example is based on the assumption that (i) a change of control has occurred and (ii) the results of the Initial Acceptance Period are published on 14 May 2018.

In this case, the conversion price will amount to EUR 11.4300 per Share.

If the Convertible Bond Holder subsequently tenders the shares so obtained in the Bid, this will give the following result:

Step 1:

$$\frac{\text{Nominal value of one Convertible Bond}}{\text{Change of control conversion price}} = \frac{\text{EUR 100,000}}{\text{EUR 11.4300 per Share}} = 8{,}748.9064 \text{ Shares}$$

of which:

- 8,748 Shares will be issued; and
- 0.9064 Share will be compensated in cash.

Step 2:

Number of Shares issued * Share Bid Price = 8,748 Shares * EUR 45 per Share = EUR 393,660.

Number of Shares to be compensated in cash * Share Bid Price = 0.9064 Share * EUR 45 per Share = EUR 40.78.

Step 3:

The total compensation amounts to EUR 393,660 + EUR 41 = EUR 393,700.78.

The value of one Convertible Bond for the Convertible Bond Holder in this third scenario is thus equal to the value of the Convertible Bond in scenario two (Convertible Bond tendered directly into the Bid).

4. The Convertible Bond is redeemed after a change of control (if any) has occurred

Upon the occurrence of a change of control, the Convertible Bond Holders have the right, instead of conversion, to have Ablynx redeem their Convertible Bonds at nominal value plus any accrued but unpaid interest.

Redemption shall take place on the 14th day after the expiry of the Change of Control Period (i.e. the period of 60 calendar days, commencing on the Change of Control Date, or, if later, the Notification Date as set out above). The Notification Date may be up to 14 calendar days after the Change of Control Date.

This example is based on the assumption that the results of the Initial Acceptance Period are published on 14 May 2018 (Change of Control Date). The Notification Date shall thus be 28 May 2018 at the latest.

The Convertible Bond is redeemed at its nominal value + any accrued but unpaid interest =

i. EUR 100,000 + EUR 551 = EUR 100,551 in the earliest scenario; or
ii. EUR 100,000 + EUR 677 = EUR 100,677 in the latest scenario.

5. Ablynx exercises the soft call option after 17 June 2018

This example is based on the assumption that the soft call option is exercised on 30 June 2018.

The Convertible Bond is redeemed at its nominal value + any accrued but unpaid interest = EUR 100,000 + EUR 307 = EUR 100,307.

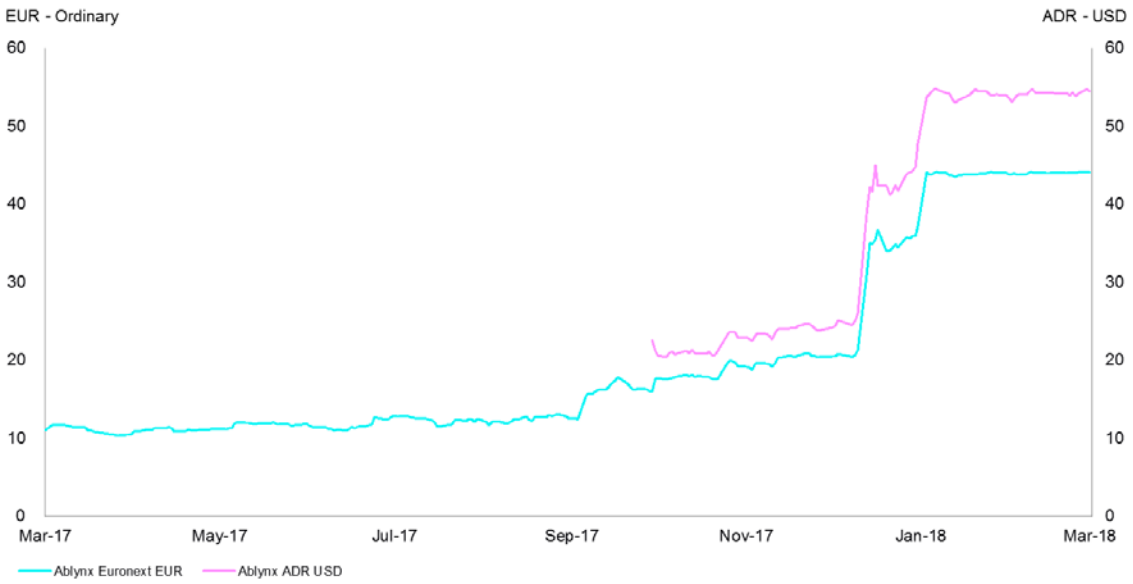
For the sake of completeness, it should be noted that following the exercise of the soft call option, the Convertible Bond Holder still have the right to exercise their conversion right (up until close of business of the 7th business day prior to the date scheduled for redemption pursuant to the exercise of the soft call option).

In this case, the conversion price will be EUR 12.6631 and the result will thus be the same as in the first scenario, being EUR 355,363.22.

In conclusion, the value of one Convertible Bond to a Convertible Bond Holder in each of the five scenarios is as follows:

Conversion prior to change of control and subsequent tender of the Shares in the Bid	EUR 355,363.22
Tender of the Convertible Bond directly in the Bid	EUR 393,700.78
Conversion upon change of control and subsequent tender of the Shares in the Bid	EUR 393,700.78
Redemption upon change of control	EUR 100,551 - EUR 100,677
Redemption pursuant to the call option	EUR 100,307

5.6 Evolution of the share price of Ablynx on Euronext Brussels and NASDAQ over the last twelve months



5.7 STRUCTURE OF THE ABLYNX GROUP

Ablynx has recently created the Subsidiary in the United States, which was incorporated on 11 October 2017.

The Subsidiary has its registered office at 251 Little Falls Drive, City of Wilmington, County of New Castle, State of Delaware 19808 (United States). The address of the operational office is located at Six Tower Bridge, Suite 400, 181 Washington Street, Conshohocken, PA 19428 (United States).

From Ablynx's press release of 16 October 2017 quoted:

> "*Ablynx today announced the establishment of Ablynx, Inc., its subsidiary in the USA, and the appointment of Mr Daniel Schneider as the General Manager to lead the commercialisation of caplacizumab in North America. Mr Daniel (Dan) Schneider will be based in a US office, to be located on the East Coast. Caplacizumab is the Company's wholly-owned anti-von Willebrand factor (vWF) Nanobody® being developed for the treatment of acquired thrombotic thrombocytopenic purpura (aTTP).*"

5.8 ACTIVITIES OF ABLYNX

5.8.1 Description of the activities

The activities of Ablynx are described at length in the prospectus of Ablynx of 24 October 2017 filed with the SEC in the framework of the initial public offering of the ADSs in the United States (NASDAQ Global Select Market). The full prospectus is available on the website of Ablynx (http://www.ablynx.com/investors/sanofi-takeover-bid/).

5.8.1.1 General

Ablynx is a late-stage clinical biopharmaceutical company utilizing its proprietary Nanobody platform to develop treatments for a broad range of therapeutic indications with an unmet medical need. Ablynx believes that Nanobodies represent a leading next generation protein therapeutic technology. Ablynx has more than 45 proprietary and partnered Nanobody programs across a range of therapeutic indications including: hematology, inflammation, infectious disease, autoimmune disease, oncology and immuno-oncology. Ablynx employs a hybrid business model whereby it pursues its wholly owned programs through to commercialization or key value inflection points while also working with pharmaceutical partners on programs in areas where they bring specific disease expertise and resources. Its lead, wholly owned product candidate, caplacizumab, for the treatment of acquired thrombotic thrombocytopenic purpura, or aTTP, is currently undergoing regulatory review in Europe, and Ablynx recently announced positive top line results from a Phase III trial with caplacizumab in October 2017. Submission of a Biologics License Application for caplacizumab in the United States is planned in the first half of 2018 and Ablynx received Fast Track Designation from the FDA for caplacizumab in July 2017. Ablynx's wholly owned and partnered product pipeline includes three other Nanobody-based product candidates at the Phase II stage of development and four at the Phase I stage of development, and Ablynx and its partners are currently planning to initiate Phase I trials for multiple other product candidates over the next few years.

Ablynx's most advanced wholly owned product candidate is caplacizumab for the treatment of aTTP, which is a rare, potentially fatal, blood clotting disorder, with an aggregate of 7,500 episodes estimated to occur each year in North America, Europe and Japan. Ablynx first communicated the results from its worldwide Phase II trial of caplacizumab in aTTP patients in 2014, and based on these encouraging data, it submitted a Marketing Authorization Application, or MAA, for caplacizumab in this indication to the European Medicines Agency, or EMA, in February 2017. Ablynx recently announced positive top line results from a 145 patient Phase III worldwide clinical trial of caplacizumab for the treatment of aTTP, and it expects these data will drive the registration process for caplacizumab in both Europe and the United States. In December 2017, Ablynx announced positive data from its Japanese ethno-bridging study demonstrating comparable PK of caplacizumab in Japanese and Caucasian subjects. Its second most advanced wholly owned product candidate is ALX-0171 for the treatment of respiratory syncytial virus, or RSV. Ablynx commenced a Phase IIb trial in 180 hospitalized infants in January 2017 and expects top line results in the second half of 2018. On 2 March 2018, Ablynx announced that the first patient has been dosed in the Japanese Phase II study of ALX-0171 and expects to read out in the second half of 2019. A third partnered Nanobody-based asset in Phase II trials is vobarilizumab for the treatment of rheumatoid arthritis, or RA, as well as for the treatment of systemic lupus erythematosus, or SLE.
Ablynx has completed two Phase IIb clinical trials in approximately 600 RA patients and has had end-of-Phase II meetings with the U.S. Food and Drug Administration, or FDA, and EMA. Ablynx is also currently conducting a Phase II trial with vobarilizumab in 312 patients with SLE and expect top line results in the first half of 2018.

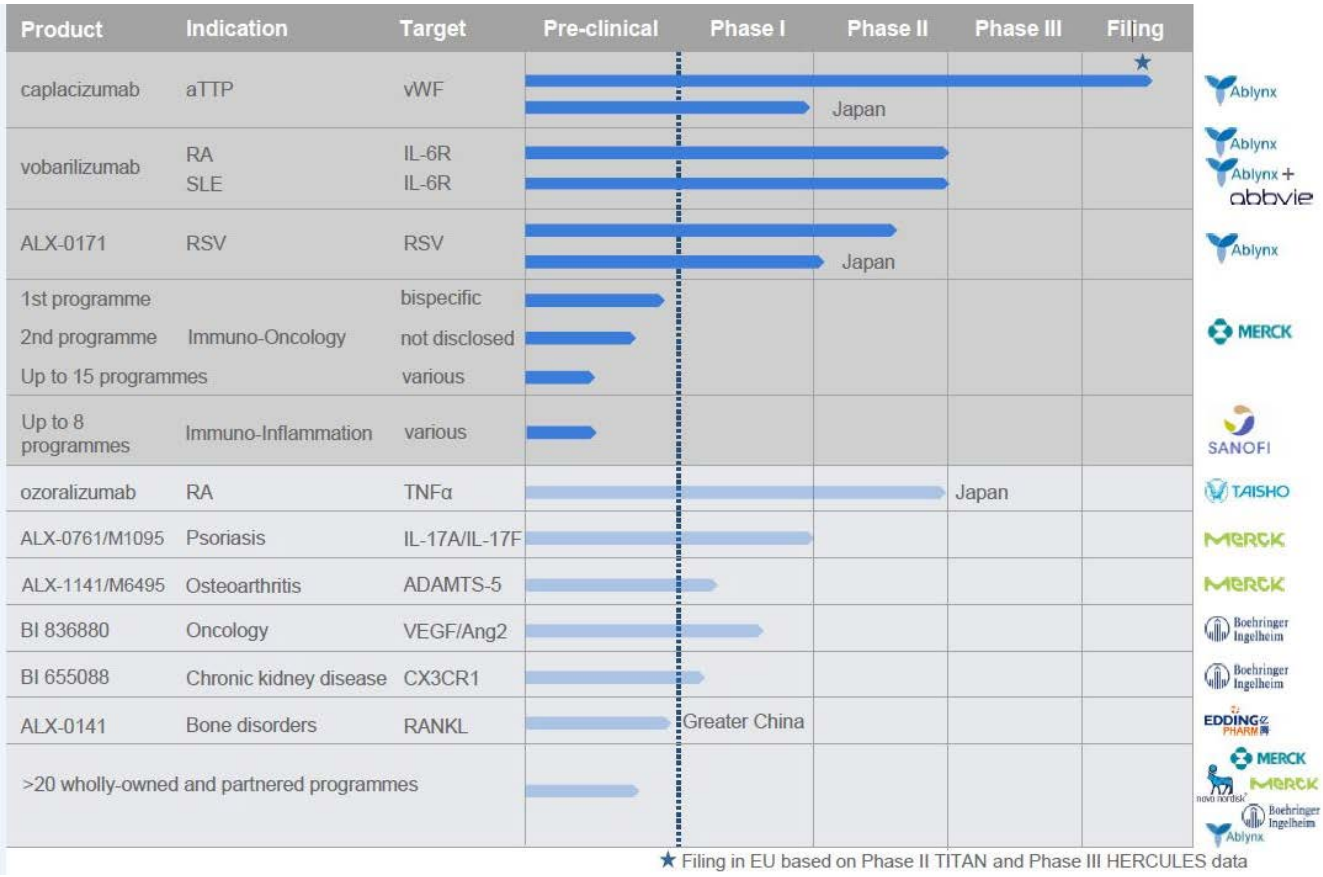
There are numerous potential therapeutic applications for its Nanobody technology. Ablynx is using its platform to advance wholly owned and partnered programs in areas which have an unmet medical need and where it believes there is a particular advantage in using Ablynx's Nanobody technology. Ablynx has partnered strategically to maximize the breadth of Ablynx's product pipeline. Its partnering strategy has allowed it to leverage the specific disease-area expertise of its collaborators, obtain significant funding to help build and advance its Nanobody product pipeline and further validate its technology platform. Ablynx currently has collaborations with eight pharmaceutical partners covering a broad range of clinical and pre-clinical programs. As of 24 October 2017, Ablynx has received an aggregate of €453.5 million in upfront, full time equivalent, or FTE, and milestone payments from these collaborators and is eligible to receive more than €10.6 billion in additional milestone payments, plus sales royalties, subject to the achievement of clinical milestones, regulatory approvals, and other specified conditions.

Nanobodies are a class of novel therapeutic proteins that are based on the smallest functional fragments of "heavy-chain only" antibodies, which occur naturally in the Camelidae family, including llamas and alpacas. Ablynx believes that Nanobody-based product candidates combine many of the benefits of conventional monoclonal antibodies, or mAbs, with some of the advantages of small molecule drugs.

Traditional small molecule drugs have several favorable characteristics for drug development, including being generally stable, relatively easy to manufacture and capable of being administered through multiple routes; however, they tend to bind off-target, resulting in unwanted side-effects, and require long lead times for optimization to improve efficacy. mAbs have been developed which exhibit high affinities and are very specific for a particular target, thereby addressing some of the key deficiencies of small molecules as therapeutic candidates. However, the application of mAbs has been limited by several factors, including their large and complex structures, their relative lack of stability, which generally limits their mode of administration to either intravenous or subcutaneous injections, and their expensive manufacturing processes.

Ablynx believes Nanobody technology has the potential to provide the foundation for the next generation of biologics, combining some of the most important advantages of mAbs and small molecules, as well as offering some unique features. Nanobodies have similar affinities and specificities to mAbs but they are much smaller and more stable with the additional advantages of being able to be delivered via multiple administration routes and capable of being produced in a simple microbial fermentation. Ablynx's Nanobody technology allows it to rapidly develop binders to a broad range of targets, including challenging and complex proteins such as G-protein coupled receptors, or GPCRs, and ion channels, as well as to develop multi-functional molecules. Ablynx is also able to modulate the half-life of a Nanobody product candidate to optimize treatment for the indication being pursued.
To date, Ablynx has generated Nanobodies against more than 150 potential disease targets, have shown proof-of-concept in more than 50 animal disease models and Ablynx has administered Nanobodies to over 2,000 patients and volunteers with encouraging safety and efficacy data.

Ablynx's Nanobody product pipeline is outlined below:



Ablynx has assembled a team of over 400 highly qualified employees. Ablynx believes that it has the necessary research and development capabilities to successfully advance Ablynx's wholly owned and partnered programs, and the business development skills to strategically engage with pharmaceutical collaborators. Ablynx is also actively expanding its commercial team in anticipation of regulatory approval of caplacizumab. The current commercial team has worked on the launch of more than 25 medicines over the last 25 years, on a national, regional and global level. Members of the Board of Directors and Executive Management Team have significant experience in the life sciences industry and have previously served at companies including GlaxoSmithKline plc and Merck & Co.

5.8.1.2 Ablynx's Technology Platform

Background

The pharmaceutical industry originally developed drugs based on the use of small synthetic organic molecules with molecular weights in the range of 300-500 Daltons. Several characteristics of small molecules, including their stability, ease of manufacturing and ability to be delivered through multiple routes of administration, have allowed their broad application to a wide range of biological targets and disease indications. The majority of pharmaceutical products currently marketed are small molecules. Despite their widespread use, small molecules have some key disadvantages, including off-target binding which results in unwanted side-effects and the requirement for lengthy lead optimization to improve their affinity and selectivity.

The limitations of small molecule drugs was a driver in efforts to develop other types of therapeutic molecules. As part of their natural defense system against pathogens and tumor cells, the immune system of vertebrates naturally produces molecules called antibodies, which are very specific and have high affinities to a particular target. In the 1970s, technology was developed to produce mAbs, which evolved to create potential drug candidates to start to address the shortcomings of small molecules. mAbs have been a growing segment of the pharmaceutical industry and accounted for 10% of global pharmaceutical sales in 2016. More than 50 mAbs have been approved to treat a variety of diseases, including cancer, inflammation, auto-immune diseases and infectious diseases. The sales growth of mAbs is outpacing that of small molecule drugs by a factor of nearly eight, and mAbs are expected to have nearly $125.0 billion in annual sales by 2020.

Despite their considerable commercial success, mAbs still have some significant limitations when compared to small molecules. mAbs are large (approximately 150,000 Daltons), which restricts their ability to be developed for some biological targets. mAbs have complex structures which makes rapid development of multi-valent and multi-specific drugs challenging. They are also relatively unstable compared to small molecules, which has generally limited administration routes to intravenous or subcutaneous injection. In addition, mAbs are difficult and expensive to manufacture. These limitations have created a demand to identify the next generation of therapeutics which would ideally combine the advantages of small molecules with the beneficial characteristics of mAbs.

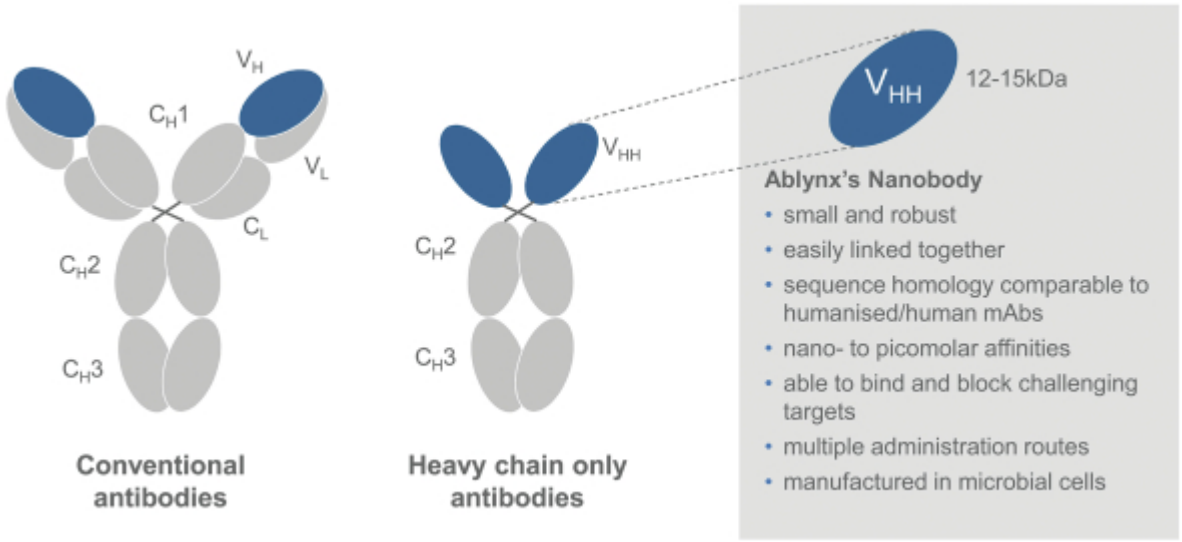
Ablynx believes that Nanobodies have the potential to be a leading next generation protein therapeutic technology platform. They have similar specificities and affinities as mAbs and, because they are derived from naturally occurring single domain-binding structures, they also have a number of biophysical properties which make them particularly well-suited for drug development, including their stability, solubility and ease of manufacture.

Monoclonal antibodies

Antibodies are Y-shaped proteins used by the immune system to target and clear foreign bodies, including pathogens, such as bacteria and viruses, and tumor cells. Antibodies are composed of two structurally independent parts, the variable domain, or V-domain, and the constant domain, or Fc, domain.
Antibodies are composed of two heavy and two light chains that combine to form the structure of a conventional antibody. There are V-domains at the tip of both the heavy and light chain that together are responsible for targeting a specific antibody to an antigen and are different for every type of antibody. The Fc domain does not interact with antigens, but rather interacts with components of the immune system through a variety of receptors on immune and other cells. These interactions allow antibodies to regulate the immune response and levels of cell-killing ability, or cytotoxicity, as well as their persistence in circulation and tissues. Fc domains are the same and interchangeable from antibody to antibody. In mounting an immune response to a foreign body or antigen, the immune system generates a wide panel of antibodies that bind to the antigen and which all differ slightly in their V-domains. A particular mAb originates from a single antibody clone and mAbs form the basis for the vast majority of antibody-based drugs.

Description of Nanobodies

The basis for Nanobody technology was originally discovered at the Free University of Brussels, Belgium. The patents covering the technology were based on the observation that Camelidae, the animal family which includes camels, llamas and alpacas, in addition to generating conventional antibodies, also possess antibodies that lack light chains, but still have the full antigen-binding capacity of conventional antibodies. In these "heavy-chain only" antibodies, antigen binding occurs through a single variable domain (VHH), which is the smallest functional fragment of a naturally occurring heavy-chain antibody. Due to their unique structure, Nanobodies have several inherent advantages over conventional antibodies that can be used to potentially create differentiated product candidates. Because of this, there has been considerable academic and industry-based research into VHH domains and Nanobodies over the last 25 years as illustrated by more than 1,200 peer-reviewed related scientific publications. This research activity supports Ablynx's belief that the Nanobody technology platform is well-validated.



The figure above is a schematic representation of conventional antibodies (left) and "heavy-chain only" antibodies (right).

Ablynx's Nanobody Technology Platform

Despite being based on a relatively new technology, Nanobodies have been well validated in pre-clinical and clinical studies, by Ablynx and third parties, and Ablynx believes that they represent a leading next generation protein therapeutic technology. Ablynx has produced Nanobodies against more than 150 different targets and has shown proof-of-concept in over 50 animal disease models, as well as having administered Nanobodies to over 2,000 patients and volunteers with encouraging safety and efficacy data.

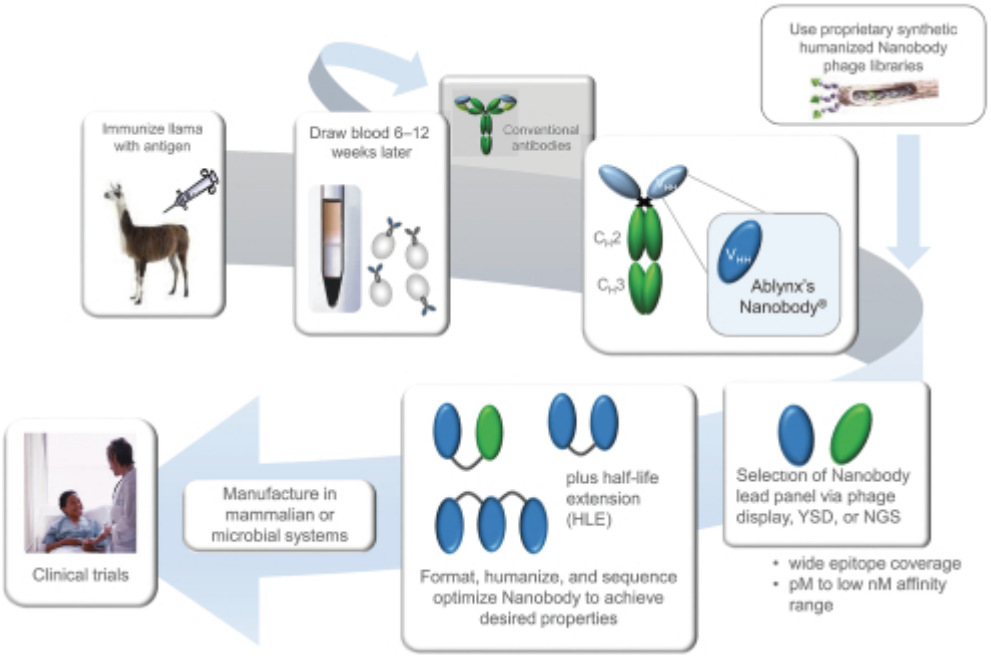


Illustration of the Nanobody drug discovery process at Ablynx.

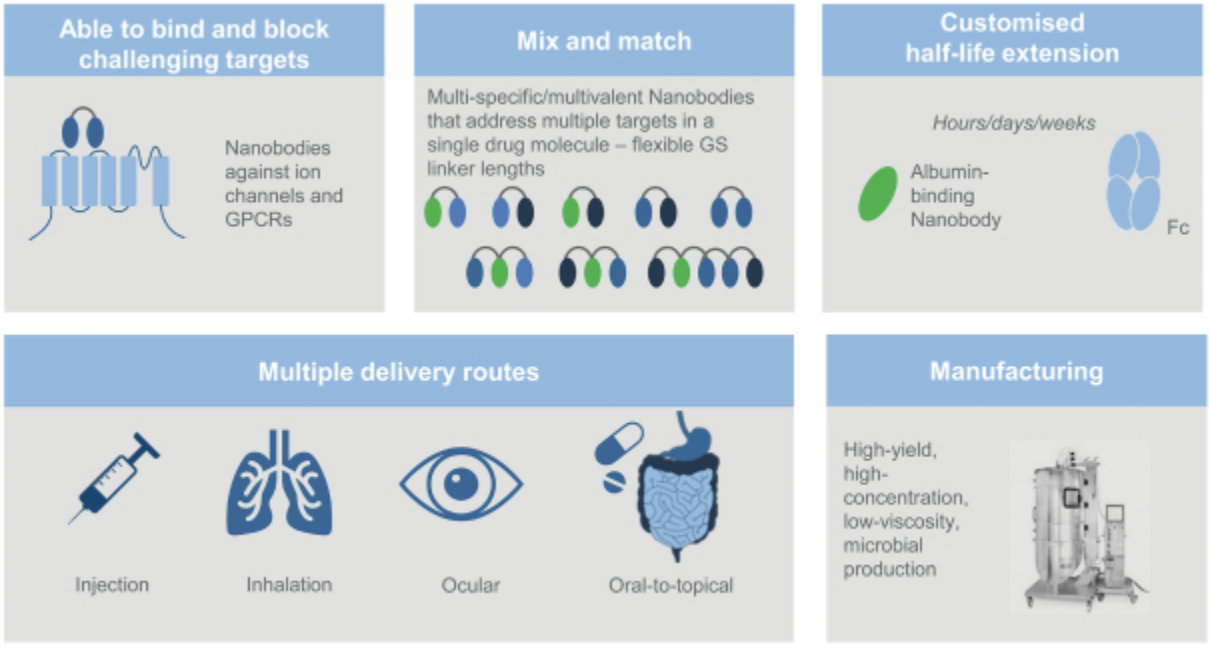
Ablynx generates Nanobodies using two different methods to give access to as diverse a range of "heavy-chain only" antibodies as possible. One method involves immunizing outbred llamas or alpacas with the target antigen and subsequently isolating from the blood of the immunized animals the target-specific "heavy-chain only" antibodies and then generating the respective VHH domains. The other method uses Ablynx's proprietary synthetic Nanobody phage library to identify the specific VHH domains. The required VHH domains are then selected using a range of different methodologies, including phage display, yeast surface display or next generation DNA sequencing. These VHH domains are formatted to achieve the desired pharmaceutical properties, including multi-valent and multi-specific constructs, and if desired, their in vivo half-life is modified. Once appropriate leads are identified, these are further sequence optimized to improve pharmacological properties. To reduce the risk of immunogenicity, Ablynx routinely humanize its Nanobodies. This is a straightforward procedure because Nanobodies already display relatively high sequence homology to human heavy-chain variable domains, typically between 80% and 90% when comparing the framework regions. Certain "humanizing" mutations may be introduced into these framework regions without losing the desired structural and functional properties that are the defining features of Nanobodies. Sequence optimization is not only used to effect "humanization" but is also used to improve the overall biophysical characteristics of the Nanobody.

Ablynx can manufacture its Nanobodies in a range of host systems, including microbial expression systems, such as E. coli and Pichia Pastoris, and mammalian systems, such as Chinese Hamster Ovary cells, or CHO cells. Ablynx is generally able to produce Nanobody leads suitable for in vivo testing within 12-18 months of accessing a biological target. Based on its experience, Ablynx expects to be able to advance new Nanobody product candidates from initial discovery to clinical development within an average of about 48 months.

Ablynx is constantly working to further optimize its Nanobody technology. One example of this is that Ablynx recently identified and patented specific mutations in the conserved framework and c-terminal regions of its Nanobodies which significantly reduce binding of pre-existing antibodies, or pre-Abs. Pre-Abs are found to exist in a significant proportion of people and these antibodies generally bind to the "back-end" region of the VHH domain, which is typically not exposed in conventional antibodies. Ablynx has found that pre-Ab binding to its Nanobodies does not affect clinical efficacy, safety or the pharmacokinetics of its product candidates, but can make bioanalysis more difficult; however, others have reported unwanted effects of pre-Ab binding to single domain antibodies. By identifying a proprietary method to significantly reduce pre-Ab binding, Ablynx has not only further optimized its Nanobody platform capabilities and its ability to produce Nanobody product candidates, but in doing so, Ablynx believes it has gained an additional important layer of intellectual property protection.

Nanobody Advantages

Ablynx believes that its Nanobody platform offers several distinct advantages over conventional mAb technology including the following:



- **Highly Effective Across a Broad Range of Targets.** As a result of their smaller size and unique binding interface, Nanobodies can effectively bind to the binding sites on antigens, or epitopes, not easily recognized by or accessible to conventional antibodies. They have been shown to have functional activity, meaning the ability to bind to and act on, targets such as GPCRs and ion channels, where the development of mAbs has proved very challenging. As examples, Ablynx has discovered a GPCR-targeted Nanobody (anti-CX3CR1) currently in clinical development with Boehringer Ingelheim, and Ablynx has discovered Nanobodies directed to six ion channel targets with encouraging in vivo efficacy results already generated in three of these pre-clinical programs.

- **Ability to Increase Potency and Modes of Action.** "Mix and Match" Formatting The small size, monomeric structure, and robust nature of VHH units make them ideally suited for generating product candidates with superior pharmacological profiles, formed by linking Nanobodies together, a process Ablynx refers to as formatting. Single Nanobody units may be genetically linked together into multi-valent or multi-specific constructs.

  Two or more building blocks with the same specificity can be linked together using a flexible linker, which is usually comprised of glycine-serine units, to produce bi- or multi-valent Nanobodies, often showing higher affinity for the target molecule and significantly increased potency compared with the corresponding monovalent Nanobody. Ablynx has demonstrated the increased potency resulting from multi-valent Nanobodies in several of Ablynx's programs, including ALX-0171, where the trivalent Nanobody has a greater than 6,000 fold increase in potency compared to the monovalent form.

  The ability to link different Nanobodies together using a linker to make multi-specifics can be used to make drugs that can: (i) block different pathways, examples of this are the anti-VEGF-Ang2 Nanobody in clinical trials with Ablynx's partner Boehringer Ingelheim and the anti-IL17A/F Nanobody in clinical trials with Ablynx's partner Merck KGaA; (ii) target two different epitopes on one molecule to create superior pharmacological properties; (iii) dramatically increase target or tissue specificity of a Nanobody drug candidate; and (iv) bring two targets or cells together to promote a new biological function such as T-cell mediated killing of tumors. Ablynx also has the capability to produce and develop more complex constructs that can interact with more than two targets. The most complex Nanobody Ablynx has in research has seven Nanobody building blocks linked together and Ablynx finds that even these more complex molecules generally retain good pharmaceutical development characteristics.

  The modular nature of its platform also allows Ablynx to use a library-based approach to rapidly make and screen hundreds of novel bi-specifics at once, and thus further increase the likelihood of obtaining best-in-class drugs. This is more difficult to achieve with traditional mAb-based bi-specifics, where the molecular engineering required to make them is determined more on a case-by-case basis and often results in unwanted drug variants which need to be removed through expensive and complex purification approaches.

- **Potential For Differentiated Efficacy and Safety Profiles**. Nanobodies have a unique physical structure and do not have an Fc domain. The result is that they can have differentiated efficacy and safety profiles compared to mAbs directed towards the same target and this may give rise to important clinical benefits.

- **Ability to Modulate Half-Life**. The small size and lack of an Fc moiety allows Nanobodies to be rapidly cleared from the bloodstream, with a typical serum half-life of several hours. This makes Nanobodies good candidates for the development of drugs for acute indications. An example of such a Nanobody is Ablynx's lead candidate, caplacizumab, a bivalent Nanobody that binds to the A1 domain of von Willebrand Factor. In contrast, chronic diseases will benefit from treatment with compounds having a longer serum half-life. For this purpose, Nanobody product candidates can have their in vivo half-life extended by linking the Nanobody directed to the therapeutic protein target to a Nanobody which binds to human serum albumin, a main constituent and long-lived protein present in blood plasma. Incorporation of Ablynx's proprietary anti-albumin Nanobody into the Nanobody product candidates results in a circulation half-life in humans of several weeks. This half-life extension technology is currently being used in six of Ablynx's clinical stage Nanobody programs.
- **Multiple Administration Routes**. The favorable biophysical properties of Nanobodies and their stability make them excellent candidates for delivery using routes in addition to intravenous or subcutaneous injection. ALX-0171, Ablynx's anti-RSV Nanobody, currently in Phase II trials, has been formulated for nebulized delivery by inhalation directly to the lungs, which presents the potential therapeutic directly at the site of action, thereby potentially increasing efficacy, reducing the required dose, and minimizing unnecessary systemic exposure. Delivery by inhalation has not been successfully achieved with mAbs due to the fact that their structure and therefore activity are generally destroyed by the nebulization process.

  Using Nanobodies Ablynx also expects to be able to deliver a potential therapeutic to the intestinal system by oral administration, due to the unusual stability of these molecules even in very acidic conditions. Other delivery routes are also being explored, such as intra-ocular and intra-articular administration, where the Nanobody’s high solubility allows effective doses to be delivered in small volumes.

- **Ease of Manufacture**. Nanobodies, including multi-specific and multi-valent constructs, are encoded by a single gene and are efficiently produced in high yields in prokaryotic and eukaryotic hosts, including bacteria, yeast, and mammalian cells. They can be formulated at high concentrations and still exhibit low viscosities.

5.8.1.3 Ablynx's Clinical Programs

Caplacizumab (anti-von Willebrand Factor Nanobody)

Ablynx is developing its wholly owned lead product candidate, caplacizumab, an anti-von Willebrand Factor, or vWF, Nanobody, for the treatment of patients with acquired thrombotic thrombocytopenic purpura, or aTTP, which is a rare, life-threatening blood clotting disorder. Caplacizumab has received orphan drug designation in the United States and Europe for treatment of aTTP, and Ablynx announced positive top line results from a Phase III trial in aTTP patients in October 2017. In February 2017, Ablynx submitted a MAA to the EMA for the use of caplacizumab in the treatment of aTTP based on Ablynx's Phase II TITAN clinical data. Ablynx expects to file a BLA for caplacizumab with the FDA in the first half of 2018. In December 2017, Ablynx announced positive data from its Japanese ethno-bridging study demonstrating comparable PK of caplacizumab in Japanese and Caucasian subjects.

Overview of aTTP

aTTP is a rare, life-threatening, autoimmune blood clotting disorder manifested by microvascular occlusions and consequent thrombocytopenia, or low blood platelet count, hemolytic anemia, or abnormal breakdown of red blood cells, and organ ischemia, or insufficient blood supply. It is an orphan disease with a reported incidence of two to eleven cases per million per year. Based on its own research, which includes investigation of aTTP studies, registries and insurance claims data, Ablynx estimates that there are a total of approximately 7,500 episodes of aTTP in North America, Europe and Japan per year.
Discussions with key opinion leaders in the field of aTTP and experts in pricing and reimbursement lead Ablynx to the conclusion that the total potential market for caplacizumab in the treatment of aTTP in those geographies is approximately EUR 1.2 billion, based on the yearly incidence rate of aTTP in those markets.

TTP exists in two forms: a congenital and an acquired form, with the latter accounting for more than 90% of the patients. aTTP is caused by inhibitory autoantibodies to the enzyme ADAMTS13, which is a plasma protein that regulates the interaction of platelets with vWF, a blood glycoprotein involved in hemostasis. Decreased ADAMTS13 activity leads to an accumulation of ultra-large vWF multimers, or ULvWF, which bind to platelets and cause aggregation. The consumption of platelets into these microthrombi causes severe thrombocytopenia, or a deficiency in platelets in the blood, tissue ischemia, which is a lack of blood flow to the tissues, and organ dysfunction, commonly involving the brain, heart, and kidneys, which may ultimately result in acute thromboembolic events such as stroke, myocardial infarction, venous thrombosis and early death. The tissue and organ damage resulting from the ischemia lead to increased levels of certain biomarkers, including lactate dehydrogenase, cardiac troponin I and serum creatinine. Faster normalization of platelet count and organ damage markers is assumed to be linked to faster resolution of the ongoing microthrombotic process and the associated tissue ischemia, and related morbidities.

In addition to the acute risks of the disease, patients experiencing an episode of aTTP may suffer long-term consequences such as cognitive deficits, depression, and arterial hypertension, and are at risk for recurrence of aTTP.

Current Treatment Options For aTTP and Their Limitations

There are currently no approved therapeutic drugs for the treatment of aTTP. The current standard-of-care is plasma exchange, or PEX, in conjunction with immunosuppressants, such as corticosteroids and increasingly also rituximab. PEX is a process in which the patient's blood plasma is removed and is replaced with donor plasma in order to remove ULvWF and the circulating autoantibodies against ADAMTS13, and replenish blood levels of the enzyme. The optimal window to start PEX is within 24 hours of presentation, as delays decrease the chance of response.

PEX is often associated with significant complications. These may be related to the central venous catheter, such as infections, thrombosis and catheter insertion complications, or may be plasma-related, including allergic reactions, alkalosis, volume depletion complications and infections. According to the Oklahoma TTP-HUS Registry, 24% of patients receiving PEX followed between 1996 and 2011 experienced major PEX related complications. An even greater frequency of serious PEX related complications was observed among patients with ADAMTS13 activity of less than 10%, which may be related to the greater number of days that PEX treatment is required in these subjects. As a result, Ablynx believes that treatment options that result in a reduction in the days of PEX treatment and volume of plasma exchanged could offer an advantage from a safety perspective.

Glucocorticoids are often administered as an adjunct to PEX in the initial treatment of aTTP and are maintained for a period of one to two weeks after its discontinuation. Other immunosuppressive agents such as rituximab, a monoclonal anti-CD20 antibody that targets B-cell populations and reduces formation of inhibitory autoantibodies to ADAMTS13, are increasingly used as these are considered to address the underlying autoimmune process. Nevertheless, Ablynx believes that rituximab treatment for aTTP is suboptimal because of its delayed onset of effect, with at least three to seven days needed to achieve adequate B-cell depletion, and the length of time it takes to restore ADAMTS13 levels. In an acute disease setting, where immediate and effective intervention may be critical for survival and prevention of short-term and long-term damage, rapidly acting medicines that offer immediate protection are needed.

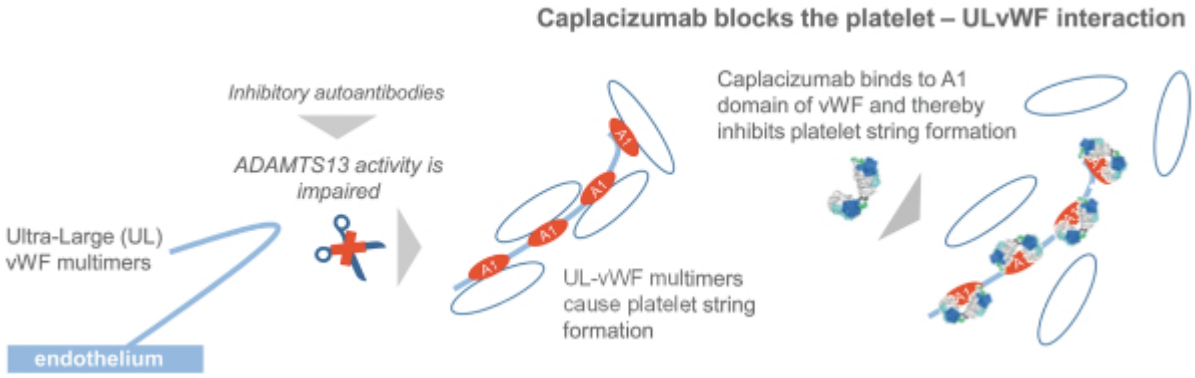
In addition to the potential complications associated with PEX treatment combined with immunosuppressants, PEX has been shown to be an inadequate treatment option, with episodes of aTTP treated with PEX reported to still be associated with an acute mortality of up to 20%, with most deaths occurring within 30 days of diagnosis, and a recurrence rate of up to 80%. The incidence of refractoriness to PEX treatment is approximately 17% and is associated with a mortality rate reported to be as high as 42%.

Caplacizumab for the Treatment of aTTP

Ablynx believes that there remains an unmet need for a novel treatment option that results in faster resolution of an acute episode of aTTP and reduces related organ damage, risk of mortality and thromboembolic events, and risk of refractoriness to treatment, as well as reducing dependency on PEX. It is developing caplacizumab to address this unmet need.

Caplacizumab is a bivalent Nanobody which is produced in E. coli. It consists of two identical building blocks, genetically linked by an amino acid linker, targeting the A1 domain of vWF and inhibiting the interaction between ULvWF and platelets. It thereby has an immediate effect on platelet aggregation and the ensuing formation and accumulation of the micro-clots which cause the severe thrombocytopenia and organ damage associated with aTTP. This immediate effect potentially protects the patient from the manifestations of aTTP while the underlying disease process resolves. Importantly, in clinical studies to date, the results demonstrate that caplacizumab is generally well-tolerated and the principal safety risk is mucocutaneous bleeding that is self-limited and is related to the pharmacological activity of the molecule.

The figure below depicts the mechanism of action of caplacizumab:



Caplacizumab is a drug-device combination product, which is comprised of caplacizumab powder for solution for injection, water for injection provided in a prefilled syringe, a vial adapter, a hypodermic needle with safety device and two alcohol pads.

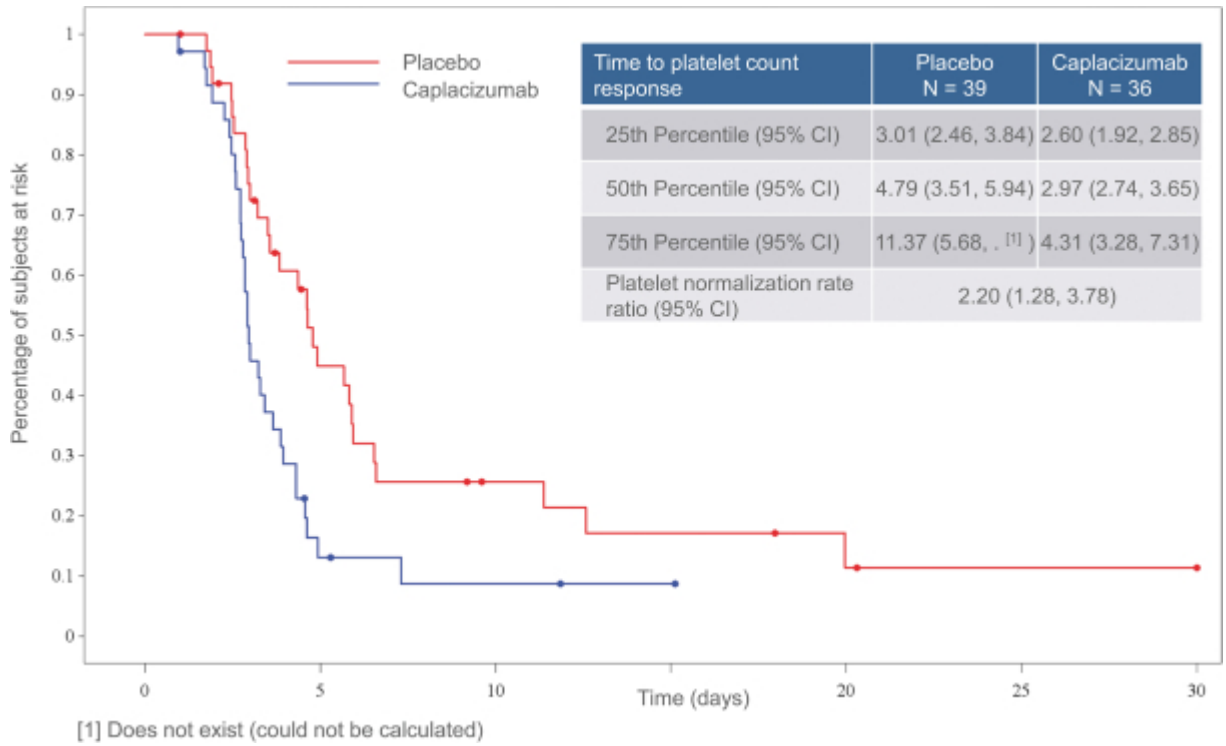
Clinical Development of Caplacizumab

Ablynx has completed seven clinical trials with caplacizumab and it recently announced top line results from its Phase III HERCULES trial. Ablynx's HERCULES three year follow-up study is currently on-going pursuant to an IND sponsored and filed by Ablynx in October 2010 for aTTP. To date, a total of 397 patients have received caplacizumab in the completed trials.

Two Phase I trials in an aggregate of 100 healthy volunteers were conducted to characterize the pharmacokinetics, pharmacodynamics, safety and tolerability of caplacizumab when administered as a single dose by intravenous infusion and as single and multiple doses by subcutaneous injection. In these studies, no deaths or treatment-related serious adverse events, or SAEs, were reported and no subject discontinued administration of caplacizumab. From the safety data collected and assessed in these studies, Ablynx concluded that administration by (i) single intravenous infusion of up to 12 mg caplacizumab, (ii) single subcutaneous injection of up to 16 mg caplacizumab and (iii) multiple subcutaneous injections of 10 mg caplacizumab for 14 days were each well tolerated. In addition, a Phase I trial in healthy volunteers was conducted to evaluate the bioequivalence of a reconstituted lyophilized, or freeze-dried, formulation (used as of Phase III and intended for marketing) with the liquid formulation of caplacizumab. In this study, the incidence and frequency of treatment emergent adverse events, or TEAEs, and treatment-related TEAEs were lower following dosing with the lyophilized formulation compared with the liquid formulation.

The efficacy and safety of caplacizumab in conjunction with PEX were evaluated in the randomized, single-blind, placebo-controlled Phase II TITAN trial in 75 patients with aTTP during the period from January 2011 to January 2014. Caplacizumab was well-tolerated in this trial and the primary endpoint of reduction in time to confirmed platelet count response was met (p=0.005). Compared to patients treated with placebo, those treated with caplacizumab were 2.2 times more likely to achieve platelet count response at any given time point (i.e., a faster resolution of thrombocytopenia which is generally associated with reduced use of PEX). Moreover, during treatment, caplacizumab reduced aTTP exacerbations by 71% compared to placebo. Exacerbations of aTTP within 30 days of the last day of initial daily PEX occurred in three subjects in the caplacizumab treatment group and in 11 subjects in the placebo treatment group. Eight subjects in the caplacizumab treatment group had a relapse of aTTP (defined as an event of aTTP that occurred later than 30 days after the last daily PEX) compared to zero subjects in the placebo group. A post-hoc analysis of the data revealed that in seven of the eight subjects in the caplacizumab group with a relapse, the recurrence occurred within 4-10 days after stopping caplacizumab treatment. In these subjects, ADAMTS13 activity levels were <10% at baseline, during, and near the end of the treatment period, indicating that the underlying autoimmune activity had not resolved. This analysis supports the extension of treatment with caplacizumab together with an increase in the intensity of immunosuppression in this subpopulation. The TITAN trial was originally planned to enroll 110 patients but was stopped early after three years due to slow recruitment. Results from the Phase II TITAN trial were published in February 2016 in The New England Journal of Medicine.

The figure below shows the time to platelet count response of caplacizumab versus placebo in Ablynx's Phase II TITAN trial.



Time to platelet count response	Placebo N = 39	Caplacizumab N = 36
25th Percentile (95% CI)	3.01 (2.46, 3.84)	2.60 (1.92, 2.85)
50th Percentile (95% CI)	4.79 (3.51, 5.94)	2.97 (2.74, 3.65)
75th Percentile (95% CI)	11.37 (5.68, . [1])	4.31 (3.28, 7.31)
Platelet normalization rate ratio (95% CI)	2.20 (1.28, 3.78)	

[1] Does not exist (could not be calculated)

A p-value of 0.05 or less represents statistical significance, meaning that there is a less than 1-in-20 likelihood that the observed results occurred by chance. A p-value of 0.01 or less means that there is a less than 1-in-100 likelihood that the observed results occurred by chance.

In the TITAN trial, a total of 574 treatment emergent adverse events, or TEAEs, were reported in 34 patients (97.1%) in the caplacizumab treatment group compared with 545 TEAEs in 37 patients (100.0%) in the placebo treatment group. A TEAE was defined as an adverse event, or AE, with an onset after the first dose of the study drug. The proportion of subjects with at least one study drug-related TEAE was higher in the caplacizumab treatment group (20 subjects (57.1%)) compared with the placebo treatment group (5 subjects (13.5%)). The most common drug related TEAEs, or TEAEs that were assessed as possibly drug-related, were bleeding of the gums, injection site swelling, contusion and nosebleeds. The proportion of subjects with any bleeding-related TEAE was higher in the caplacizumab treatment group (54.3%) than in the placebo treatment group (37.8%). Most bleeding-related TEAEs were mild (83%) or moderate (14%) in severity. Two subjects in the caplacizumab and two subjects in the placebo arm experienced serious bleeding related TEAEs. Two subjects in the placebo treatment group and no subjects in the caplacizumab treatment group had TEAEs with death as the outcome. A total of 20 subjects (57.1%) in the caplacizumab group and 19 subjects (51.4%) in the placebo group experienced at least one serious adverse event, or SAE. In the single-blind study, drug-related SAEs were reported in seven subjects (20.0%) in the caplacizumab group and no subjects in the placebo treatment group. The most common drug related SAE, or SAE that was assessed as possibly drug related, was aTTP. Other SAEs assessed as at least possibly drug related included anemia, increased transaminases (elevated levels of liver function enzymes), headache, subarachnoid hemorrhage (bleeding in the space between the brain and the tissue covering the brain), metrorrhagia (bleeding from the uterus), and allergic dermatitis.

Seven subjects (20.0%) in the caplacizumab treatment group had at least one TEAE leading to interruption or discontinuation of study drug compared with six subjects (16.2%) in the placebo treatment group.

The table below summarizes the safety analysis of Ablynx's Phase II TITAN trial:

	Caplacizumab N=35		**Placebo N=37**	
	Events	**Patients with Events (%)**	**Events**	**Patients with Events (%)**
Subjects with				
At least one TEAE	574	34(97.1)	545	37(100)
At least one study drug-related TEAE	72	20(57.1)	15	5(13.5)
At least one TEAE leading to death	0	0	2	2(5.4)
At least one SAE	44	20(57.1)	36	19(51.4)
At least one drug-related SAE	12	7(20.0)	0	0
At least one TEAE leading to discontinuation of study drug	10	4(11.4)	2	2(5.4)
At least one TEAE leading to interruption of study drug	5	3(8.6)	5	4(10.8)
At least one TEAE leading to interruption or discontinuation of study drug	15	7(20.0)	7	6(16.2)

In summary, the safety profile of caplacizumab was similar to that of placebo in terms of the frequency and nature of TEAEs. There were no deaths in the caplacizumab group and two aTTP-related deaths in the placebo group. SAEs were reported in over half of the subjects in both treatment groups and were reflective of the underlying disease. These results support Ablynx's conclusion that caplacizumab was well-tolerated in the Phase II TITAN trial.

Post-hoc analyses of the TITAN trial data were performed to assess the impact of caplacizumab on major thromboembolic events and aTTP-related mortality, as well as on refractoriness to standard treatment. The results demonstrated that a clinically meaningful lower proportion of subjects treated with caplacizumab experienced one or more major thromboembolic events, or died, as compared to placebo (11% versus 43%).

These data are shown in the table below.

	Caplacizumab (N=35)		**Placebo (N=37)**	
	# Subjects	**% of Subjects**	**# Subjects**	**% of Subjects**
Embolic and thrombotic events				
Acute myocardial infarction	0	0	2	(5.4%)
Deep vein thrombosis	0	0	1	(2.7%)
Venous thrombosis	0	0	1	(2.7%)
Pulmonary embolism	1	(2.9%)	1	(2.7%)
Ischemic stroke	0	0	1	(2.7%)
Hemorrhagic stroke	0	0	1	(2.7%)
Thrombotic thrombocytopenic purpura [1]	3[2]	(8.6%)	11	(29.7%)
aTTP-related mortality				
Deaths related to aTTP	0	0	2	(5.4%)
Total	4[3]	(11.4%)	16[3]	(43.2%)

[1] This preferred term consisted of recurrences of aTTP during the treatment period, defined in the protocol as exacerbations of aTTP

[2] One adverse event reported as "Thrombocytopenia" was not considered in this analysis, as this event was reported as part of the presenting disease

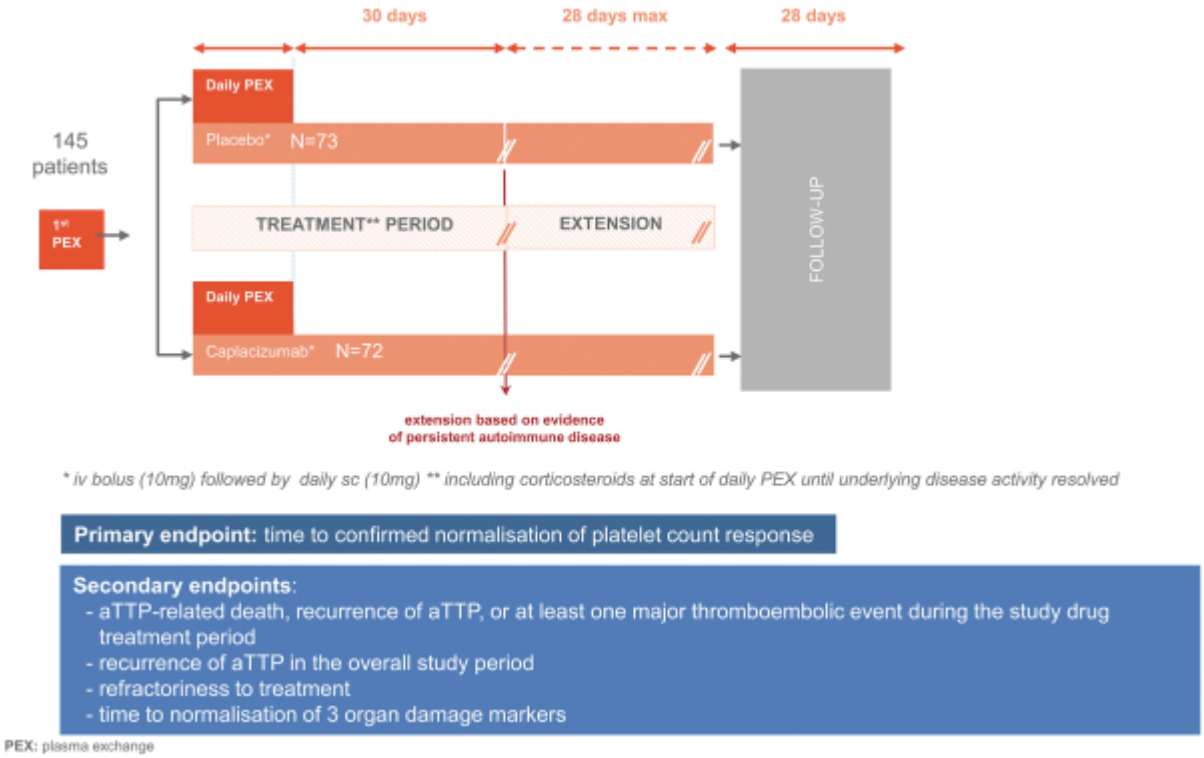
[3] A subject may have experienced more than one event:

- ischemic and hemorrhagic stroke occurred in the same subject;
- AMI and exacerbation occurred in the same subject;
- pulmonary embolism and 2 exacerbations occurred in the same subject; and
- venous thrombosis and exacerbation occurred in the same subject.

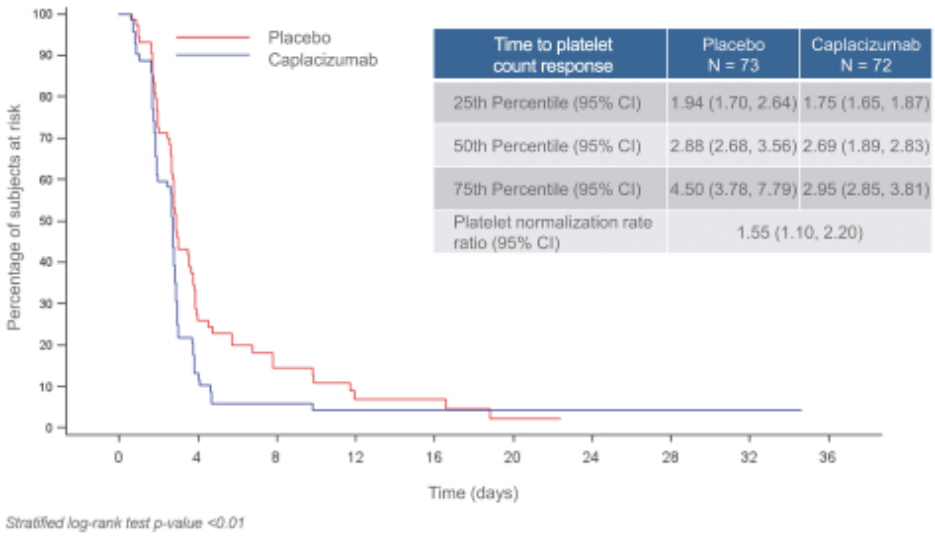
In addition, another post-hoc analysis showed a reduction in refractoriness to PEX treatment was observed in caplacizumab-treated patients compared to those who received placebo, 5.7% versus 21.6%, respectively. Refractoriness is an indicator of a poor prognosis for survival in patients with aTTP. It has been defined as a failure to elicit a platelet response after 7 days despite daily PEX therapy. These results support Ablynx's belief that caplacizumab has the potential to reduce morbidity and mortality associated with aTTP.

The efficacy and safety of caplacizumab in conjunction with PEX have also been evaluated in the randomized, double-blind, placebo-controlled Phase III HERCULES trial in 145 patients with aTTP, with patient recruitment taking place during the period from September 2015 to May 2017.

The study design is illustrated in the figure below.



Top line results from the HERCULES trial were communicated in October 2017. Treatment with caplacizumab in addition to standard-of-care resulted in a statistically significant reduction in time to platelet count response ($p<0.01$), the trial's primary endpoint. Platelet count response is defined as initial platelet count greater than 150,000 per microliter of blood with subsequent stop of daily plasma exchange within five days. Compared to patients treated with placebo, those treated with caplacizumab were 1.5 times more likely to achieve platelet count response at any given time point. This statistically significant difference ($p<0.01$) is depicted in the figure below.



Time to platelet count response	Placebo N = 73	Caplacizumab N = 72
25th Percentile (95% CI)	1.94 (1.70, 2.64)	1.75 (1.65, 1.87)
50th Percentile (95% CI)	2.88 (2.68, 3.56)	2.69 (1.89, 2.83)
75th Percentile (95% CI)	4.50 (3.78, 7.79)	2.95 (2.85, 3.81)
Platelet normalization rate ratio (95% CI)	1.55 (1.10, 2.20)	

The HERCULES trial's first two key secondary endpoints were also met. The table below shows that treatment with caplacizumab resulted in a 74% reduction in the percentage of patients with aTTP-related death, recurrence of aTTP, or a major thromboembolic event during study drug treatment (p<0.0001). Of note, based on the proof-of-concept established in the Phase II TITAN trial, in the HERCULES trial, patients who experienced a recurrence of aTTP during the study drug treatment period were switched to open-label treatment with caplacizumab for the duration of the daily plasma exchange period and for 30 days thereafter. This may have impacted the occurrence of treatment emergent major thromboembolic events in the placebo group.

Number of subjects (%)	Placebo N=73	Caplacizumab N=72*
Total number of subjects with at least one of the events below[1]	36 (49.3)	9 (12.7)
aTTP-related death[2]	3 (4.1)	0
recurrence[3] of aTTP	28 (38.4)	3 (4.2)
at least one treatment emergent major thromboembolic event[2]:	6 (8.2)	6 (8.5)
- cerebrovascular accident	*3 (4.1)*	*2 (2.8)*
- myocardial infarction	*1 (1.4)*	*1 (1.4)*
- pulmonary embolism	*0*	*1 (1.4)*
- deep venous thrombosis (spontaneous)	*1 (1.4)*	*0*
- deep venous thrombosis (catheter-associated)	*2 (2.7)*	*3 (4.2)*
p-value	***<0.0001***	

** percentages are based on 71 subjects entering the study drug treatment period*
[1] patients can have more than 1 event
[2] adjudication of aTTP-related death and major thromboembolic events by a blinded independent committee
[3] recurrence = recurrent thrombocytopenia after initial recovery of platelet count, requiring re-initiation of daily PEX

As depicted in the table below, the proportion of patients with a recurrence of aTTP in the overall trial period (including the 28 day follow-up period after completion of treatment) was 67% lower in the caplacizumab arm as compared to the placebo arm (p<0.001), demonstrating the durability of the treatment effect. Of note, ADAMTS13 activity levels were <10% at the end of the study drug treatment period in all 6 caplacizumab-treated patients who experienced a recurrence during the follow-up period. Four of these patients were treated with caplacizumab for the maximum duration permitted per protocol. For the other two patients, in spite of ADAMTS13 activity levels <10% at the end of the study drug treatment period, at the discretion of the investigator, treatment with study drug was not extended.
Ablynx believes that these data confirm that treatment with caplacizumab prevents aTTP recurrences. They also highlight the importance of continuing treatment with caplacizumab until there is evidence of the resolution of the presenting aTTP episode.

Number of subjects (%)	Placebo N=73	Caplacizumab N=72*
aTTP recurrence[1]	28 (38.4)	9 (12.7)
during the study drug treatment period	28 (38.4)	3 (4.2)
during the follow-up period	0	6 (9.1)[2]
p-value	***<0.001***	

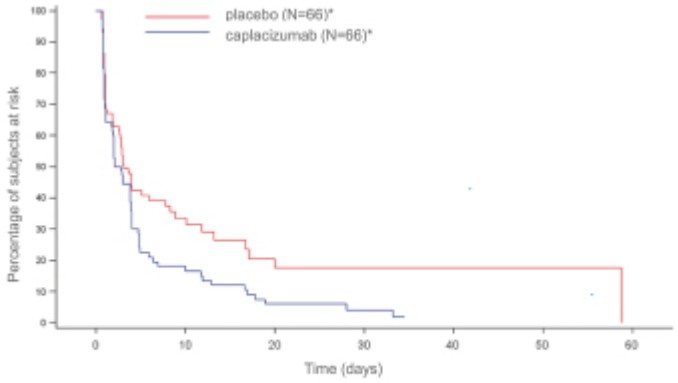
** percentages are based on 71 subjects entering the study drug treatment period and 66 subjects in the follow-up period*
[1] recurrence = recurrent thrombocytopenia after initial recovery of platelet count, requiring re-initiation of daily PEX
[2] ADAMTS13 activity levels were <10% at the end of the study drug treatment period in all of these patients

The third key secondary endpoint, refractoriness to treatment, defined in the trial as the absence of platelet count doubling after four days of standard treatment and lactate dehydrogenase greater than the upper limit of normal, is a predictive marker for worse outcomes and higher mortality. As shown in the table below, no caplacizumab-treated patients had refractory disease while three patients on placebo were refractory to standard-of care-treatment. Due to the small number of patients with refractory disease, the difference between treatment groups did not reach statistical significance. Nevertheless, in both Ablynx's Phase II and Phase III trials, no caplacizumab-treated patients were refractory to therapy.

Number of subjects (%)	Placebo N=73*	Caplacizumab N=72
Refractory aTTP[1]	3 (4.2)	0
p-value	*0.0572*	

** one subject discontinued prior to day 5 and is not included in the analysis*
[1] refractory TTP = absence of platelet count doubling after 4 days of standard treatment and LDH > ULN

The fourth key secondary endpoint was the time to normalization of three organ damage markers: lactate dehydrogenase, cardiac troponin I, and serum creatinine. To be included in this analysis, subjects had to have at least one abnormal organ damage marker value at baseline. As shown in the figure below, there is a trend to faster normalization of these organ damage markers in patients treated with caplacizumab compared to patients treated with placebo.



** only subjects with at least one abnormal organ damage marker value at baseline were included in this analysis*
[1] time to LDH ≤ 1 x ULN and cardiac Troponin I ≤ 1 x ULN and serum creatinine ≤ 1 x ULN

In the HERCULES trial, a total of 532 TEAEs were reported in 71 patients (97.3%) in the placebo treatment group compared with 571 TEAEs in 69 patients (97.2%) in the caplacizumab treatment group. The percentage of subjects with at least one study drug-related TEAE was lower in the placebo treatment group (32 subjects (43.8%)) compared with the caplacizumab treatment group (41 subjects (57.7%)). In the caplacizumab group, the most common study drug related TEAEs, or TEAEs that were assessed as possibly drug-related, were nosebleeds, bleeding of the gums and bruising. TEAEs leading to study drug discontinuation were reported for nine patients in the placebo treatment group and five patients in the caplacizumab treatment group.

At least one SAE was reported for 39 subjects (53.4%) in the placebo group and 28 subjects (39.4%) in the caplacizumab group. In the placebo group, this was driven by the 28 subjects with recurrence of aTTP. Study drug-related SAEs were reported in four subjects (5.5%) in the placebo group and 10 subjects (14.1%) in the caplacizumab group. In the caplacizumab group, the most common SAE assessed as at least possibly study drug related were nosebleeds. Other SAEs assessed as at least possibly drug related included menorrhagia (bleeding from the uterus), upper gastrointestinal bleeding, hematemesis, gingival bleeding, subarachnoid hemorrhage (bleeding in the space between the brain and the tissue covering the brain), ventricular fibrillation, and pain in the extremities. Three subjects in the placebo treatment group and one subject in the caplacizumab treatment group had TEAEs with death as the outcome. The latter subject experienced a SAE of cerebral ischemia during the follow-up period of the trial. This event was assessed by the investigator as not related to study drug treatment. The table below summarizes the safety analysis of Ablynx's Phase III HERCULES trial:

Number of subjects (%) with TEAE	Placebo N=73	Caplacizumab N=71
At least one TEAE	71 (97.3)	69 (97.2)
At least one study drug-related TEAE	32 (43.8)	41 (57.7)
At least one TEAE leading to study drug discontinuation	9 (12.3)	5 (7.0)
At least one SAE	39 (53.4)	28 (39.4)
At least one study drug-related SAE	4 (5.5)	10 (14.1)
At least one SAE leading to death	3 (4.1)	1 (1.4)[1]

[1] adverse event occurred during the follow-up period of the study and was assessed by the investigator as not related to study drug treatment

In December 2017, Ablynx presented additional trial results from its Phase III HERCULES trial at the 59th Annual Meeting of the American Society of Hematology, or ASH, relating to additional pre-specified secondary endpoints. The results, which are summarized in the table below, demonstrated that treatment with caplacizumab resulted in clinically meaningful reduction in the use of PEX and length of stay in the intensive care unit and the hospital when compared to placebo.

Overall study drug treatment period (mean±SE)	Placebo N=73[1]	Caplacizumab N=71	% relative reduction
Number of days of plasma exchange	9.4±0.8	5.8±0.5	↓38%
Volume of plasma (L)	35.9±4.2	21.3±1.6	↓41%
Number of days in intensive care unit	9.7±2.1 (n=27)	3.4±0.4 (n=28)	↓65%
Number of days in hospital	14.4±1.2	9.9±0.7	↓31%

[1] 26 of 73 placebo treated patients had an exacerbation and were switched to open-label caplacizumab, potentially reducing the mean values on plasma exchange parameters and duration of ICU stay and overall hospitalisation during the study drug treatment period

In October 2016, Ablynx initiated a three-year follow-up study for patients who had completed the HERCULES trial. The objectives of this study are to evaluate the long-term safety and efficacy of caplacizumab, the safety and efficacy of repeated use of caplacizumab, and to characterize the long-term impact of aTTP. Enrolled patients attend twice-yearly hospital visits and undergo a number of clinical, cognitive, and quality-of-life assessments. Safety laboratory parameters, immunogenicity associated with repeated treatment with caplacizumab, and disease-related markers are being evaluated. Upon any recurrence of aTTP, standard-of-care, consisting of daily PEX and immunosuppression, will be initiated together with open-label caplacizumab. Patients will receive an intravenous bolus injection of caplacizumab at the start of PEX treatment, followed by daily subcutaneous injections for the duration of the period in which they receive daily PEX, and for 30 days after the cessation of PEX. Treatment with caplacizumab may be extended in the case of persistent signs and symptoms of underlying disease (e.g., no sustained response of ADAMTS13 activity levels).

In December 2017, top line results from a Phase I Japanese ethno-bridging study of caplacizumab were communicated. The single and multiple dose study demonstrated comparable PK of caplacizumab in 60 healthy Japanese and Caucasian subjects. Caplacizumab was well-tolerated in all groups and its safety profile was consistent with its mechanism of action.

Regulatory Status for Caplacizumab

Caplacizumab was granted orphan drug designation for treatment of aTTP by both the FDA and EMA in 2009 and an application for orphan drug designation is pending in Japan. Based on the results of the Phase II TITAN trial, Ablynx submitted a MAA to the EMA in February 2017. The submission was validated by the EMA and is currently under review. Ablynx received initial feedback from EMA which confirms its understanding that positive results from the Phase III HERCULES trial will be required to support approval of its MAA by establishing a favorable benefit-risk profile and guiding the development of the package insert. A decision is expected in the third quarter of 2018.
In a 2015 end-of-Phase II meeting, the FDA stated that the results of the TITAN trial alone were not sufficient to file a BLA due to concerns regarding the clinical meaningfulness of the observed decrease in median time to platelet response in the caplacizumab group, the similar proportion of patients in each study group who had an exacerbation and/or relapse of aTTP (defined as recurrences from the first study drug administration up to the one month follow-up visit), the proportion of patients who experienced an aTTP relapse (defined as recurrences from the day of discontinuation of study drug administration up to the one-month follow up visit) which disfavored treatment with caplacizumab, and the proportion, types and severity of bleeding adverse events in this single-blind study. To address the FDA’s concerns, additional post hoc analyses were conducted on the TITAN data and showed that treatment with caplacizumab resulted in clinically meaningful improvement in several relevant parameters. Endpoints reflecting these parameters were incorporated into the design of Ablynx's Phase III HERCULES trial, further addressing the FDA’s requests. In addition, efforts to prevent early relapses after stopping treatment with caplacizumab in patients with unresolved underlying disease activity have been incorporated in the design of the Phase III study. In December 2016, Ablynx submitted a meeting request to the FDA to further discuss the key endpoints and statistical analysis plan as well as the totality of the clinical data that will be available to support a BLA. In its April 2017 written feedback, the FDA stated that the proposed key composite secondary endpoint appears to be acceptable and provided further input on the statistical analysis plan.

Ablynx believes, based on the recently communicated top line results from the Phase III HERCULES trial, that it now has data to address the key outstanding concerns raised by the FDA and expect to present these data to the FDA in advance of filing a BLA. Ablynx expects to file a BLA for caplacizumab with the FDA in the first half of 2018. In July 2017, the FDA designated the investigation of caplacizumab for the treatment of adult patients who are experiencing an episode of aTTP as a Fast Track development program.

ALX-0171 (anti-RSV Nanobody)

In January 2017, Ablynx commenced dosing of infants in a Phase IIb RESPIRE trial of its wholly owned product candidate, ALX-0171, for the treatment of respiratory syncytial virus, or RSV. RSV-associated bronchiolitis results in substantial mortality in children less than five years of age worldwide and also has implications for long-term respiratory health as infection has been associated with prolonged wheezing and an increased risk of asthma development later in life. Nearly all children will be infected with RSV by the age of two and it is the leading cause of infant hospitalization, with more than three million hospitalizations per year worldwide. There is, however, only one therapeutic drug approved for the treatment of RSV infections in infants, which Ablynx believes has not been widely adopted, and so it believes that a large unmet medical need still exists.

Overview of Respiratory Syncytial Virus Infections

RSV is an enveloped, single stranded ribonucleic acid, or RNA, paramyxovirus responsible for annual seasonal epidemics worldwide and is the most common virus that causes lung and airway infections in infants and young children. Transmission occurs through inhalation of infectious droplets or through contact with items carrying the virus. Since the virus can live for half an hour or more on hands and for several hours on countertops or used tissues, it can spread very quickly in crowded households and daycare centers.

As a respiratory virus, RSV may present as an upper respiratory tract infection, but in infants and young children it more commonly presents as a lower respiratory tract infection, including acute bronchiolitis or pneumonia. RSV lower respiratory tract infection results in hospitalization in about 3% of RSV-infected infants less than one year old, and in about 0.5% of RSV-infected children aged between one and two years. In 2015, there were an estimated 33.1 million worldwide episodes of RSV-related acute lower respiratory infections which resulted in an estimated 3.2 million hospitalizations. Globally, there were between 48,000 and 74,500 in-hospital deaths of children under the age of five caused by RSV-related acute lower respiratory infections and overall mortality could be as high as 118,200. It is estimated that on average, each year in the seven major markets (United States, France, Germany, Italy, Spain, United Kingdom, and Japan) roughly 390,000 children under the age of five are hospitalized as a result of an RSV infection. Ablynx estimates that the current market opportunity for the treatment of RSV in hospitalized infants in the seven major markets is in excess of €1.0 billion based on annual hospitalizations and Ablynx's assumptions on the potential reduction in the average hospital stay as the result of an effective therapy and the concomitant saving in costs.

RSV can also result in serious lower respiratory tract infections in the elderly. There are more than 170,000 RSV-related hospital admissions of elderly patients in the United States alone each year and some 14,000 RSV-related deaths.

There is also a considerable need for a therapeutic to treat RSV infections in immune-compromised patients. For example, approximately 50,000 people a year undergo allogeneic hematopoietic stem cell transplant, or HSCT, globally. Due to treatment with immuno-suppressive regimens, recipients of HSCT are particularly susceptible to severe RSV infections and about 12% become infected with RSV within one year of transplantation. Approximately 40% of those infected by RSV develop pneumonia and lower respiratory tract infections with an associated mortality rate of 20-30%.

Current Treatment Options for RSV Infections; Products in Development

The only product currently approved for the treatment of RSV infection is ribavirin, which is marketed as Virazole by Valeant Pharmaceutical. This is only approved for treatment of hospitalized infants and young children with severe lower respiratory tract infections due to RSV. Ribavirin has been reported to have limited efficacy and limited anti-viral activity against RSV. Moreover, administration of the drug is complicated since it requires environmental reclamation devices due to the potential harmful effects on health care personnel exposed to the drug. It is therefore not widely adopted for the treatment of RSV-infected infants. Despite a number of companies pursuing treatments for RSV, there are no other therapeutic approved for the treatment of this infection. Currently, supportive care, in the form of hydration and oxygenation, remains the cornerstone of clinical management of this disease.

Therapeutics in clinical development for infants include: Lumicitabine, which is being developed by Johnson & Johnson/Alios, which is in a Phase II trial; AK0529, which is being developed by Ark Biosciences which is in Phase II trials; RV521, which is being developed by ReViral Ltd., and is in Phase I trials; and JNJ-53718678, which is being developed by Johnson & Johnson and is in Phase I trials. At present, Ablynx believes it has the most advanced clinical program for the development of a therapeutic for RSV in infants.

In RSV-infected adults who have undergone HSCT or lung transplantation, Presatovir is being developed by Gilead, and is at the Phase II stage of development.

In addition to therapeutics in development, there is one approved prophylactic drug being marketed and a number of others in development. Synagis, a marketed monoclonal antibody from AstraZeneca plc, is administered prophylactically by injection to infants at high risk for RSV due to chronic lung disease or congenital heart disease, and to a narrowly defined group of those born prematurely. Two other monoclonal antibodies being developed as prophylactics for RSV are suptavumab, being developed by Regeneron Pharmaceuticals, Inc. and currently in Phase III trials, and MEDI8897, being developed by AstraZeneca plc/Medimmune, LLC, or MedImmune, and currently in Phase II trials. Ablynx is not aware of any current studies to evaluate these prophylactic agents for the treatment of infants already infected with RSV.

A number of RSV vaccines with different approaches are also in clinical development, the most advanced being the RSV-F subunit vaccine from Novavax, Inc., or Novavax, which did not meet its primary endpoint in its Phase III trial in infants. Novavax's Phase III maternal immunization trial is currently ongoing. The Phase II trial of MEDI7510, being developed by MedImmune was halted based on initial efficacy results. Other vaccines in development include GSK3389245A and GSK3003891A, by GlaxoSmithKline plc, or GlaxoSmithKline, which are in Phase II trials; MVABNRSV, by Bavarian Nordic, which is in Phase II trials; and a number of other compounds which are in Phase I trials with Janssen Pharmaceuticals, Inc., or Janssen, ImmunoVaccine Inc., GlaxoSmithKline, Vaxart Inc. and Mucosis BV. The low immune responsiveness of infants is a potentially limiting factor for vaccines targeting this population. For the maternal vaccination approach, the degree of placental transfer, limited half-life of transferred antibodies and safety in pregnant woman may also pose hurdles for development.

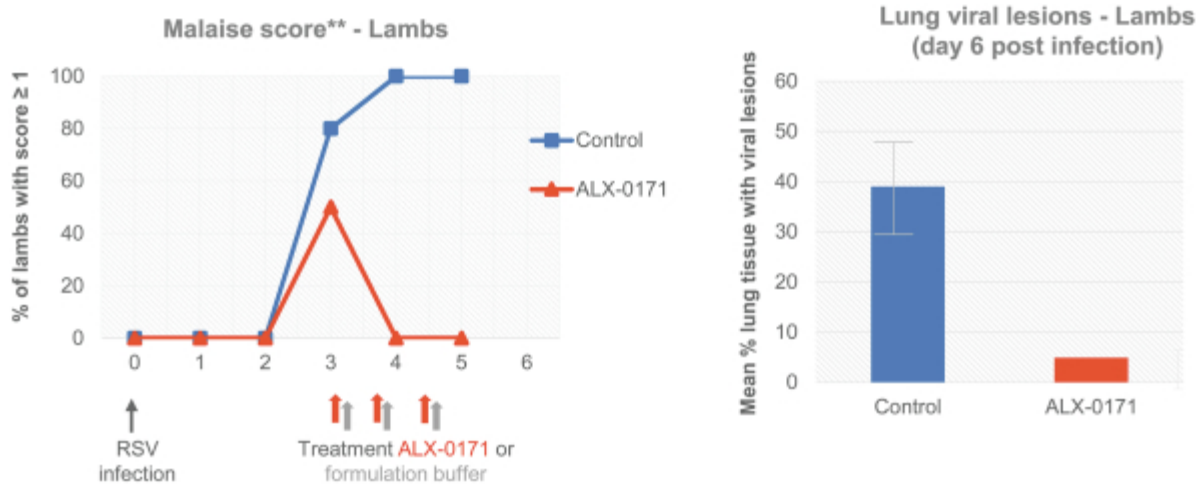
ALX-0171 for the Treatment of RSV

ALX-0171 is Ablynx's wholly owned trivalent product candidate, which consists of three identical Nanobody units that each recognize antigenic site II of the trimeric F protein on the surface of RSV. Its mechanism of action is to inhibit the infection of RSV by interfering with viral penetration of respiratory epithelial cells. ALX-0171 is administered using a nebulizer manufactured by the Vectura Group plc, or Vectura, and is not 510(k)-cleared or approved for use in the administration of ALX-0171.

The physical robustness of Nanobodies allows administration by inhalation, directly to the site of infection, which in the case of RSV is the respiratory tract. The effective delivery of ALX-0171 locally to the lungs was confirmed in two distinct studies using animal models of RSV infection. For the initial ALX-0171 studies, the hispid cotton rat RSV infection model was selected for the assessment of the pharmacodynamics properties of the drug following either intranasal, intratracheal, or whole-body exposure administration. These initial studies showed that ALX-0171 treatment, when delivered either prophylactically or therapeutically, significantly reduced both nasal and lung viral loads.

ALX-0171 was then tested in a colostrum-deprived neonatal lamb model. Ablynx believes this is a highly relevant model for the study of RSV infections for several reasons, including the fact that lambs: (i) are naturally susceptible to RSV disease; (ii) show anatomical, physiological and developmental similarities to those of human infants; and (iii) are susceptible to infection by the same RSV strains that infect humans. In addition to the pathophysiological similarities of their RSV disease to that in human infants, lambs are also good model systems due to their comparable size. In these neonatal lambs, ALX-0171 was administered once daily using a facemask linked to a mesh nebulizer for three consecutive days, with treatment initiated three days after infection with RSV, a time point shown to correspond to peak viral concentrations. Pharmacokinetic data obtained from analysis of plasma and bronchoalveolar lavage fluid from the treated lambs indicated that targeted concentrations of ALX-0171 in lung epithelial lining fluid were readily attainable when administered by nebulization. Administration of ALX-0171 reduced viral concentrations and lung viral antigen expression. There was also a reduction in gross lung viral lesions and histopathological changes, as well as a positive effect on general malaise caused by the RSV infection.

The figure below depicts the results of the neonatal lamb study.



* The malaise score is a composite assessment of disease parameters such as weakness, lethargy, drooping of ears and not eating.

Clinical Development of ALX-0171

The safety and tolerability of ALX-0171 were evaluated in a first-in-infant Phase I/IIa trial in 53 hospitalized RSV-infected infants, aged one to 24 months, in multiple clinical centers in Europe and the Asia-Pacific region, from December 2014 to May 2016. The trial consisted of an open label lead-in phase with five infants, aged five to 24 months who received ALX-0171, and a double-blind, placebo controlled phase with 48 infants, aged one to 24 months, who were randomized to ALX-0171 or placebo. A total of 51 infants received at least one dose of ALX-0171. The trial met its primary endpoint, demonstrating the favorable safety and tolerability profile of ALX-0171 when administered once daily by inhalation for three consecutive days in the target infant population, with no treatment-related serious adverse events reported. The three treatment-related adverse events were cough, rhinorrhea and pyrexia.

The table below summarizes the safety and tolerability data from Ablynx's Phase I/IIa trial.

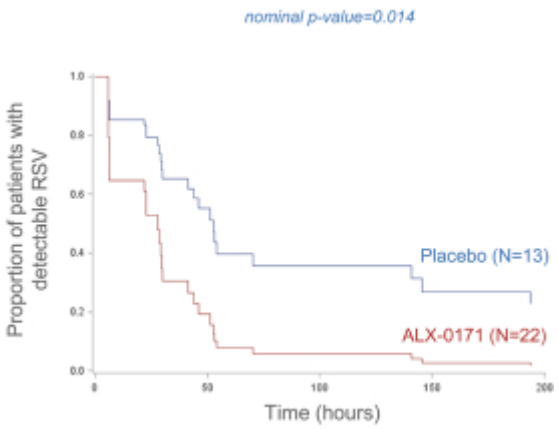
	Open-label group ALX-0171 (N=5)	**Randomised group ALX-0171 (N=30)**	**Randomised group Placebo (N=16)**
Adverse events (AEs)			
number (%) of subjects with an AE	4 (80.0)	9 (30.0)	4 (25.0)
number (%) of subjects with a treatment-related AE	1 (20.0)	2 (6.7)	0 (0.0)
Serious adverse events (SAEs)			
number (%) of subjects with an SAE	3* (60.0)	1** (3.3)	0 (0.0)
number (%) of subjects with treatment-related SAEs	0 (0.0)	0 (0.0)	0 (0.0)

* 1 of whom discontinued
** subject discontinued

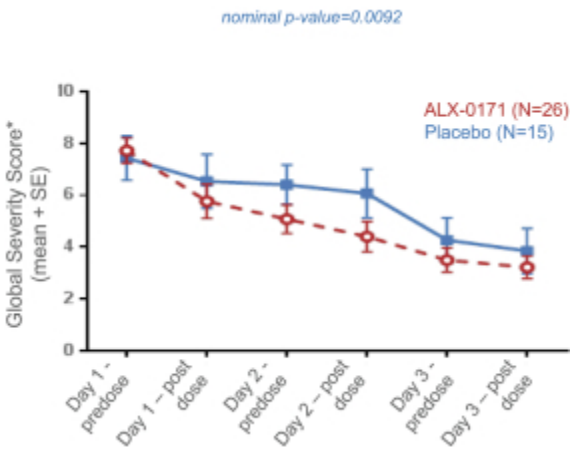
The percentage of subjects with an adverse event was similar within treatment arms of the randomized, double blind part of the trial and there were no reports of worsening respiratory status with administration of study drug. Consistent with the greater severity of disease in the open label part of the trial, a higher percentage of subjects in this part of the study experienced an adverse event. Subjects in whom treatment emergent anti-drug antibodies, or ADAs, were observed were not more likely to experience adverse events than those who did not develop ADAs.

ALX-0171 was detected in the serum of 27 out of 33 subjects after treatment, which is consistent with lung exposure. While treatment emergent anti-drug antibodies were observed, they had no apparent effect on the pharmacokinetics and no apparent relation to the adverse events that were seen. Treatment with inhaled ALX-0171 had a rapid impact on viral replication and also reduced viral load, when measured by plaque assay, as compared to placebo. When measured by reverse transcription polymerase chain reaction, or RT-qPCR, mean viral RNA levels decreased at a similar rate in the ALX-0171 and placebo treatment groups. The difference between plaque assay and RT-qPCR results is likely that the viral load measured by RT-qPCR also quantifies complete viral particles unable to replicate, partially assembled virions, and whole and fragmented viral genomes, in addition to the fully replication-competent viruses, which confounds antiviral efficacy determination of test compounds targeting RSV replication. Post-hoc analysis of a composite of clinical efficacy endpoints, the Global Severity Score, led to what Ablynx believes is an encouraging initial indication of a therapeutic effect for infants treated with ALX-0171.

While primarily a safety study, the figure below summarizes the efficacy results from the Phase I/IIa trial, showing a statistically significant difference between placebo and ALX-0171 treated patients with regard to time to undetectable virus in culture from a nose swab, as well as a statistically significant reduction in the Global Severity Score of RSV infected patients based on a longitudinal analysis comparing those who received ALX-0171 with those receiving placebo, adjusting for baseline score and time.



Results exclude five infants who did not have RSV on RT-qPCR and 11 infants who had undetectable RSV at baseline and first dose.



Results exclude five infants who did not have RSV on RT-qPCR and five patients in the open-label group.

* Global Severity Score is an overall disease severity assessment including feeding intolerance, medical intervention, respiratory difficulty, respiratory frequency, apnoea, general condition and fever.

As depicted by the right figure above, the Global Severity Score was 7.3 in both groups before the administration of ALX-0171 or placebo. Separation in scores between the groups was observed beginning on day 1 after dosing, suggesting a more rapid improvement in disease severity in the ALX-0171 group compared to the placebo group.

In January 2017, the first infant was dosed in the Phase IIb RESPIRE trial of ALX-0171. This trial is a randomized, double-blind, placebo-controlled, multi-center, dose-ranging trial of three different doses of inhaled ALX-0171 in approximately 180 infants, aged one to 24 months, diagnosed with RSV and hospitalized as a result of a lower respiratory tract infection. ALX-0171 is administered once daily for three consecutive days. The trial consists of a sequential dose escalation part, which enrolled 36 infants, and is followed by a parallel part in which approximately 144 infants will be randomly assigned to one of the three dose groups of inhaled ALX-0171, or placebo. The primary endpoint of the trial is to evaluate the anti-viral effect of treatment measured in samples taken by nasal swabs. Secondary endpoints include safety, pharmacokinetics and clinical activity determined by assessment of the composite Global Severity Score. The last of the three safety cohorts in the sequential dose escalation part of the study was completed in July 2017, after which the data monitoring committee recommended Ablynx continues the study without changes to the protocol. The parallel dose part of the study was initiated in August 2017. Top line results from the RESPIRE trial are expected in the second half of 2018.

In March 2018, Ablynx announced that the first patient has been dosed in the Japanese Phase II study of ALX-0171. This Phase II study is a randomised, double-blind, placebo-controlled, multi-centre study of ALX-0171 in 60 Japanese infants (aged 1-24 months) diagnosed with RSV and hospitalised for a lower respiratory tract infection. The study will evaluate four different doses and a safety review by an independent Data Monitoring Committee will occur prior to proceeding to each higher dose. ALX-0171 will be administered via nebulisation once daily for three consecutive days and will be given along with standard-of-care treatment. The primary objectives of this Phase II study are to evaluate the safety, tolerability and systemic pharmacokinetics of different doses of inhaled ALX-0171 in Japanese infants infected with RSV. Secondary objectives include the evaluation of the antiviral effect, clinical activity, immunogenicity and pharmacodynamics of different doses of inhaled ALX-0171. The study is expected to read out in the second half of 2019.

Ablynx expects to start the clinical development of ALX-0171 in RSV-infected patients who have undergone HSCT in the first half of 2018.

Regulatory Status for ALX-0171

In 2016, Ablynx received approval to conduct the Phase IIb RESPIRE trial of ALX-0171 in Europe. In the first quarter of 2017, Ablynx submitted an Investigational New Drug Application, or IND, to the FDA for ALX-0171. The FDA requested additional safety measures to be added to the study protocol and a reduction in the trial size, as well as additional data to support clinical benefit. Since the trial was already underway in the rest of the world, Ablynx elected not to modify the protocol at that time and withdrew its IND but remains in dialogue with the FDA and expects to present them the data from the RESPIRE trial to support the re-filing of an IND.

At a consultation meeting in 2017, the Japanese Health Authority, the PMDA, endorsed Ablynx's proposal to conduct a Phase IIa trial with ALX-0171 in RSV-infected Japanese infants and young children without requiring prior studies in healthy Japanese adults. On 2 March 2018, the first patient has been dosed.

The nebulizer manufactured by Vectura is not 510(k)-cleared or approved for use in the administration of ALX-0171. As a result, Ablynx will require FDA approval (as part of its BLA), or clearance or approval through a device submission. Similarly, the device will require any necessary approvals or other marketing authorizations in foreign jurisdictions.

Vobarilizumab (anti-IL-6R Nanobody)

Ablynx is developing vobarilizumab for the treatment of RA, which is an autoimmune disease characterized by chronic and progressive joint inflammation that typically results in permanent, debilitating tissue damage, which is further compounded by joint deformation. In two Phase II trials, in which a total of over 600 patients with moderate to severe RA were dosed, vobarilizumab demonstrated a favorable safety profile and encouraging efficacy results. Ablynx is currently conducting an open-label extension trial for RA patients who completed the Phase II studies, from which it expects results in 2018.

Ablynx is also developing vobarilizumab for the treatment of SLE. SLE is a complex, multi-organ, autoimmune disorder characterized by the production of pathogenic autoantibodies and tissue deposition of immune complexes which result in widespread tissue damage. Ablynx has conducted a Phase II trial in 312 patients with SLE and has published the results thereof on 26 March 2018. In this Phase II dose-ranging study, the primary endpoint, dose response based on the modified BILAG-based combined lupus assessment (mBICLA) at week 24, has not been met. However, favourable safety findings have been made until and including week 58. Further, the percentage of treatment-related serious adverse events and serious infections reported was remarkably lower with the vobarilizumab treated patients than with the placebo group (respectively 2% versus 6.5% and 2.8% versus 6.5%). On the other hand, treatment-related adverse events leading to study drug discontinuation have been reported in 12.4% of the vobarilizumab treated patients versus 6.5% in the placebo group. Two deaths were reported among the vobarilizumab treated patients.

Vobarilizumab is currently planned as a drug-device combination product, and is provided in a prefilled sterile glass syringe. Ablynx may seek to develop the vobarilizumab product as a pen injector.

Overview of Rheumatoid Arthritis

RA is a chronic inflammatory autoimmune disease which is clinically characterized by stiffness, joint pain and joint swelling, leading to joint damage, deformity, severe disability, and increased mortality. Patients may develop multiple systemic symptoms including fever, fatigue, anemia, and osteoporosis. Small joints in the hands and feet are most commonly affected. It is estimated that up to one percent of the adult population worldwide suffer from RA, which is three times more prevalent in women than in men.

Current Treatment Options for RA and Their Limitations

The goal of treatment in patients with RA is to reduce inflammation, inhibit joint damage, prevent loss of function, decrease pain, and improve function and quality of life. Initial treatment options include conventional synthetic disease-modifying anti-rheumatic drugs, or csDMARDs, non-steroidal anti-inflammatory drugs, corticosteroids, analgesics, physiotherapy, and occupational therapy. The csDMARDs most commonly used include methotrexate, or MTX, sulfasalazine, leflunomide, and hydroxychloroquine. MTX, administered alone or in combination with another csDMARD, is the recommended first-line therapy for patients with RA.

For patients with an inadequate response or intolerance to csDMARDs, biological drugs may be indicated. These block certain key molecules that are involved in the pathogenesis of the illness. Targets include Tumor Necrosis Factor alpha, or TNF alpha, selective T-cell co-stimulation molecules, Cluster of Differentiation 20, or CD20, interleukin, or IL, IL-1, IL-6, IL-6 receptor, or IL-6R, and the Janus kinase family of enzymes. One common anti-TNF alpha agent prescribed for RA is Humira (adalimumab), a mAb marketed by AbbVie for the treatment of RA and other indications, which had worldwide sales of over $16 billion in 2016. Although anti-TNF alpha agents and other biological DMARDs have been established as effective treatment options for RA, there is still a need for new therapeutic agents.

Clinical response to available therapies may be lost over time for various reasons such as disease burden, low drug serum levels, rapid clearance and immunogenicity. In addition, biological DMARDs have limitations with respect to safety, dosing regimen, price and route of administration. As a result, there is the need for new therapeutic agents to address these limitations and to improve the care of patients suffering from RA. Agents in development include the anti-IL-6R and anti-IL-17 biological DMARDs, kinase inhibitors for oral administration, bi-specific biologicals, and biosimilars.

Vobarilizumab For The Treatment of RA

Vobarilizumab targets the IL-6 signaling pathway through its IL-6R. IL-6 is a pro-inflammatory cytokine that plays a role in T-cell activation, production of acute phase proteins in response to inflammation, induction of immunoglobulin production, and stimulation of osteoclast differentiation and activation. Vobarilizumab is an anti-IL-6R Nanobody linked to an anti-human serum albumin Nanobody to increase the in vivo half-life of the molecule. Vobarilizumab binds to IL-6R and inhibits the interaction between the IL-6 ligand and its receptor subunit, thereby preventing receptor signaling.

Clinical Development of Vobarilizumab in RA

To date, Ablynx has completed one Phase I/IIa and two Phase IIb clinical trials which together dosed over 600 patients with RA. The first was a Phase I/IIa proof-of-concept trial of vobarilizumab added to treatment with MTX in 37 patients with RA. The results, which were published in February 2013, demonstrated that vobarilizumab reduced the signs and symptoms of RA, had a convenient dosing regimen and a favorable safety profile. A total of four serious adverse events were observed in two patients. One subject died after experiencing two serious adverse events of cerebrovascular accident, or stroke, judged to be remotely related to the study treatment. One subject experienced a serious adverse event of hemorrhagic gastritis, not related to study treatment but caused by the concomitant administration of ketoprofen, and a serious adverse event of upper gastrointestinal hemorrhage, considered remotely related to study treatment, starting approximately 50 days after the last study drug administration. Four patients experienced treatment emergent adverse events that led to their withdrawal from treatment. Following the communication of these results, Ablynx entered into an agreement with AbbVie to give AbbVie the option to further develop and commercialize vobarilizumab.

In July 2016, Ablynx announced topline results from a 12-week Phase IIb trial of vobarilizumab as a monotherapy in patients with moderate to severe RA. In total, 251 patients from Europe, Latin America and the United States were randomly assigned to one of the three blinded dose groups of vobarilizumab (150 mg every four weeks, 150 mgs every two weeks or 225 mgs every two weeks) or open-label tocilizumab, 162 mg dosing every week or every two weeks. Tocilizumab is an approved mAb targeting IL-6R, prescribed for moderate to severe RA. It was not intended to be an active comparator, and instead was intended to provide parallel efficacy and safety data in the same population. The primary endpoint of this trial was ACR20 at Week 12. Achievement of ACR20 means that there was a 20% improvement in a standardized scale of RA symptoms for a patient, as defined by the American College of Rheumatology.

This trial demonstrated that compared to baseline, vobarilizumab reduced signs and symptoms of RA and resulted in ACR20, ACR50 and ACR70 scores of up to 81%, 49% and 24% respectively at week 12 as compared to 78%, 45% and 23%, respectively, at week 12 in the tocilizumab arm.
Moreover, vobarilizumab induced clinical remission based on the disease activity score, or DAS28CRP, which is a composite score derived from several measures, in up to 41% of patients, as compared to 27% of patients treated with tocilizumab. Similar safety findings were observed in all treatment groups, including the open-label active comparator tocilizumab group. Safety findings consisted of increases in liver transaminases, decreases in neutrophil count (including neutropenia), and hypercholesterolaemia. One vobarilizumab-treated patient discontinued treatment as a result of severe but not serious hypersensitivity reaction. Study treatment was stopped prematurely due to neutropenia in 1.1% and 4.7% of subjects treated with vobarilizumab and tocilizumab, respectively. Vobarilizumab treatment resulted in improvement in physical function, and also had a favorable safety profile at all administered doses.

In August 2016, Ablynx reported results from the 24-week, double-blind, placebo-controlled Phase IIb trial of vobarilizumab administered as a combination therapy with MTX to patients with moderate to severe RA. In total 345 patients from Europe, Latin America and the United States were randomly assigned to placebo or one of the four dose groups of vobarilizumab: 75 mg every four weeks, 150 mg every four weeks, 150 mg every two weeks or 225 mg every two weeks. The primary endpoint of this trial was ACR20 at week 12. High ACR20 responses at week 12 were obtained in all treatment groups, ranging from 62.3% in the placebo group to between 72.5% and 81.4% in the vobarilizumab treatment groups. There was no significant difference in ACR20 response at week 12 between the treatment and placebo groups. Ablynx believes that this outcome is largely explained by an unexpectedly high placebo response, which may have been due to the protocol-specified discontinuation of non-responders and the fact that only patients who completed the trial could enroll in a two-year open-label extension trial. Post-hoc analyses showed that in the combined vobarilizumab dosing groups, ACR20, ACR50 and ACR70 scores were 79%, 61% and 45% respectively at week 24. In addition, vobarilizumab improved physical function and had a positive impact on disease activity with up to 70% of patients achieving low disease activity at week 24 based on DAS28CRP and up to 51% of treated patients achieving clinical remission at week 24 based on DAS28CRP. Ablynx believes its effect on clinically relevant efficacy endpoints, such as ACR70 and DAS28CRP remission, confirms vobarilizumab’s potential to be a best-in-class product candidate in RA. Safety findings that occurred more often in the vobarilizumab treatment groups included local injection site reactions, neutrophil count decreases, and increased levels of liver transaminases (ALT and AST), which tended to normalize after the study treatment phase, and hypercholesterolaemia. These safety findings are consistent with what had been reported as a result of IL-6R blockade. Hypersensitivity reactions reported during vobarilizumab treatment were mostly mild cutaneous reactions that did not lead to study drug interruption. Importantly, the results also confirmed the favorable safety profile of vobarilizumab in a large patient population and the potential for convenient monthly administration.

The table below summarizes some key efficacy results for the combination trial with MTX and monotherapy trial of vobarilizumab, in comparison to tocilizumab and adalimumab in separately conducted 24 week combination therapy trials and in comparison to toclizumab in the 12 week head-to-head monotherapy trial.

Combination therapy (+MTX) **24 weeks (across studies)**	**$DAS28_{CRP}$ remission**	**ACR 70**
vobarilizumab	49%	43%
tocilizumab	32%	20%
adalimumab	23%	21%

Monotherapy **12 weeks (head-to-head study)**	**$DAS28_{CRP}$ remission**	**ACR 70**
vobarilizumab (6 doses)	41%	21%
tocilizumab (~ 12 doses) open-label	27%	23%

The 24-week data in the table above from similar RA combination therapy studies were derived from published reports, not from head-to-head studies.

An open-label extension trial in RA patients is ongoing, with 94% of those patients who were eligible enrolled from the Phase IIb studies, and results are expected in 2018.

In November 2014, Ablynx sponsored and filed an IND for the treatment of RA in adults and SLE in adults.

Meanwhile, the Phase II study in 312 patients with SLE has been completed and the results have been published on 26 March 2018.

Regulatory Status for Vobarilizumab in RA

Ablynx has held end-of-Phase II meetings with the FDA and EMA to discuss the results of the vobarilizumab trials. While the end-of-phase II meeting with the EMA provides a path forward to a possible Phase III trial, the FDA expressed concerns related to dose-ranging data and unclear treatment effect based on the ACR week 24 response to vobarilizumab compared to placebo in the 24-week Phase IIb trial and requested that Ablynx performs a new dose-ranging study either prior to, or as part of, its Phase III program.

Overview of Systemic Lupus Erythematosus

SLE is a complex, multi-organ, autoimmune disorder characterized by the production of pathogenic autoantibodies and tissue deposition of immune complexes, which result in widespread tissue damage. Although the etiology of SLE is not fully understood, multiple genetic, environmental, and hormonal factors have been implicated in its development. The disease displays a broad variety of symptoms and highly variable clinical features, including systemic, cutaneous, renal, musculoskeletal, and hematological manifestations. In the United States, an estimated 20-150 in 100,000 people have SLE. Of the estimated five million people worldwide who suffer from a form of SLE, 90% are women.
African-Americans and Hispanics and Latinos are affected more frequently than Caucasians. The majority of patients have disease onset between age 16 and 55. According to a study published by Decision Resources Group in 2016, the SLE market is estimated to grow to $2.2 billion by 2025.

Current Treatment Options and Their Limitations

The management of SLE typically requires a comprehensive assessment of the disease activity, the damage from the disease, and the careful tailoring of the treatment according to the involved organs and the disease severity. In general, treatment aims to manage and control symptoms during the acute periods of active disease, and to minimize the risk of flares during periods of remission.

In mild, non-organ threatening disease, anti-malarials, low-dose steroids, and the transient use of non-steroidal anti-inflammatory drugs can be administered. In the case of worsening of disease, hydroxychloroquine is usually prescribed and the steroid doses can be increased.

For patients with more severe disease, or when steroid doses cannot be reduced to acceptable levels, immunosuppressive agents such as azathioprine, mycophenolate mofetil, and MTX are usually recommended. For renal disease, cyclophosphamide and mycophenolate mofetil in combination with steroid treatment is often administered.

In addition to the more conventional therapies, biological agents which target specific cells or molecules within the abnormally functioning immune system are being developed. Belimumab, marketed by GlaxoSmithKline, a B-lymphocyte stimulator specific inhibitor, has been approved for the treatment of adult patients with active, autoantibody-positive SLE who are receiving standard therapy. In addition, rituximab, an anti-CD20 monoclonal antibody that depletes B-cells, is often used in patients with severe disease not responding to conventional treatments, albeit off-label.

The drugs currently used to treat SLE can be associated with significant risks and adverse effects. Corticosteroid therapy remains problematic in the management of SLE as it contributes significantly to cardiovascular risk and can lead to the development of osteoporosis. Therefore, if treatment with a biological agent can allow a corticosteroid sparing regimen, this is considered of significant clinical value in SLE management.

Overall, there is substantial unmet medical need for more effective and better-tolerated therapies for the treatment of SLE. The increasing understanding of the immunopathology of SLE, based on a better knowledge of how the immune response works, has led to the targeting of key cells or molecules by biologicals. New therapeutic agents in development include B-cell targeted biologicals as well as non-B-cell targeted biologic therapies, such as anti-IL-6(R) blockers, agents targeting T-cell co-stimulation, and the development of anti-interferon ϒ and anti-IFN ϒ-receptor monoclonal antibodies.

Vobarilizumab for the Treatment of SLE

In rodent models of SLE, blocking IL-6 improved lupus in all models tested. In addition, data from several studies suggest that IL-6 plays a critical role in the B cell hyperactivity and immunopathology of human SLE, and may have a direct role in mediating tissue damage. It has been proposed that blocking the effect of IL-6 in humans may improve lupus by interacting with the auto inflammatory process both systemically and locally. As such, given vobarilizumab's ability to block the IL-6 signaling pathway through its IL-6R, Ablynx initiated the enrollment in a 48-week, Phase II study in patients with SLE, which it refers to as the STEADY trial. Ablynx did not need to conduct a Phase I trial in light of vobarilizumab's favorable safety and tolerability profile in patients with rheumatoid arthritis. The Phase II trial was a 48-week, multicenter, dose-ranging, placebo-controlled trial of vobarilizumab administered subcutaneously in addition to the standard-of-care, in subjects with moderate to severe active SLE.

The composite British Isles Lupus Assessment Group (BILAG)-based composite lupus assessment response was chosen as the primary endpoint at week 24 to evaluate reduction in disease activity in this diverse and heterogeneous disease since this composite endpoint allows an assessment of improvement in the involved organ systems without a concurrent worsening of the general condition or worsening in other organ systems. On 26 March 2018, it has been announced that this primary endpoint has not been met.

5.8.1.4 Additional Clinical Stage Nanobody Programs

Anti-IL17A/F Nanobody Licensed To Merck KGaA (ALX-0761/M1095)

In 2008, Ablynx and Merck KGaA entered into an agreement to co-discover and co-develop Nanobodies. One of the programs originating from this collaboration was ALX-0761, a bi-specific anti-IL-17A/F Nanobody. This Nanobody was designed to neutralize the pro-inflammatory cytokines IL-17A and IL-17F, which are each expressed at inflammatory sites, and have been implicated in the pathogenesis of psoriasis and several auto-immune disorders. In 2013, Ablynx exercised its opt-out right under the agreement with respect to ALX-0761, and in return for a payment of €2.5 million, Merck KGaA received an exclusive license to ALX-0761 and became responsible for all future development and commercialization of the Nanobody product, while Ablynx is eligible to receive potential milestone payments and tiered percentage royalties, ranging from mid-single digits to low-teens, on net sales of licensed products. See "—Significant Collaborations—Merck KGaA."

Merck KGaA subsequently successfully carried out a Phase I trial of ALX-0761 in healthy volunteers. In March 2017, Merck KGaA reported data on ALX-0761 at the 75th Annual Meeting of the American Academy of Dermatology Conference from a Phase Ib multi-centre, double-blind, randomised, placebo-controlled trial in 41 patients with moderate-to-severe chronic plaque psoriasis to evaluate the safety, tolerability and immunogenicity of multiple ascending doses of the product candidate, ranging from 30mg to 240mg administered subcutaneously on days 1, 15 and 29. The trial also evaluated pharmacokinetic profiles and the efficacy of multiple subcutaneous doses of ALX-0761.

A reduction in disease activity, as measured by the Psoriasis Area Severity Index, or PASI, which scores the response rate to a therapy, and improvement in static Physician Global Assessment, was seen for all doses of ALX-0761 versus 0% for placebo. At day 85, all patients treated with 240mg of ALX-0761 experienced a 90% reduction in disease activity, PASI 90, and had clear or almost clear skin; moreover, 56% of patients in this highest dose group had clear skin, PASI 100. In addition, rapid onset of clinical effect was observed after the first administered dose and sustained through to completion of the trial at day 85.

ALX-0761 had a favorable safety and tolerability profile, with no treatment-related serious adverse events reported and no dose-dependent increase in frequency or severity of adverse events. There was no apparent effect of anti-drug antibodies on pharmacokinetics.

Merck KGaA has now partnered with development company Avillion LLP and plans to advance ALX-0761 into Phase II clinical trial development in plaque psoriasis in the first quarter of 2018.

Anti-VEGF/Ang2 Nanobody Licensed To Boehringer Ingelheim (B.I. 836880)

In 2007, Ablynx and Boehringer Ingelheim entered into a strategic alliance for the discovery, development and commercialization of Nanobody therapeutics across a range of diseases. Under the agreement, Ablynx is responsible for discovering Nanobodies to agreed targets and Boehringer Ingelheim is exclusively responsible for the development, manufacturing and commercialization of any products resulting from the collaboration. Ablynx is eligible to receive milestone payments and royalties, and retain certain co-promotion rights in Europe.

In January 2016, Boehringer Ingelheim initiated a Phase I dose escalation trial with a half-life extended bi-specific VEGF-Ang2 Nanobody, resulting from the strategic alliance, in adult patients with advanced solid tumors. This event triggered an €8.0 million milestone payment to Ablynx. The aim of the trial is to evaluate the safety profile and dosing schedule for the Nanobody product candidate. The anti-VEGF-Ang2 Nanobody is designed to block the function of both vascular endothelial growth factor, or VEGF, and angiopoietin-2, important proteins in the formation of new blood vessels from pre-existing vessels, a vital mechanism in the growth of tumors.

Anti-CX3CR1 Nanobody Licensed to Boehringer Ingelheim (B.I. 655088)

An anti-CX3CR1 Nanobody, for the treatment of chronic kidney disease, was also discovered as part of the 2007 strategic alliance between Ablynx and Boehringer Ingelheim. This Nanobody is designed to block the function of the GPCR, CX3CR1, a protein that has proven to be difficult to address with conventional antibodies. By blocking the function of CX3CR1, the activity of inflammatory immune cells, which play a major role in chronic kidney disease, may be inhibited.

In April 2016, Boehringer Ingelheim initiated a Phase I trial to evaluate the safety, tolerability and pharmacokinetics of single ascending doses of the anti-CX3CR1 Nanobody administered intravenously to healthy volunteers. This event triggered an €8.0 million milestone payment to Ablynx. The Phase I trial was on clinical hold due to safety concerns, but Boehringer Ingelheim re-initiated the study in January 2018 because the safety event was determined to be non-treatment related.
Ablynx is eligible to receive tiered percentage royalties, ranging from high-single digits to mid-teens, on the sale of any commercialized product containing an anti-CX3CR1 Nanobody. See "Significant Collaborations - Boehringer Ingelheim."

Anti-TNFα Nanobody (ozoralizumab) licensed to Taisho in Japan and Eddingpharm in Greater China

Ozoralizumab is a TNF alpha blocker being developed for the treatment of auto-immune disorders with an initial focus on RA. The product candidate consists of two Nanobodies targeting TNF alpha which are linked to a Nanobody that binds to human serum albumin, extending the molecule’s half-life and which may improve its distribution to inflamed joints. Phase I/IIa proof-of-concept was achieved in May 2011 in patients with active RA. Although primarily designed as a safety, tolerability, and pharmacokinetic study, an exploratory efficacy endpoint indicated that the highest dose of ozoralizumab (80 mg every 4 weeks) resulted in a statistically significant improvement of ACR20 responses compared with placebo at week 16. The TEAEs reported by the highest percentage of patients in the active treatment groups were increased alanine aminotransferase (ALT) and aspartate aminotransferase (AST) levels. One patient (1.7%) experienced an SAE during the course of the study and was withdrawn from the study. An open-label extension trial over 48 weeks was generally well tolerated, adverse event rates were within expectations, serious infections remained rare, and no clinically meaningful immunogenicity could be observed.

A total of 1.9% of patients experienced SAEs during the course of this study that were considered to be treatment-related. The most common treatment emergent adverse events were upper respiratory tract infection and nasopharyngitis. ALT and AST were increased in 3.8% and 3.0% of patients, respectively. Clinical development of ozoralizumab was funded by Pfizer before Ablynx regained the worldwide rights to develop and commercialize anti-TNF alpha Nanobodies in November 2011. Ablynx licensed ozoralizumab to Eddingpharm for Greater China in 2014 and to Taisho for Japan in 2015 in return for upfront, milestone and royalty payments. Taisho is planning to initiate a Phase III trial in RA patients in Japan with ozoralizumab in 2018. Ablynx is also eligible to receive tiered percentage royalties, ranging from low-teens to 20% on net sales of licensed products in Japan. See "Significant Collaborations-Taisho Pharmaceutical Co., Ltd." Eddingpharm is reviewing the next stage of clinical development.

Anti-RANKL Nanobody (ALX-0141) licensed to Eddingpharm in Greater China

ALX-0141 is being developed for the treatment of bone-loss related disorders including osteoporosis and bone metastasis. ALX-0141 is a composed of two Nanobodies targeting the Receptor Activator of Nuclear factor Kappa-B Ligand, RANKL. This bivalent anti-RANKL construct is linked to a Nanobody that binds to human serum albumin, extending the drug’s in vivo half-life, and which may in turn lead to preferential targeting of diseased tissue. A Phase I trial in healthy post-menopausal women showed that a single administration of ALX-0141 has a long lasting inhibitory effect on bone resorption biomarkers and was well tolerated with no treatment-related adverse events or dose-limiting toxicity being observed. Ablynx licensed ALX-0141 to Eddingpharm for Greater China in 2013 in return for an upfront payment, milestones and royalties. Eddingpharm expects to commence Phase I trials in China with ALX-0141 in 2018. See "Significant Collaborations-Eddingpharm".

5.8.1.5 Ablynx's Pre-Clinical Programs

Ablynx has more than 30 wholly owned and partnered Nanobody programs in pre-clinical discovery and development across a broad range of therapeutic targets and disease indications, including its collaborations with Merck & Co., Inc., or Merck, and with Sanofi S.A., or Sanofi.

Ablynx's main collaboration with Merck is focused on discovering and developing cancer immunotherapies. Ablynx believes that partnering with Merck gives it a partner with the resources and expertise to best advance the immuno-oncology potential of its Nanobody technology.
Ablynx's collaboration with Sanofi focuses on discovering and developing immune-mediated inflammatory diseases, such as asthma, RA and psoriasis.

5.8.1.6 Commercialization

Ablynx's commercialization of caplacizumab will focus initially on larger markets, including Germany, France, the United Kingdom, Italy and the United States, while also addressing Canada and other European countries, including the Benelux, Sweden, Denmark, Norway, Finland, Austria, Switzerland, Ireland, Spain and Portugal. Ablynx's European operations will be run from its headquarters in Ghent, Belgium. Ablynx's North American operations will be run from its office in Philadelphia, the United States of America, following the results of the HERCULES trial. Assuming it is successful with its registration applications, Ablynx intends to commercialize caplacizumab in Japan with a pharmaceutical partner, and in other geographies with specialized local distributors.

To manage growth, cost and risk, Ablynx will use a mixed commercial model in North America and Europe, where it will directly control critical strategic functions, such as commercial strategy, market access and medical affairs, while its sales force will be sourced initially from a CSO. Over time Ablynx plans on building out its own sales force and re-acquiring this role from the CSO. The total commercial headcount at the end of 2020 is expected to be about 100 with a 50:50 split between Ablynx and the CSO.

The primary decision makers involved in prescribing caplacizumab are expected to be hematologists and nephrologists. Ablynx plans to communicate with these physicians through all traditional routes together with a complete digital strategy, including a sponsored aTTP website aimed at providing information to doctors and patients.
The initial launch of caplacizumab is expected in Germany in the second half of 2018, with the U.S. launch anticipated in the first half of 2019, assuming Ablynx receives timely approval from the EMA and FDA, respectively.

5.8.1.7 Manufacturing

For its Nanobody product candidates, Ablynx generally develops the initial manufacturing process to 150 liter scale internally. Nanobodies typically show high levels of expression, with yields of its development candidate Nanobodies usually ranging from one to over 10 grams of Nanobody per liter of fermentation or growth medium.

To produce Nanobody product candidates for clinical trials, Ablynx utilizes third-party contract manufacturers who it believes act in accordance with the FDA’s good laboratory practices, or GLP, and current good manufacturing practices, or cGMP, for the manufacture of drug substance and product. Currently, Ablynx engages with multiple CMOs in Europe for all activities relating to the development of its cell banks, further development of its manufacturing processes and the production of drug substance. These CMOs use validated and scalable systems that are broadly accepted in Ablynx's industry.

All of Ablynx's Nanobodies are manufactured by starting with cells, which are stored in a cell bank. Ablynx has one master cell bank for each product manufactured in accordance with cGMP. Half of each master cell bank is stored at a separate site so that, in case of a catastrophic event at one site, sufficient vials of the master cell bank would remain at the alternative storage site to allow manufacturing to continue.

Ablynx has worked very closely with some of its CMOs over many years and as such they have considerable experience in producing Nanobodies. Nanobodies can be produced in a wide variety of industry-standard hosts including microbial (yeast or bacteria) or mammalian cells. Currently, caplacizumab is being produced in the bacteria E. coli and Ablynx's other proprietary programs, including ALX-0171, are being produced in the yeast Pichia Pastoris. For the manufacture of Nanobodies in Ablynx's partnered programs, its collaborators have chosen to use either CMOs or their own internal manufacturing facilities. Currently, Ablynx's partnered clinical-stage Nanobodies are being produced in either E. coli, Pichia Pastoris or CHO cells.

Nanobodies have been produced at Ablynx's CMOs using 500 liter and 1,500 liter fermentation vessels, with preparations now underway to allow scale-up to 5,000 liter or 15,000 liter vessels. The transition from research volumes (up to 150 liter fermenters done in Ablynx's laboratories) to larger scale (500 liter and 1,500 liter fermenters) has been smooth and so Ablynx does not anticipate any material problems in moving to these higher production volumes.

The Nanobody product candidate is the therapeutically active ingredient and is termed the Drug Substance. Drug Substance is formulated into a dosage form termed the Drug Product. Usually Ablynx produces the Drug Substance at one specialist CMO, and then at the same CMO or after transferring to another specialist CMO, the Drug Product is produced. Production of Drug Product involves purification, filtration, and formulation of the Nanobody using a variety of standard industry processes. Ablynx conducts a series of studies to identify the optimal formulation for each product candidate depending on its intended use. Stability studies are also conducted to ensure the product candidate is stable throughout the manufacturing process and that it has an acceptable storage shelf life (typically several years). A third group of specialist CMOs is used to take the Drug Product and fill, label, package, store and distribute Ablynx's product candidates.

The nebulizer used to administer ALX-0171 for the treatment of RSV in infants is manufactured and provided by Vectura. Pursuant to the terms of the agreement, Ablynx has worked with Vectura to create a customized nebulizer for Ablynx's Phase I and Phase II trial of ALX-0171 for RSV in infants. Ablynx was also granted an exclusive license to said nebulizer for performing said Phase I and Phase II trial of ALX-0171 for RSV in infants, as well as an option to an exclusive license for commercial use of said nebulizer on the basis of pre-agreed commercial terms.

Vectura is eligible to receive a non-material milestone payment upon the first successful completion of a Phase II and Phase III trial and non-material milestone payments upon approval of ALX-0171 for the treatment of RSV in various global jurisdictions. Ablynx will also pay Vectura low single digit percentage royalties on the net sales if Ablynx commercializes ALX-0171 using the Vectura nebulizer. Ablynx expects that the cost of the nebulizer will be marginal and not affect the pricing of ALX-0171 for RSV, if approved.

5.8.1.8 Significant Collaborations

Below is a summary of Ablynx's significant collaboration agreements. As discussed below, Ablynx is eligible to receive up to a maximum amount of approximately €1.5 billion in development milestones, €1.0 billion in regulatory milestones and €8.0 billion in commercial milestones pursuant to the terms of the agreements summarized below, in addition to sales royalties on commercialized products.

Merck & Co., Inc.

In October 2012, Ablynx entered into a collaboration agreement with Essex Chemie AG, a subsidiary of Merck & Co., Inc., or Essex, to develop and commercialize Nanobody candidates directed towards a voltage gated ion channel with the option to develop and commercialize a Nanobody directed towards a second target. Under the terms of the agreement, Ablynx granted Essex an exclusive, worldwide license under certain of Ablynx's intellectual property to develop and commercialize Nanobody-based products against the selected target, with an option for similar rights to a second target. Upon signing, Essex paid Ablynx a €6.5 million upfront payment and a €2.0 million fee for research funding. In addition, subject to achieving the milestones specified in the agreement, Ablynx is eligible to receive up to €429.0 million in the aggregate for regulatory and commercial milestone payments associated with the progress of multiple candidates as well as tiered percentage royalties, ranging from mid-single digits to low-teens, on net sales above a one-time aggregate specified threshold of any products derived from the collaboration. Ablynx is responsible for the discovery of Nanobody candidates and Essex will be responsible for the research, development, manufacturing and commercialization. In 2015 and then again in 2016, Ablynx announced extensions of this research collaboration, increasing funding obligations by Essex, with the latter extension also being accompanied by a €1.0 million milestone payment to Ablynx.

Essex's royalty obligations expire on a product-by-product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to Essex with respect to such product in such jurisdiction and (ii) ten years after the first commercial sale of such product in such jurisdiction.

Unless earlier terminated, the agreement will expire upon the expiration of the last royalty term for a licensed product under the agreement. Essex may terminate the agreement, in whole or in part, for convenience upon written notice. Each party may terminate the agreement, in whole or in part, upon an uncured material breach by the other party. If Essex terminates for a material uncured breach by Ablynx, among other consequences, the licenses Ablynx granted to Essex under the agreement will become perpetual and irrevocable, and royalties payable to Ablynx thereafter will be reduced as specified in the agreement. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

In February 2014, Ablynx entered into a separate research collaboration and licensing agreement with Merck. This collaboration and licensing agreement is focused on the discovery and development of Nanobodies (including bi- and tri-specifics) against up to five targets or target combinations. The Nanobody candidates are directed toward so called "immune checkpoint modulators," which are proteins believed to be important potential targets for the development of cancer immunotherapies, a rapidly emerging approach to the treatment of a wide range of tumor types. Under the terms of the agreement, Ablynx granted Merck an exclusive, worldwide license under certain of Ablynx's intellectual property to develop and commercialize Nanobody-based products against such targets.

Pursuant to the agreement, Ablynx received an upfront payment of €20.0 million and was eligible to receive research funding during the initial three year research term of the collaboration. In addition, subject to achieving the milestones specified in the agreement, for each of the first two product candidates generated against the five targets or target combinations Ablynx is eligible to receive milestone and royalty payments when pre-agreed milestones are achieved. Specifically, Ablynx is eligible to receive up to €186.0 million in development milestone payments and €1.49 billion in commercial milestone payments for the five programs in the aggregate, plus tiered percentage royalties, ranging from mid-single digits to low teens, on annual net sales above a one-time aggregate specified threshold of licensed products. Merck will be responsible for the development, manufacturing and commercialization of any products resulting from the collaboration. In 2015, Ablynx received a one-time €3.5 million proof-of-concept payment under this agreement.

In July 2015, Ablynx amended the 2014 agreement to expand this immuno-oncology collaboration with Merck to address an increased number of immune checkpoint modulator targets. As part of this expansion, Ablynx is responsible for the discovery and development of Nanobodies (mono-specific and multi-specific) against up to 12 additional individual targets or target combinations through to the in vivo pre-clinical proof-of-concept stage, after which Merck will have the option to advance specified lead candidates. Under the terms of this expansion, which provides for a program-by-program research term of 36 months from finalization of the applicable work plan, Ablynx received a €13.0 million upfront payment comprising exclusivity fees and FTE payments and is eligible to receive further research funding over the term of the collaboration. In addition, Ablynx will be eligible to receive additional exclusivity fees, depending on the number of programs for which Merck decides to exercise its licensing option, plus tiered percentage royalties, ranging from mid-single digits to low teens, on annual net sales above a one-time aggregate specified threshold upon commercialization of any licensed Nanobody products. Subject to achieving the milestones specified in the agreement, for each of the first two product candidates generated against the 12 targets or target combinations Ablynx is eligible to receive milestone and royalty payments when pre-agreed milestones are achieved.

Specifically, Ablynx is eligible to receive up to €338.5 million in development and commercial payments per each program, totaling up to €486.0 million in development milestones and €3.57 billion in commercial milestones in the aggregate, for all the programs covered by this expansion of the original agreement. Merck will be responsible for clinical development, manufacturing and commercialization of any products resulting from the collaboration.

Merck's obligation to pay royalties under the 2014 agreement, including the 2015 expansion, expires on a product-by-product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to Merck with respect to such product in such jurisdiction and (ii) ten years after the first commercial sale of such product in such jurisdiction.
Unless earlier terminated, the agreement will expire upon the expiration of the last royalty term for a licensed product under the agreement. Merck may terminate the agreement, in whole or in part, for convenience upon written notice. Each party may terminate the agreement, in whole or in part, upon an uncured material breach by the other party. If Merck terminates for a material uncured breach by Ablynx, among other consequences, the licenses Ablynx grant to Merck under the agreement will become perpetual and irrevocable, and royalties payable to Ablynx thereafter will be reduced as specified in the agreement.

The agreements do not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

Ablynx anticipate that Merck will commence a Phase I clinical trial for the first of these programs in the first half of 2018.

AbbVie

In September 2013, Ablynx entered into a global license agreement with AbbVie relating to the development and commercialization of the anti-IL-6R Nanobody, vobarilizumab, in both RA and SLE. As part of the agreement, Ablynx assumed responsibility for the execution of Phase II clinical development for vobarilizumab in both RA and SLE. Additionally, Ablynx granted AbbVie exclusive opt-in rights to obtain an exclusive, worldwide license under certain of Ablynx's intellectual property to develop and commercialize any product containing vobarilizumab, or licensed product, in any indication. AbbVie's opt-in rights become effective upon Ablynx's delivery of results from Phase II trials of vobarilizumab conducted by Ablynx in RA and SLE, respectively, and expire within a certain specified period. If AbbVie exercises its opt-in rights, AbbVie assumes complete responsibility for the further development and commercialization of the licensed products. If AbbVie does not exercise its opt-in rights, the agreement will terminate immediately upon the expiry of such opt-in rights.

In July 2016, Ablynx communicated results from a Phase IIb monotherapy trial with vobarilizumab in 251 RA patients and in August 2016 Ablynx communicated results from a Phase IIb combination trial with methotrexate in 345 patients with RA. In October 2016, AbbVie decided not to exercise its right to opt-in and exclusively license vobarilizumab at that time. The Phase II trial of vobarilizumab in patients with SLE is ongoing. Recruitment of 312 patients has been achieved ahead of schedule and top line results are expected in the first half of 2018, at which time AbbVie again has the right to opt-in and exclusively license vobarilizumab.

Ablynx received a $175 million upfront payment under the agreement. If AbbVie exercises its opt-in right under the agreement with respect to vobarilizumab, Ablynx is eligible to receive, subject to achieving the milestones specified in the agreement, up to an aggregate of $415.0 million in regulatory milestones and $150.0 million in commercial and tiered percentage royalties, ranging from low teens to mid-teens, on net sales of licensed products. The royalty term expires on a licensed product-by-licensed product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to AbbVie covering such licensed product in such jurisdiction, (ii) ten years after the first commercial sale of such licensed product in such jurisdiction or (iii) expiration of regulatory exclusivity for such licensed product in such jurisdiction.

Unless earlier terminated, if AbbVie exercises its opt-in rights, the agreement will expire upon the expiration of the last royalty term for a licensed product under the agreement. If AbbVie does not exercise its opt-in rights, the agreement will terminate immediately upon the expiry of such opt-in rights. AbbVie may terminate the agreement immediately in the event of a failure or serious safety issue resulting from the licensed product. Ablynx may terminate if AbbVie challenges the licensed intellectual property under the agreement. Each party may terminate the agreement upon an uncured material breach of the other party or in whole or in part upon an insolvency or similar event of the other party. However, if AbbVie breaches its diligence obligations with respect to a particular jurisdiction, Ablynx's right to terminate is limited to such jurisdiction. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

Boehringer Ingelheim

In September 2007, Ablynx entered into a strategic alliance with Boehringer Ingelheim International GmbH, or B.I., to discover, develop and commercialize up to 10 different Nanobody therapeutics across multiple therapeutic areas through targeted collaborative research programs, or discovery programs. Under the agreement, Ablynx granted B.I. an exclusive, worldwide license under certain of Ablynx's intellectual property rights to research certain specified target proteins, or B.I. target proteins, in accordance with applicable work plans and to commercialize licensed products that relate to the B.I. target proteins. B.I. granted Ablynx a non-exclusive license under certain of B.I.’s intellectual property to research such B.I. target proteins, in accordance with such work plan.

Ablynx received €42.9 million in upfront payments, license fees and FTE payments during the research term of the agreement. Additionally, in 2011, Ablynx received a €5.0 million milestone payment when B.I. selected the first Nanobody from this alliance for development. In 2012, Ablynx received a second €5.0 million milestone payment under the agreement when B.I. selected a second Nanobody for development. In 2016, two €8.0 million milestone payments were received under the agreement as a result of a Phase I trial initiation by B.I. of both a bi-specific anti-VEGF/Ang2 Nanobody in patients with solid tumors and a Phase I trial initiation in healthy volunteers with an anti-CX3CR1 Nanobody. B.I. is responsible for the development, manufacture and commercialization of any products arising from the collaboration.

For each licensed product or compound which is developed, Ablynx can receive up to €125.0 million in the aggregate in potential development and regulatory milestone payments plus tiered percentage royalties, ranging from high single digits to mid teens, on net sales of licensed products worldwide.

The royalty term expires on a product-by-product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to B.I. with respect to such product in such jurisdiction and (ii) ten years after the first commercial sale of such product in such jurisdiction.

Unless earlier terminated, the agreement will expire upon the expiration of the last royalty term for a licensed product under the agreement. B.I. may terminate the agreement for convenience upon written notice (i) in its entirety on any anniversary of the date of the agreement and (ii) as to a particular panel of licensed compounds at any time.

Ablynx may terminate the agreement if B.I. challenges the licensed intellectual property under the agreement and may terminate on a jurisdiction-by-jurisdiction basis with respect to a particular panel of licensed compounds for an uncured breach by B.I. of its diligence obligations in such jurisdiction with respect to such panel. Each party may terminate the agreement upon an uncured material breach of the other party or in whole or in part upon an insolvency or similar event of the other party. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

Merck KGaA

In September 2008, Ablynx entered into an agreement with Merck Serono, a division of Merck KGaA, to co-discover and co-develop Nanobodies, including ALX-0761, against two therapeutic targets through joint research and development programs, or JRDPs. Under the agreement, Ablynx was jointly responsible with Merck KGaA for research activities related to the discovery of Nanobodies.

In 2013, Ablynx announced that Merck Serono had initiated a Phase I trial with an anti-Il-17A/F Nanobody arising from the agreement. Ablynx opted out in full of the corresponding JRDP, and, as a result, Merck Serono paid Ablynx a milestone payment of €2.5 million, received an exclusive worldwide license to ALX-0761 and became solely responsible for the development and commercialization of this molecule. Ablynx is eligible for further development, regulatory and commercial milestone payments of up to €122.5 million in the aggregate, subject to achieving the milestones specified in the agreement, plus tiered percentage royalties, ranging from mid-single digits to low-teens, on net sales of the licensed products. In 2017, Merck Serono announced encouraging data from a Phase Ib trial with the anti-IL-17A/F Nanobody in psoriasis patients and confirmed that they had partnered the program with Avillion LLP to take the product into Phase II trials in plaque psoriasis.

The royalty term under the agreement expires on a licensed product-by-licensed product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to Merck KGaA with respect to such licensed product in such jurisdiction and (ii) ten years after the first commercial sale of such licensed product in such jurisdiction.

The agreement will expire upon the expiration of the last applicable royalty term. Merck KGaA may terminate the agreement for convenience in its entirety upon 90 days' prior written notice to Ablynx and may also discontinue the commercialization for convenience on upon 90 days' prior written notice to Ablynx. There are no other JRDPs active under this 2008 agreement with Merck Serono.

In November 2011, Ablynx entered into another agreement with Merck KGaA, to co-discover and develop Nanobodies against two targets in osteoarthritis through JRDPs. Ablynx received a €20.0 million upfront payment and is responsible for the delivery of pre-clinical packages that are intended to form the basis of Investigational New Drug (IND) filings. Depending on when, and if, Ablynx opts out of the co-development of each selected program, Ablynx will be eligible for development, regulatory and commercial milestones plus tiered percentage royalties, ranging from mid-single digits to low-teens, on net sales of licensed products upon successful development and regulatory approval of the product. If Ablynx does not opt out of the co-development of the program, Ablynx and Merck KGaA will share equally the co-development costs and the resulting profits.

In May 2017, Ablynx announced that Merck KGaA had accepted the pre-clinical package for the first Nanobody under this agreement and this triggered the payment of a €15.0 million milestone payment to Ablynx. Pursuant to the terms of the agreement, Ablynx has opted out of the co-development of this program, giving Merck KGaA an exclusive, worldwide license. Merck KGaA is now responsible for the development and commercialization of this Nanobody. Under this first program, Ablynx is eligible to receive up to approximately €120.0 million in the aggregate of development, regulatory and commercial milestones plus tiered percentage royalties, ranging from mid-single digits to low-teens, on net sales of licensed products. The royalty term under the agreement expires on a licensed product-by-licensed product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to Merck KGaA with respect to such licensed product in such jurisdiction and (ii) ten years after the first commercial sale of such licensed product in such jurisdiction.

Unless earlier terminated, each JRDP under the agreement expires upon the earlier of (i) Ablynx's full opt-out from such JRDP or (ii) the start of commercialization of licensed products resulting from such JRDP. Each party may terminate a JRDP upon an uncured material breach of the other party (including such party’s breach of its diligence requirements) in respect of such JRDP. Such termination will not affect other JRDPs under the agreement. Upon a material uncured breach by Ablynx, among other consequences, Merck KGaA may elect to reduce milestone payments and royalties payable to Ablynx under such JRDP by 50%. If Merck KGaA terminates a JRDP for an uncured material breach by Ablynx, neither party will have the right to continue development of any candidates resulting from such JRDP.

Unless earlier terminated, the agreement will expire, with respect to each JRDP for which Ablynx has not opted out either in full or in part, on licensed product-by-licensed product and jurisdiction-by-jurisdiction basis on the date that commercialization of such licensed products from such JRDP ceases in such jurisdiction. If Ablynx has opted out in full of all JRDPs, the agreement will expire upon the expiration of the last applicable royalty term. Merck KGaA may terminate the agreement for convenience in its entirety or on a JRDP-by-JRDP basis upon 90 days’ prior written notice to Ablynx and may also discontinue the commercialization for convenience on a licensed product-by-licensed product basis upon 90 days’ prior written notice to Ablynx. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

Sanofi

In July 2017, Ablynx entered into a research collaboration and global exclusive licensing agreement with Sanofi initially focused on developing and commercializing Nanobody-based therapeutics for the treatment of various immune-mediated inflammatory diseases. This collaboration gives Sanofi access to certain Nanobodies in Ablynx's existing portfolio as well as to Ablynx's scientists and proprietary Nanobody platform. Under the terms of the agreement, Sanofi gains exclusive global rights to certain multi-specific Nanobodies against selected targets, with options for similar rights to additional targets, for a total of eight potential Nanobody product candidates. The financial terms include an upfront payment of €23.0 million to Ablynx, comprised of license and option fees. In addition, Ablynx will receive research funding, estimated to amount to €8.0 million for the initially selected targets.

Upon exercise of options to additional targets, Sanofi will pay Ablynx further option exercise fees and research funding. Sanofi will be responsible for the development, manufacturing and commercialization of any products resulting from this agreement. Ablynx will be eligible to receive up to €440.0 million in development milestone payments, €200.0 million in regulatory milestone payments and €1.76 billion in commercial milestone payments in the aggregate, subject to achieving the milestones specified in the agreement, plus tiered percentage royalties, ranging from mid-single digits to low-teens, on the net sales of any products originating from the collaboration.

The royalty term expires on a product-by-product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed with respect to such product in such jurisdiction and (ii) the expiration of regulatory exclusivity to distribute, market or sell such product in such jurisdiction.

Unless earlier terminated, the agreement will expire upon (i) the expiration of the last royalty term for a licensed product under the agreement or (ii) if no licensed products have been developed, the date where Sanofi is no longer eligible to select a Nanobody-based compound after the conclusion of all research programs under the agreement. Sanofi may terminate the agreement (i) for convenience upon written notice, (ii) if Ablynx undergoes a change in control or (iii) in the event of safety concerns with respect to any research program, selected target or Nanobody product. Ablynx may terminate the agreement if Sanofi challenges the licensed intellectual property under the agreement. Each party may terminate the agreement upon an uncured material breach of the other party or upon an insolvency or similar event of the other party. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

Eddingpharm

In August 2013, Ablynx entered into a collaboration agreement with Eddingpharm, pursuant to which Ablynx grants Eddingpharm an exclusive, royalty-bearing license, to develop and commercialize its anti-RANKL Nanobody, ALX-0141, in the People’s Republic of China, Hong Kong, Macao and Taiwan, which Ablynx refers to as Greater China, for the treatment of a range of diseases, including osteoporosis and bone metastases. Ablynx received an upfront payment from Eddingpharm of €2.0 million. Ablynx is also eligible to receive commercial milestone payments of up to €11.0 million in the aggregate, subject to achieving the milestones specified in the agreement, as well as tiered double-digit royalties of up to 20% on annual net sales of licensed products in Greater China. Under the terms of the collaboration, Eddingpharm is responsible for the clinical development, registration and commercialization of anti-RANKL Nanobody therapeutics in Greater China. Ablynx will have access to the data generated by Eddingpharm to support potential licensing discussions in other geographic regions.

Unless earlier terminated, the agreement will expire upon the later of (i) the expiration in Greater China of the last-to-expire patent licensed under the agreement or (ii) ten years after the first authorized commercial sale in Greater China of a licensed product. Eddingpharm may terminate the agreement for convenience upon three months' prior written notice. Ablynx may terminate upon an insolvency or similar event of Eddingpharm or if Eddingpharm challenges Ablynx's intellectual property licensed under the agreement. Each party may also terminate the agreement upon an uncured material breach of the other party. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

In September 2014, Ablynx expanded its relationship with Eddingpharm and granted them an exclusive, royalty-bearing license to develop and commercialize Ablynx's anti-TNF alpha Nanobody, ozoralizumab, and certain other anti-TNF alpha Nanobodies in Greater China for all indications, including RA. Under the terms of the agreement, Eddingpharm will be responsible for the registration and commercialisation in Greater China of licensed products. Ablynx received an upfront payment of €2.0 million and Ablynx is entitled to receive development and commercial milestone payments of up to €16.0 million plus tiered, double-digit percentage royalties, ranging from low teens to up to 20%, on annual net product sales in Greater China. Ablynx will have access to the clinical data generated by Eddingpharm to support potential licensing discussions in other geographic regions.

The term and termination provisions under the 2014 agreement are substantially similar to the analogous provisions under Ablynx's 2013 agreement with Eddingpharm, described above.

Novo Nordisk

In November 2015, Ablynx entered into a global exclusive collaboration and licensing agreement with Novo Nordisk A/S, or Novo Nordisk, under which Ablynx will work together to discover and develop novel multi-specific Nanobody drug candidates for use in an undisclosed disease area, with the option to expand to a second Nanobody program. Ablynx received an upfront licensing payment of €5.0 million and may receive up to €4.0 million in research funding during the initial three year research term. Ablynx will additionally be entitled to a €4.0 million exercise fee should Novo Nordisk decide to exercise its option to the second program. Ablynx is eligible to receive development, regulatory and commercial milestone payments of up to €181.8 million in the aggregate per program, subject to achieving the milestones specified in the agreement, plus tiered percentage royalties, ranging from mid-single digits to low-teens on the annual net sales of any products resulting from this agreement. The royalty term expires on a product-by-product and jurisdiction-by jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed with respect to such product in such jurisdiction and (ii) ten years after the first commercial sale of such product in such jurisdiction. In November 2016, Ablynx achieved an initial discovery milestone with a multi-specific Nanobody construct as part of this collaboration, triggering a €1.0 million milestone payment to Ablynx. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

Unless earlier terminated, the agreement will expire upon the expiration of the last royalty term for a licensed product under the agreement. Novo Nordisk may terminate the agreement for convenience upon prior written notice. Ablynx may terminate upon an insolvency or similar event of Novo Nordisk or if Novo Nordisk challenges Ablynx's intellectual property licensed under the agreement. Each party may also terminate the agreement upon an uncured material breach of the other party.

Taisho Pharmaceutical Co., Ltd.

In June 2015, Ablynx entered into an exclusive license agreement with Taisho Pharmaceutical Co., Ltd., or Taisho, for the development and commercialization of Ablynx's anti-TNF alpha Nanobody, ozoralizumab, for the treatment of RA in Japan. Taisho will be responsible for the development, registration and commercialization of ozoralizumab. Under the terms of the agreement, Ablynx received an upfront payment of $3.0 million and are eligible for development and commercial milestone payments of up to $19.0 million in the aggregate, subject to achieving the milestones specified in the agreement, and tiered percentage royalties, ranging from low-teens up to 20%, on annual net sales of licensed products in Japan.

Unless earlier terminated, the agreement will expire upon the later of (i) the expiration in Japan of the last-to-expire patent or patent application licensed under the agreement and (ii) ten years after the first authorized commercial sale in Japan of a licensed product. Ablynx may terminate upon an insolvency or similar event of Taisho or if Taisho challenges Ablynx's intellectual property licensed under the agreement. Each party may also terminate the agreement upon an uncured material breach of the other party. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

5.8.1.9 Intellectual Property

Ablynx aims to protect the proprietary technologies that it believes are important to its business, including pursuing and maintaining patent protection intended to cover the Nanobody platform technologies incorporated into, or used to produce, its product candidates, the compositions of matter of its product candidates and their methods of use, as well as other inventions that are important to its business. Ablynx's commercial success depends in part upon its ability to obtain and maintain patent and other proprietary protection for commercially important technologies, inventions and know-how related to its business, defend and enforce its intellectual property rights, particularly its patent rights, preserve the confidentiality of its trade secrets and operate without infringing valid and enforceable intellectual property rights of others.

The patent positions for biopharmaceutical companies like Ablynx are generally uncertain and can involve complex legal, scientific and factual issues. In addition, the coverage claimed in a patent application can be significantly reduced before a patent is issued, and its scope can be reinterpreted and even challenged after issuance. As a result, Ablynx cannot guarantee that any of its platform technologies and product candidates will be protectable or remain protected by enforceable patents. Ablynx cannot predict whether the patent applications it is currently pursuing will issue as patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient proprietary protection from competitors. Any patents that Ablynx holds may be challenged, circumvented or invalidated by third parties.

Nanobody Technology Platform

As of June 1, 2017, Ablynx's Nanobody technology platform patent portfolio is in part in-licensed (see below) and in part wholly owned by Ablynx, and includes more than ten issued U.S. patents, more than ten pending U.S. patent applications, more than 180 issued foreign patents and more than 100 pending foreign patent applications. The issued patents and patent applications in this family are directed to methods for producing and manufacturing Nanobody-based pharmaceuticals and specific formulations of Nanobody-based pharmaceuticals. The wholly-owned and licensed issued patents, and any patents that may eventually issue from the pending patent applications, in this portfolio are expected to expire between 2020 and 2037, excluding any additional term for patent term adjustments.

Caplacizumab

As of June 1, 2017, Ablynx's patent portfolio relating to caplacizumab composition and methods of use is wholly owned by Ablynx and includes approximately three issued U.S. patents, three pending U.S. patent applications, more than twenty-five issued foreign patents and more than forty pending foreign patent applications. The issued patents and patent applications in this portfolio are directed to compositions of matter for caplacizumab, a formulation of caplacizumab and methods of using caplacizumab. The issued patents, and any patents that may eventually issue from the pending patent applications in this portfolio, are expected to expire between 2024 and 2035, excluding any additional term for patent term adjustments or patent term extensions.

ALX-0171

As of June 1, 2017, Ablynx's patent portfolio relating to ALX-0171 composition and methods of use is wholly owned by Ablynx and includes approximately one issued U.S. patent, four pending U.S. patent applications, more than ten issued foreign patents and more than twenty pending foreign patent applications. The issued patents and patent applications in this family are directed to compositions of matter for ALX-0171, a formulation of ALX-0171 and methods of using ALX-0171. The issued patents, and any patents that may eventually issue from the pending patent applications in this portfolio, are expected to expire between 2030 and 2037, excluding any additional term for patent term adjustments or patent term extensions.

Vobarilizumab

As of June 1, 2017, Ablynx's patent portfolio relating to vobarilizumab composition and methods of use is wholly owned by Ablynx and includes approximately five issued U.S. patents, four pending U.S. patent applications, more than five issued foreign patents and more than twenty pending foreign patent applications. The issued patents and patent applications in this family are directed to compositions of matter for vobarilizumab, a formulation of vobarilizumab and methods of using vobarilizumab. The issued patents, and any patents that may eventually issue from the pending patent applications in this portfolio, are expected to expire between 2030 and 2035, excluding any additional term for patent term adjustments or patent term extensions.

Ozoralizumab

As of June 1, 2017, Ablynx's patent portfolio relating to ozoralizumab composition and methods of use is wholly owned by Ablynx and includes approximately three issued U.S. patents, one pending U.S. patent application, more than 30 issued foreign patents and more than fifty pending foreign patent applications. The issued patents and patent applications in this family are directed to compositions of matter for ozoralizumab, a formulation of ozoralizumab and methods of using ozoralizumab. The issued patents and any patents that may eventually issue from the pending patent applications, in this portfolio are expected to expire between 2026 and 2032, excluding any additional term for patent term adjustments or patent term extensions.

ALX-0141

As of June 1, 2017, Ablynx's patent portfolio relating to ALX-0141 composition and methods of use is wholly owned by Ablynx and includes approximately four issued U.S. patents, three pending U.S. patent applications, more than ten issued foreign patents and more than ten pending foreign patent applications. The issued patents and patent applications in this family are directed to composition of matter for ALX-0141, a formulation of ALX-0141 and methods of using ALX-0141. The issued patents and any patents that may eventually issue from the pending patent applications, in this portfolio are expected to expire between 2028 and 2032, excluding any additional term for patent term adjustments or patent term extensions.

Individual patents extend for varying periods depending on the date of filing of the patent application or the date of patent issuance and the legal term of patents in the countries in which they are obtained. Generally, utility patents issued for applications filed in the United States are granted a term of 20 years from the earliest effective filing date of a non-provisional patent application. In addition, in certain instances, a patent term can be extended to recapture a portion of the U.S. Patent and Trademark Office, or USPTO, delay in issuing the patent as well as a portion of the term effectively lost as a result of the FDA regulatory review period. However, as to the FDA component, the restoration period cannot be longer than five years and the total patent term including the restoration period must not exceed 14 years following FDA approval. In addition, only one patent may be extended and only those claims covering the approved drug, a method for using it or a method for manufacturing it may be extended. The duration of foreign patents varies in accordance with provisions of applicable local law, but typically is also 20 years from the earliest effective filing date (excluding any patent term extension(s) where available). The actual protection afforded by a patent may vary on a product by product basis, from country to country and can depend upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory-related extensions, the availability of legal remedies in a particular country and the validity and enforceability of the patent.

Ablynx's commercial success will also depend in part on not infringing upon the proprietary rights of third parties. It is uncertain whether the issuance of any third-party patent would require Ablynx to alter its development or commercial strategies, or its drugs or processes, obtain licenses or cease certain activities. Ablynx's breach of any license agreements or failure to obtain a license to proprietary rights that it may require to develop or commercialize its future drugs may have an adverse impact on it.

Given that patent applications in the United States and certain other jurisdictions are maintained in secrecy for 18 months or potentially longer, Ablynx cannot be certain that it was the first to file patent applications covering its inventions. Ablynx can also not be certain that, at some future point in time, a non-published patent application of a third party may publish with claims that would require Ablynx to alter its development or commercial strategies, or that such third party patent application may later on issue with claims that would require Ablynx to alter its development or commercial strategies.

Furthermore, in addition to patent protection, Ablynx also relies on trade secrets and know-how to protect aspects of its business that are not amenable to, or that it does not consider appropriate for, patent protection, including certain aspects of its llama immunization methodology and its technologies for generating, optimizing and producing/manufacturing Nanobody-based pharmaceuticals. However, trade secrets and know-how can be difficult to protect. Ablynx seeks to protect its proprietary information, in part, using confidentiality agreements with its employees and consultants and any potential commercial partners and collaborators, and invention assignment agreements with its employees. Ablynx also has or intends to implement confidentiality agreements or invention assignment agreements with its selected consultants and any potential commercial partners. These agreements are designed to protect Ablynx's proprietary information and, in the case of the invention assignment agreements, to grant it ownership of technologies that are developed through a relationship with a third party. Ablynx cannot guarantee, however, that it has executed such agreements with all applicable employees, consultants, partners and collaborators or that these agreements will afford it adequate protection of its intellectual property and proprietary information rights. These agreements may be breached, and Ablynx may not have adequate remedies for any breach. In addition, Ablynx's trade secrets may otherwise become known or be independently discovered by competitors. To the extent that Ablynx's commercial partners, collaborators, employees and consultants use intellectual property owned by others in their work for it, disputes may arise as to the rights in related or resulting know-how and inventions.

Trademarks

As of June 30, 2017, Ablynx owns the U.S. registered trademark Nanobody®.

Licenses

VIB, a life sciences research institute in Flanders, Belgium

In November 2001, in connection with establishing Ablynx's company, VIB, a life sciences research institute in Flanders, Belgium, contributed-in-kind to Ablynx an exclusive, perpetual and irrevocable license in a family of patent and patent applications relating to camel antibodies, which Ablynx refers to as the Hamers Patents, to research, develop, manufacture and commercialize therapeutic products for the treatment of disease in animals and humans. In consideration for this contribution-in-kind, VIB was granted 750,000 of Ablynx's ordinary shares. The license to the Hamers Patents will remain theirs until the expiration of the patents, the last of which Ablynx expects to expire in 2022, or its liquidation or bankruptcy.

Research Corporation Technologies, Inc.

In May 2010, Ablynx entered into a license agreement with Research Corporation Technologies, Inc., or RCT. Under the agreement, RCT granted Ablynx a non-exclusive, non-transferable, worldwide license under certain of its intellectual property and proprietary materials related to the primary strains of Pichia pastoris to produce and commercialize certain Nanobody products, which Ablynx refers to as the RCT technology, which currently covers the Nanobodies used in ALX-0171 and vobarilizumab. Ablynx granted RCT a co-exclusive, royalty-free, sub-licensable, worldwide license under certain of its intellectual property related to any improvements Ablynx makes to the intellectual property it licenses from RCT to research and commercialize any products outside its licensed field of Nanobody products.

Pursuant to the agreement, Ablynx made an upfront nominal payment to RCT. Additionally, for all products sold by Ablynx that are manufactured using the RCT technology, Ablynx will pay low single digit percentage royalties to RCT. If any of Ablynx's partners elects to use the RCT technology for manufacturing products, Ablynx has the right to grant a sublicense to the RCT technology to its partner. In the event Ablynx sublicenses the RCT technology, it will remain responsible to RCT for low single digit percentage royalties on the sales of products by its partner, but Ablynx expects its partner will be required to compensate it for payments made by it to RCT. If projects are co-owned between Ablynx and a third-party such that the proceeds from the sale of products using RCT technology are split between it and the partner, then Ablynx expects any royalties due to RCT will be deducted before the royalty income is divided between it and the partner.

The agreement expires on a licensed product-by-licensed product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed from RCT with respect to such licensed product in such jurisdiction or (ii) ten years after the first commercial sale of such licensed product in such jurisdiction. The last-to-expire patent claim licensed from RCT is expected to expire in 2031. Ablynx has the right to terminate the agreement for convenience and each party may terminate the agreement upon any uncured material breach of the other party. In February 2015, the scope of licensed products under the agreement was amended to exclude any Nanobody that binds to RANK-L as the single therapeutic target, in connection with a separate license agreement entered into with RCT as described below.

In February 2015, Ablynx entered into a second license agreement with RCT pursuant to which RCT granted Ablynx a non-exclusive, non-transferable, worldwide license under certain of its intellectual property and proprietary materials to produce and commercialize certain Nanobody products that bind to RANK-L as the single therapeutic target. Ablynx granted RCT a co-exclusive, royalty-free, sub-licensable, worldwide license under certain of its intellectual property related to any improvements it makes to the intellectual property licensed from RCT to research and commercialize any products outside its licensed field of RANK-L related products.

Pursuant to the 2015 RCT agreement, Ablynx is obligated to pay RCT low single digit percentage royalties on a RANK-L licensed product-by-RANK-L licensed product and jurisdiction-by-jurisdiction basis on net sales of RANK-L related products, subject to certain nominal annual minimum royalties under the agreement. Furthermore, Ablynx is required to pay RCT $35,000 for each new counterparty with whom Ablynx enters into a license or collaboration agreement to develop or commercialize RANK-L licensed products.

The 2015 RCT agreement has a similar term to Ablynx's 2010 RCT agreement and is subject to similar termination rights as described above for the 2010 RCT agreement. The last-to-expire patent claim licensed under the 2015 RCT agreement is expected to expire in 2031.

Domantis Limited

In October 2009, Ablynx entered into an agreement with Domantis Limited, or Domantis, granting it rights to European Patent EP0368684B2, which it refers to as the Winter II patent, and any European national entries thereof. Ablynx received a non-exclusive, non-transferable license for it and its partners to exploit the subject matter of the Winter II patent for single domain antibodies, as well as a covenant not to take legal action for any previously-developed product which might be covered by the Winter II patent. In exchange, Ablynx agreed to pay Domantis a tiered, low single digit percentage royalties on the first five applicable products commercially sold by it or it partners for a period of ten years from first sale, on a product-by-product basis.

5.8.1.10 Employees

As of 31 December 2017, Ablynx had 438 staff on the payroll comprising 381 permanent employees (Medical Science Liaisons abroad and Ablynx, Inc. included), 50 employees with a temporary contract (i.e., individuals on the payroll with a fixed-term contract), seven Executive Committee members, all of whom are "self-employed" according to Belgian law and on the payroll. Ablynx also had 28 consultants (who work at least 50% of the time for Ablynx but are not on the payroll and are not working exclusively for Ablynx). At each date shown below, Ablynx had the following numbers of staff on the payroll, broken out by department, all of which were located in Belgium:

	At December 31,		
	2017	**2016**	**2015**
Function			
Research and development	386	343	301
General and administrative	52	46	43
Total	438	389	344

Collective bargaining agreements, or CBAs, can be entered into in Belgium at the national, industry, or company levels. These CBAs are binding for both employers and employees. Ablynx has trade union representation, and is subject to the national and industry level CBAs that relate to the chemical industry. In addition Ablynx has, so far, entered into one CBA at the company level (Purchase Power). The relevant CBAs applicable to Ablynx relate to employment conditions such as wages, working time, temporary career interruption and supplementary pensions.
Ablynx has not had, and do not anticipate having, disputes on any of these subjects. CBAs may, however, change the employment conditions of its employees in the future and hence adversely affect its employment relationships.

5.8.2 Recent developments

The description of the activities of Ablynx, as described in Section 5.8.1 (*Description of the activities*), is based on the original text of the prospectus of Ablynx of 24 October 2017 filed with the SEC in the framework of the initial public offering of the ADSs in the United States.

For a detailed overview of the recent developments since 24 October 2017 (date of the prospectus), reference is made to the press releases published on the Ablynx's website (http://Ablynx.be/news/press-releases/):

Date		**Press release**
25 October 2017	:	Ablynx announces notice in relation to the convertible bonds due May 2020.
27 October 2017	:	Ablynx announces closing of $200 million initial public offering in the U.S.
30 October 2017	:	Ablynx announces closing of underwriters' option to purchase $30 million of additional shares in the U.S. initial public offering.
3 November 2017	:	Baker Bros. Advisors LP notified Ablynx that it has crossed upward the 5% threshold on 27 October 2017.
3 November 2017	:	Millennium Group Management LLC notified Ablynx that it has crossed downward the lowest threshold on 27 October 2017.
7 November 2017	:	Farallon Capital Management LLC notified Ablynx that it has crossed upward the 3% threshold on 30 October 2017.
7 November 2017	:	Bank of America Corporation notified Ablynx that it has passively crossed downward the 5% threshold on 27 October 2017.
9 November 2017	:	Ablynx announces to present at upcoming investor conferences in London and Paris.
10 November 2017	:	Millennium Group Management LLC notified Ablynx that it has crossed upward the 3% threshold on 3 November 2017.
15 November 2017	:	C.H. Boehringer Sohn AG & Co KG notified Ablynx that it has passively crossed downward the lowest threshold on 27 October 2017.
15 November 2017	:	Perceptive Advisors LLC notified Ablynx that it has passively crossed downward the 5% threshold on 30 October 2017.
16 November 2017	:	Ablynx announces results for the first nine months of 2017 and a year-to-date business update.
21 November 2017	:	Results from the Phase III HERCULES study of caplacizumab for the treatment of acquired TTP selected for presentation in the late-breaking abstracts session at the 2017 ASH annual meeting.
29 November 2017	:	Millennium Group Management LLC notified Ablynx that it has crossed downward the lowest threshold on 21 November 2017.

7 December 2017	:	Announcement of a webcast to discuss additional data from its Phase III HERCULES study of caplacizumab in acquired thrombotic thrombocytopenic purpura (aTTP) following ash late-breaking data presentation.
12 December 2017	:	Ablynx reports additional clinically important benefits of caplacizumab from its Phase III HERCULES study in acquired TTP.
21 December 2017	:	Ablynx announces positive data from its Japanese ethno-bridging study of caplacizumab.
27 December 2017	:	Notice in relation to waiver of lock-up restriction.
4 January 2018	:	Ablynx announces to present at the 36th annual J.P. Morgan Healthcare Conference.
8 January 2018	:	Ablynx confirmed that on December 22, 2017 it received an unsolicited conditional proposal from Novo Nordisk A/S (CSE: NOVO B) (NYSE:NVO) ("**Novo Nordisk**") to acquire all of the outstanding shares of Ablynx for €28.00 (or approximately $33.661) per share in cash and one Contingent Value Right (CVR) linked to two upcoming material events with total potential cash payments over time of up to €2.50 (or approximately $3.01) per share. The Ablynx Board, with the assistance of financial and legal advisors, and taking into account the interests of all its stakeholders, unanimously concluded that the proposal fundamentally undervalues Ablynx and its strong prospects for continued growth and value creation as it implements its long-term strategic plan of becoming a fully integrated biopharmaceutical company.
8 January 2018	:	Ablynx announced that Dr Peter Fellner, who has served as Chairman since 2013, has decided to resign from the Board with immediate effect. He will be succeeded by Dr Bo Jesper Hansen, acting as permanent representative of Orfacare Consulting GmbH, who has been a Non-executive Director of Ablynx since November 2013, and has been unanimously elected by the Ablynx Board as the new Chairman.
10 January 2018	:	Consonance CapMan GP LLC notified Ablynx that it has crossed the 5% threshold on 5 January 2018 and now holds 3,481,841 Ablynx shares, representing 4.66% of the current 74,720,644 outstanding Ablynx shares (versus 5.04% notified previously on 11 October 2017).
16 January 2018	:	Marshall Wace LLP notified Ablynx that as a result of an acquisition of voting securities, it has crossed the 3% threshold on 8 January 2018 and now holds 2,251,187 voting securities of Ablynx, representing 3.01% of the current 74,720,644 outstanding voting rights of Ablynx.

16 January 2018 : Van Herk Investments B.V. notified Ablynx that it has crossed the 10% threshold on 12 January 2018 and now holds 7,629,229 voting securites of Ablynx, representing 10.21% of the current 74,720,644 outstanding voting rights of Ablynx (versus 9.99% notified previously on 11 October 2017).

17 January 2018 : Ablynx issued a maximum number of 800,000 Warrants for the benefit of certain employees and consultants, 120,000 Warrants of which have been accepted.

18 January 2018 : Bank of America Corporation (taking into account the holdings of its subsidiary undertakings) notified Ablynx that it has crossed the 5% threshold and now holds 3,851,779 voting securities of Ablynx, representing 5.15% of the 74,720,644 outstanding voting rights of Ablynx (versus 4.32% notified previously on 2 November 2017).

18 January 2018 : FMR LLC (taking into account the holdings of its subsidiary undertakings) now holds a total of 7,230,164 voting securities of Ablynx, representing 9.68% of the current 74,720,644 outstanding voting rights of Ablynx (versus 9.50% notified previously on 25 August 2017).

22 January 2018 : Ablynx announced warrants exercise and conversion of bonds.

24 January 2018 : Ablynx announced the appointment of Robert Friesen, PhD, as Chief Scientific Officer (CSO), effective 1 March 2018.

29 January 2018 : Ablynx and Sanofi announced that they entered into a definitive agreement under which Sanofi will offer to acquire all of the outstanding ordinary shares, including shares represented by American Depositary Shares (ADSs), warrants and convertible bonds of Ablynx at a price per Ablynx share of €45 in cash, which represents an aggregate equity value of approximately €3.9 billion.

2 February 2018 : Consonance Capman GP LLC notified Ablynx that it has crossed downward the lowest threshold on 29 January 2018.

5 February 2018 : FMR LLC has notified Ablynx that FMR Co., Inc., a subsidiary of Fidelity Management & Research Company, which itself is a subsidiary of FMR LLC (the ultimate parent company) has downward crossed the 3% threshold of voting rights of Ablynx held through financial instruments since 30 January 2018.

5 February 2018 : Marshall Wace LLP has notified Ablynx that on 26 January 2018 it has downward crossed the 3% threshold of voting rights of Ablynx and upward crossed the 3% threshold on 29 January 2018, now holding 2,639,561 voting securities of Ablynx, representing 3.52% of the current 75,065,990 outstanding voting rights of Ablynx.

6 February 2018	:	Bank of America Corporation notified Ablynx that Merrill Lynch Professional Clearing Corporation, a subsidiary undertaking, has downward crossed the 5% threshold of voting rights of Ablynx held through financial instruments since 30 January 2018.
6 February 2018	:	FMR LLC has notified Ablynx that FMR Co., Inc., a subsidiary of Fidelity Management & Research Company, which itself is a subsidiary of FMR LLC (the ultimate parent company) has downward crossed the 3% threshold of voting rights linked to securities of Ablynx and upward crossed the 3% threshold of voting rights of Ablynx held through financial instruments since 31 January 2018.
7 February 2018	:	Ablynx announced that Dr Bo Jesper Hansen, acting as permanent representative of Orfacare Consulting GmbH, has decided to resign from the Board of Directors with immediate effect for personal reasons.
7 February 2018	:	Norges Bank notified Ablynx that it has upward crossed the 3% threshold since 1 February 2018 and downward crossed the 3% threshold since 2 February 2018 and now holds a total of 2,004,478 voting securities of Ablynx, representing 2.67% of the current 75,065,990 outstanding voting rights of Ablynx.
7 February 2018	:	Bank of America Corporation (taking into account the holdings of its subsidiary undertakings) notified Ablynx thatit has downward crossed the 5% threshold of voting rights of Ablynx held through financial instruments since 31 January 2018.
12 February 2018	:	BlackRock, Inc. (taking into account the holdings of its subsidiary undertakings) notified Ablynx that it has upward crossed the 3% threshold since 6 February 2018 and now holds a total of 2,268,050 voting securities of Ablynx, representing 3.02% of the current 75,065,990 outstanding voting rights of Ablynx.
12 February 2018	:	FMR LLC (taking into account the holdings of its subsidiary undertakings) now holds a total of 4,444,329 voting securities of Ablynx, representing 5.92% of the current 75,065,990 outstanding voting rights of Ablynx (versus 7.84% notified previously on 6 February 2018).
15 February 2018	:	David Kempner Capital Management LLP (taking into account the holdings of its subsidiary undertaking) notified Ablynx that it has upward crossed the 3% threshold since 7 February 2018 and now holds a total of 2,316,079 voting securities of Ablynx, representing 3.09% of the current 75,065,990 outstanding voting rights of Ablynx.
15 February 2018	:	Van Herk Investments B.V. notified Ablynx that it has downward crossed the 10% threshold on 12 February 2018 and now holds 7,451,158 voting securites of Ablynx, representing 9.93% of the current 75,065,990 outstanding voting rights of Ablynx (versus 10.21% notified previously on 15 January 2018).

16 February 2018 : Ablynx announced that Sanofi has exercised its option to license two additional target combinations as part of the research collaboration signed in July 2017, focussed on developing and commercialising Nanobody®-based therapeutics for the treatment of various immune-mediated inflammatory diseases.

22 February 2018 : Ablynx announced 2017 full year results

28 February 2018 : Ablynx announced that in relation to the €100,000,000, 3.25% Senior Unsecured Convertible Bonds due on 27 May 2020 issued by the Company in the denomination of €100,000 each, an additional 7,896 new shares were issued following the conversion of 1 Bond.

28 February 2018 : BlackRock, Inc. (taking into account the holdings of its subsidiary undertakings) notified Ablynx that it has upward crossed the 3% threshold of voting rights held through financial instruments since 23 February 2018 and now holds a total of 3,035,133 voting securities of Ablynx, representing 4.04% of the current 75,065,990 outstanding voting rights of Ablynx.

2 March 2018: : Ablynx commences dosing in its phase II study of ALX-0171 in hospitalised japanese infants with a RSV infection.

9 March 2018 : FMR LLC (taking into account the holdings of its subsidiary undertakings) notified Ablynx that it has downward crossed the 5% threshold of total voting rights of Ablynx since 1 March 2018; and that on respectively 5 and 6 March 2018 it has downward crossed and then upward crossed the 3% threshold of voting rights (excluding the ones held through financial instruments). FMR LLC now holds a total of 2,780,276 voting securities of Ablynx since 6 March 2018, representing 3.70% of the current 75,253,667 outstanding voting rights of Ablynx (versus 5.92% notified previously on 8 February 2018).

12 March 2018 : BlackRock, Inc. (taking into account the holdings of its subsidiary undertakings) notified Ablynx that it has downward crossed the 3% threshold of voting rights held through financial instruments since 6 March 2018 and now holds a total of 3,414,448 voting securities of Ablynx, representing 4.55% of the current 75,253,667 outstanding voting rights of Ablynx (versus 4.04% notified previously on 23 February 2018).

15 March 2018 : Ablynx announced that it has issued 179,781 new Shares in exchange for €782,096.92 as the result of the exercise of warrants.

20 March 2018 : Baker Bros Advisors LP notified Ablynx that it has downward crossed the 5% threshold on 14 March 2018 and now holds 2,928,325 voting securites of Ablynx, representing 3.89% of the current 75,253,667 outstanding voting rights of Ablynx (versus 5.35% notified previously on 31 October 2017).

21 March 2018 : Van Herk Investments B.V. notified Ablynx that it has downward crossed the 5% threshold on 16 March 2018 and now holds 3,730,065 voting securites of Ablynx, representing 4.96% of the current 75,253,667 outstanding voting rights of Ablynx (versus 9.93% notified previously on 12 February 2018).

22 March 2018	:	Bank of America Corporation (taking into account the holdings of its subsidiary undertakings) notified Ablynx that it has upward crossed the 5% threshold of voting rights of Ablynx held through financial instruments on 14 March 2018 and now holds a total of 4,483,910 voting securities of Ablynx (versus 3,470,157 notified previously on 6 February 2018).
26 March 2018	:	Ablynx announced that the Phase II dose-ranging study of vobarilizumab, Ablynx's anti-IL-6R Nanobody®, did not meet the primary endpoint of dose response based on the modified BILAG-based combined lupus assessment (mBICLA) at Week 24.
26 March 2018	:	BlackRock, Inc. (taking into account the holdings of its subsidiary undertakings) notified Ablynx that it has upward crossed the 5% threshold of voting rights since 20 March 2018 and now holds a total of 3,882,078 voting securites of Ablynx, representing 5.16% of the current 75,253,667 outstanding voting rights of Ablynx (versus 4.55% notified previously on 8 March 2018).

5.9 FINANCIAL INFORMATION

5.9.1 Statutory annual accounts per 31 December 2017

Ablynx's statutory annual accounts for the financial year ending on 31 December 2017 were drafted in accordance with the legal regulatory requirements applicable in Belgium.

Ablynx's statutory financial statements for the financial year ending on 31 December 2017 are subject to approval by the general shareholders' meeting on 26 April 2018.

Ablynx's statutory annual accounts for the financial year ending on 31 December 2017 were audited by Deloitte Bedrijfsrevisoren BV CVBA, having its registered office at Nationale Luchthaven van Brussel 1J, 1930 Zaventem, Belgium and registered with the Crossroads Bank for Enterprises under number 0429.053.863 (RLE Brussels), permanently represented by its permanent representative Mr Gert Vanhees, auditor, which did not formulate any reservations.

Ablynx's statutory annual accounts for the financial year ending on 31 December 2017 are appended hereto as **Annex 6**.

5.9.2 Financial results per 31 December 2017

Ablynx's consolidated financial results for the financial year ending on 31 December 2017 were drafted in accordance with the legal regulatory requirements applicable in Belgium.

Ablynx's consolidated financial statements for the financial year ending on 31 December 2017 have been published on 27 March 2018.

Ablynx's consolidated financial statements for the financial year ending on 31 December 2017 are appended hereto as **Annex 7**.

5.9.3 Documents incorporated by reference

Ablynx's statutory financial statements and consolidated financial statements for the financial year ending on 31 December 2017 (appended hereto as **Annex 6** and **Annex 7**) have been published by Ablynx and are available at Ablynx's website (http://www.ablynx.com/investors/shareholders-meeting/2018/) and are, in accordance Article 13§3 of the Takeover Act and Article 50 of the Act of 16 June 2006 on the public offering of securities and the admission of securities to trading on a regulated market, incorporated by reference in this Prospectus.

The information so incorporated by reference forms entirely part of this Prospectus. However, references made in a document incorporated in this Prospectus by reference, shall be amended or replaced in line with the provisions of this Prospectus in as far as a reference made in this Prospectus amends or replaces such previous reference (explicitely, implicitely or otherwise). A reference amended in such way does not form part of this Prospectus, except when it has been amended or replaced in accordance with the foregoing. A cross reference list is appended hereto as **Annex 6** and **Annex 7**.

6. BACKGROUND TO AND OBJECTIVES OF THE BID

6.1 BACKGROUND OF THE BID

Sanofi's offer

On 8 January 2018, Novo Nordisk publicly disclosed the offer it made for Ablynx's Securities. On the same day, Ablynx publicly confirmed its rejection of such offer.

Later on 8 January 2018, J.P. Morgan contacted eight parties other than Novo, including Sanofi, that Ablynx's management and financial advisors had identified as being reasonably likely to have interest in, and the financial capacity to pursue, a possible strategic transaction involving Ablynx. Subsequently on 8 January 2018, Sanofi's Head of Global Mergers and Acquisitions, Alban de La Sabliere, contacted representatives of J.P. Morgan to confirm Sanofi's interest in a transaction and requested a meeting in San Francisco between the parties while they were both in attendance at the 2018 J.P. Morgan Annual Healthcare Conference (the "**J.P. Morgan Conference**").

On 9 January 2018, representatives of J.P. Morgan met with Mr. de La Sabliere. Mr. de La Sabliere expressed Sanofi's satisfaction with the existing collaboration arrangement between Ablynx and Sanofi and reiterated Sanofi's interest in pursuing a strategic transaction with Ablynx.

On 9 January 2018, representatives of J.P. Morgan also met with Mr. Jérôme Contamine, Sanofi's Executive Vice President, Chief Financial Officer, as part of the J.P. Morgan Conference. Mr. Contamine also expressed Sanofi's interest in pursuing a strategic transaction with Ablynx.

On 10 January 2018, Dr. Moses met with Olivier Brandicourt, Sanofi's Chief Executive Officer and director and certain other members of Sanofi's senior executive team, including Elias Zerhouni, M.D., President, Global Research & Development, Muzammil Mansuri, Ph.D., Executive Vice President, Strategy and Business Development, Mr. Contamine, and Mr. de la Sabliere. At the meeting, Ablynx provided a management presentation to Sanofi and later with Ablynx's Chief Medical Officer, Dr. Robert Zeldin, conducted a session with subject matter experts for Sanofi's benefit exclusively utilizing publicly available information relating primarily to caplacizumab and ALX-0171.

Also at the meeting, Sanofi confirmed that it had engaged Morgan Stanley & Co. LLC ("**Morgan Stanley**") and Lazard Frères & Co. LLC ("**Lazard**") as its financial advisors.

On 11 January 2018, representatives of J.P. Morgan contacted representatives of Sanofi to invite Sanofi to make a proposal to acquire Ablynx in order for the parties to pursue a possible transaction and engage in further due diligence.

On 16 January 2018, representatives of Sanofi and Ablynx, with representatives of J.P. Morgan also present, held a telephonic meeting to discuss publicly available information regarding Ablynx's existing collaboration arrangements.

On 18 January 2018, the Committee met with representatives of J.P. Morgan to receive a general update regarding the strategic outreach process, including the status of discussions with Sanofi. The representatives of J.P. Morgan indicated that none of the other seven parties contacted on January 8 had responded with an interest in pursuing a transaction with Ablynx. The representatives of J.P. Morgan further reported that Sanofi had informed J.P. Morgan that it would be in a position to submit a proposal to acquire Ablynx following a meeting of Sanofi's board of directors to be held on 19 January 2018. On 19 January 2018, Sanofi's board of directors met to approve a written non-binding proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx at a price per Share in the range of EUR 43.00 to EUR 45.00 in cash, subject to confirmatory due diligence. Sanofi's board of directors authorized Sanofi's management to submit the proposal to Ablynx subject to Sanofi entering into an acceptable confidentiality agreement and exclusivity agreement with Ablynx. On 19 January 2018, Sanofi's CEO informed Ablynx's CEO that Sanofi had the intention to submit to Ablynx a written non-binding proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx.

Between 19 January and 21 January 2018 Ablynx and Sanofi negotiated a confidentiality agreement, which included customary non-disclosure provisions and a standstill provision in respect of Sanofi. Under the standstill provision, Sanofi is prohibited, amongst other things, to, or cause to, acquire any securities of Ablynx or make or announce any offer to acquire Ablynx or any similar transaction involving Ablynx for a period of twelve months from the date of the confidentiality agreement, unless if Sanofi announces its firm intention to launch a public takeover bid in respect of all outstanding voting securities and securities granting access to voting rights of Ablynx in accordance with Article 5 of the Belgian Royal Decree of 27 April 2007 on public takeovers that is recommended by the board of directors of Ablynx. The standstill also contains an exception that allows Sanofi to make proposals to Ablynx at any time following the public announcement by Ablynx of a third party other than Sanofi that such third party intends to launch a public takeover bid in respect of all outstanding voting securities and securities granting access to voting rights of Ablynx.

On 22 January 2018, Ablynx and Sanofi entered into the confidentiality agreement and also executed an exclusivity agreement pursuant to which Ablynx committed (i) not to solicit or actively seek competing offers (without prejudice to the Ablynx's board of directors' fiduciary duties) until 2 February 2018 and (ii) not to engage in any discussion with third parties from 3 February 2018 until 4 February 2018.

Thereafter, on the same day, Sanofi submitted to Ablynx a written non-binding proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx at a price per Share in the range of EUR 43.00 to EUR 45.00 in cash, subject to confirmatory due diligence (the "**22 January Offer**").

Ablynx's board of directors met later on 22 January 2018. Representatives of J.P. Morgan participated in the meeting. Ablynx's board of directors reviewed the status of Ablynx's strategic assessment process, including the 22 January Offer as compared the offer made by Novo on 22 December. Following extensive discussions, Ablynx's board of directors determined that the 22 January Offer was sufficient to support further discussions between Ablynx and Sanofi and the Ablynx's board of directors instructed Ablynx's management team to inform Sanofi that Ablynx was prepared to work with Sanofi to determine if an acceptable transaction could be negotiated by 4 February 2018 and to immediately proceed to due diligence with Sanofi.

On 24 January 2018 and 25 January 2018, members of Ablynx's management conducted a series of due diligence sessions and management presentations in Paris, France, with Dr. Brandicourt and other members of Sanofi's executive committee and management teams.

Over the course of the next few days, the parties continued their due diligence investigation. Ablynx's and Sanofi's legal advisors negotiated the terms of the Heads of Agreement in discussion with Sanofi management, Ablynx management and Ablynx's board of directors.

On 26 January 2018, Sanofi sent a letter to Ablynx confirming its proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx at a price of EUR 45.00 per Share in cash, and stating that, subject to reaching a final Heads of Agreement, a binding proposal could be submitted by 28 January 2018.

On 28 January 2018, Sanofi's board of directors met to approve the Heads of Agreement and the binding proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx at a price per Shares of EUR 45.00 in cash. Following the meeting, Sanofi submitted the binding proposal to Ablynx.

On 28 January 2018, after receipt of the revised Sanofi proposal, Ablynx's board of directors met telephonically together with members of management and representatives of its advisers, to discuss and review the draft Heads of Agreement and to consider the proposed transaction. Representatives of Ablynx's legal advisers reviewed the terms of the draft Heads of Agreement. Representatives of J.P. Morgan reviewed with Ablynx's board of directors the consideration proposed in the Bid. Following extensive discussion, Ablynx's board of directors unanimously adopted resolutions, which, among other things, approved and declared fair, advisable and in the best interests of Ablynx and the stockholders of Ablynx, the bid, the Heads of Agreement and the other transactions contemplated by the Heads of Agreement.

Following the meeting of Ablynx's board of directors, the parties finalized and executed the Heads of Agreement on 28 January 2018.

On 29 January 2018 at 8 a.m., Sanofi notified the FSMA in accordance with Article 5 of the Takeover RD of its intention to launch a conditional and voluntary takeover bid in cash under Belgian law (the "**Belgian Bid**") for all (i) shares (some of which are in the form of ADSs), (ii) warrants and (iii) convertible bonds issued by Ablynx, that are not already, directly or indirectly, held by Sanofi. On 29 January 2018, the FSMA in accordance with Article 7 of the Takeover Decree made public Sanofi's announcement.
Thereafter, on the same day, Ablynx and Sanofi issued a joint press release announcing the transaction prior to the opening of the European and U.S. stock markets.

Heads of agreement - Break fee

The Heads of Agreement provides that Ablynx will pay Sanofi a break-up fee by way of lump-sump compensation for any loss or damages that may be suffered by Sanofi in case Sanofi terminates the Heads of Agreement by reason of:

i. Ablynx's failure to comply with the prohibition for Ablynx to
   a. directly or indirectly solicit, actively seek or initiate any approaches from any party in relation to a possible direct or indirect (offer to) purchase or otherwise acquire (by whatever means) by any party other than Sanofi of 50% or more of the assets or 50% or more of the outstanding voting securities granting access to voting rights of Ablynx (a "**Competing Transaction**");
   b. engage in any discussions or negotiations with any party in relation to a Competing Transaction, except with respect to discussions or negotiations with a party that submits a proposal for a counter bid or a higher bid that is not a result of a violation of (a) and is made at a price per share that is at least 5% higher than the Offer Price (an "**Alternative Proposal**"); and
   c. provide any non-public information to any party in relation to a Competing Transaction, except to any party that submits an Alternative Proposal;
   it being understood that Ablynx reserves the right to allow a counterbid or higher bid to be made by an unsolicited third party to the extent required by law or fiduciary duty, that the foregoing is without prejudice to Article 40 of the Takeover RD and, for the avoidance of doubt, that Article 40 of the Takeover RD also applies in relation to an Alternative Proposal. In the case described here, the break payment shall amount to EUR 75 million.

ii. Ablynx withdrawing, qualifying or modifying in any manner adverse to Sanofi the response memorandum (*memorie van antwoord*) of Ablynx's board of directors, which, in accordance with the Heads of Agreement, shall contain a positive recommendation of the Bid by Ablynx's board of directors and shall qualify the Bid as being friendly. In this case, the break payment is equal to all costs incurred by Sanofi in relation to the negotiations and entering into of the confidentiality agreement dated 22 January 2018 between Ablynx and Sanofi, the Heads of Agreement, the preparation and the launching of the Bid and the termination of the Heads of Agreement, including any and all fees paid by Sanofi to financial, legal and other advisors.

6.2 OBJECTIVE AND INTENTIONS OF SANOFI

6.2.1 Strategy of Sanofi

In November 2015, Sanofi defined and announced its strategic roadmap for 2015-2020 based on four pillars:

i. reshape the portfolio by:
   - sustaining leadership in therapeutic areas where Sanofi is already well positioned, i.e. Diabetes, Cardiovascular, Vaccines, Rare Diseases, and Emerging Markets;
   - building competitive positions where there is strong growth potential: Multiple Sclerosis, Oncology, Immunology, and Consumer Healthcare;
   - exploring strategic options in business segments currently not considered as core activities by Sanofi, such as Animal Health and Generics in Europe.
ii. continue delivering outstanding launches of new medicines and vaccines;

iii. sustain innovation in Research & Development by strengthening Sanofi's Research & Development pipeline, increasing the amount of high quality projects in the early stage pipeline and replenishing the late development pipeline as products launch. Research & Development investments will follow the aforementioned business priorities of sustaining leadership and building competitive positions;

iv. simplify the organization to enable Sanofi to be more closely aligned with its strategy and enabling a more effective execution across Research & Development and Commercial, from global to country level.

Since this strategy was announced, Sanofi has delivered on many areas:

- implemented 5 global business units (GBUs) in order to simplify and focus the organization;
- renewed R&D approach leading to higher R&D productivity and efficiency;
- achieved 5 major products launches: Toujeo, Praluent, Soliqua 100/33, Kevzara, and Dupixent;
- completed asset swap of Merial (animal health business) with Boehringer Ingelheim’s consumer healthcare (CHC) business;
- in the process of divesting Europe generics activities;
- acquired Protein Sciences;
- announced acquisition of Bioverativ, sustaining leadership in rare diseases.

6.2.2 Reasons for making the Bid

Ablynx Nanobody platform provides a strong strategic fit with Sanofi's R&D model and priorities, notably focused on technology platforms addressing multiple disease targets with single complex molecules. Through its global footprint and R&D scale, Sanofi should be able to accelerate the development and maximize the commercial potential of Ablynx’s ongoing programs, and to further leverage the platform with the introduction of new programs. Thus, the acquisition of Ablynx is expected to significantly broaden Sanofi's Specialty Care portfolio and its long-term R&D capabilities

In this respect, Sanofi has already entered into a collaboration with Ablynx in July 2017 to discover and develop certain multi-specific nanobodies against selected targets, allowing Sanofi to expand its drug discovery pipeline in immunology and aiming to transform the treatment landscape for patients living with autoimmune disease and inflammatory conditions (see Section 5.8.1.8 (Significant collaborations)).

The Ablynx's nanobody platform is a clear catalyst for Sanofi's objective to build competitive positions in Immunology, Oncology, and Inflammation therapeutic areas:

- Ablynx's platform is of great interest to Sanofi immunology and inflammation therapeutic area. The ongoing collaboration with Ablynx has already 5 active multi-specific target programs and plans to start another 3 programs within the next twelve months;
- Ablynx's platform is of great interest to Sanofi for the development of biologics in general and multi-specific biologics in particular;
- the platform’s ability to generate superior drug candidates is a unique opportunity to provide Sanofi with an important strategic and competitive advantage in drug discovery.

The acquisition of Ablynx will enhance the Sanofi Group's strategy by contributing to sustain leadership in rare diseases thanks to Caplacizumab, a first in class wholly owned development program for the treatment of aTTP (acquired Thrombotic Thrombocytopenic Purpura, a life-threatening autoimmune blood clotting disorder with currently no approved therapeutic drug). Building upon Bioverativ pending acquisition, Caplacizumab will enable Sanofi to strengthen and further expand its rare blood disorder franchise.

Through its partnership with MedImmune, Sanofi Pasteur is developing a monoclonal antibody for the prevention of RSV associated illness in newborns and infants. In addition, Sanofi has been collaborating with the National Institute of Allergy and Infectious Diseases (NIAID) at the NIH to further advance attenuated RSV candidate vaccines for the prevention of RSV disease in infants and young children. The combination of Sanofi and Ablynx expertise of this area through the development of ALX-0171 could contribute to make great progress in the prevention and treatment of this disease.

Thanks to its Nanobody platform and the quality of products currently in development, Ablynx constitutes a unique opportunity for Sanofi to accelerate its portfolio reshaping, sustain R&D innovation, and therefore enhance growth at Sanofi Group level.

6.3 SANOFI'S INTENTIONS WITH RESPECT TO ABLYNX

6.3.1 Ablynx's position within the Sanofi Group following the Bid and possible reorganisations

It is Sanofi's intention to maintain Ablynx as a separate legal entity for a duration of at least 24 months after the closing of the Bid, containing the existing functionality and located in its current premises, it being understood that if relevant capabilities are no longer available at Ablynx for any reason, Sanofi and Ablynx will take into account local business needs and plan accordingly.

Following the completion of the Bid, Sanofi intends to maintain Ablynx's R&D structure in Ghent and, in order to minimize any disruption to the organization, Sanofi will ensure a smooth integration process and work to maximize the success of the ongoing development programs.

Sanofi will work with Ablynx's organization to leverage Sanofi's commercial infrastructure to the maximum extent possible.

Sanofi's business operates in global functions and business unit structure. No organisational changes at Ablynx are expected in 2018. Starting in 2019, Sanofi will consider the gradual integration of Ablynx into its wider organisation.

After completion of the Bid, Sanofi shall carefully review the details of each significant collaboration agreement entered into by Ablynx[3]. The collaboration partners of Ablynx might continue the existing collaborations, they might choose to transfer the technology and continue work on collaboration targets internally, or they might choose to terminate the collaboration with Ablynx. Sanofi has multiple existing collaborations and has also its own existing internal research programs. Sanofi is used to managing multiple collaborations.

[3] For an overview of Ablynx's significant collaboration agreements, see Section 5.8.1.8

6.3.2 Impact of a successful Bid on the corporate governance and employment of Ablynx

6.3.2.1 General

Sanofi attaches great importance to the skills and experience of the management team and employees of Ablynx and their ongoing role in the continued success of Ablynx. Sanofi believes that Ablynx's employees and management team will benefit from the increased number of opportunities that a combination with Sanofi would bring. Based on Sanofi's work to date and meetings with Ablynx's employees, Sanofi has been very impressed with the capabilities of Ablynx's personnel and it is Sanofi's hope and expectation that the vast majority of them will transition into Sanofi to the long-term benefit of all parties.

Detailed discussions between Sanofi and Ablynx's senior management team about the senior team members' specific roles in the enlarged group and the terms of their employment have yet to take place. It is envisaged that such discussions will take place after the Bid has been completed.

Sanofi places a high value on the future continuity of the remuneration packages for Ablynx's employees. Sanofi confirms that, following implementation of the Bid, the existing contractual and statutory employment rights, including in relation to pension rights, but excluding any current Ablynx equity compensation (see below) of the current employees and management of Ablynx will be honoured.

In particular:

- Sanofi commits that for 24 months after the closing of the Bid, each employee will receive annual gross pay and annual cash incentive targets that are no less favourable than in effect prior to the closing of the Bid. In addition, Sanofi commits to ensure that during this period, employee benefits (other than any current Ablynx equity compensation, see below) are substantially comparable in the aggregate to those benefits provided prior to the closing of the Bid.

- Sanofi will honor the payout of the annual cash incentives for 2017. In addition, Sanofi will honor the Ablynx's 2018 annual cash incentive program.

- Sanofi recognizes that the talents and expertise of Ablynx's management team and employees will be critical to its success in integrating Ablynx. As a result, following implementation of the Bid, Sanofi intends to put in place during the course of 2018 an appropriate long-term incentive program.

- Sanofi understands there are cases of employees located outside Belgium. Sanofi will review their situations on a case by case basis during the gradual post-close integration period.

6.3.2.2 Retention plan

In 2018, subject to completion of the Bid, Sanofi shall grant performance shares to employees and members of the executive committee of Ablynx who are eligible to be offered warrants, in lieu of the unallocated Warrants 2018 (1A) and Warrants 2018 (1B).

Such Sanofi performance shares will be granted in accordance with current practice of Sanofi with respect to its long term employee incentive plans based upon the proposal made by Ablynx's board of directors. The final approval of the individual grant proposals is conditional upon approval by the Sanofi board of directors. The main conditions of the long term incentive plan for Ablynx's staff post-closing of the Bid are as follows:

- Beneficiaries: qualifying current employees, consultants and management of Ablynx, being employees, consultants or management of Sanofi or its affiliates (including Ablynx) at the date of grant.

  If the board of directors of Sanofi does not have the possibility to grant Sanofi performance shares to members of the executive committee of Ablynx in 2018 due to their consultant/self-employed status, Sanofi will grant, on an exceptional basis, an equivalent long term cash incentive to such members of the executive committee of Ablynx. For this cash grant, the same eligibility and performance criteria will apply as for the grant of Sanofi performance shares.

  Each member of the executive committee of Ablynx would then convert to regular employee status from 2019 onwards in order to be eligible for Sanofi performance shares going forward, starting with the 2019 grant of Sanofi performance shares.

- Type of shares awarded: the performance shares will give the right to new shares to be issued by Sanofi. However, Sanofi reserves the right to deliver existing shares to some or all of the beneficiaries.

- Total number of performance shares awarded: 345,855 performance shares, in lieu of 667,500 unallocated warrants issued by Ablynx.

- Condition of continued employment: unless otherwise decided by Sanofi in specific cases, the vesting of the shares is reserved to those beneficiaries who have been continuously employed by Sanofi or its affiliates (including Ablynx) during the full vesting period, until the vesting date.

  Unless otherwise decided by Sanofi's general management in specific cases, any beneficiary ceasing to be an employee of Sanofi or its affiliates (including Ablynx) and before the expiry of the vesting period may lose all or part of their performance shares, depending on the exact circumstances of the departure of the beneficiary.

- Vesting period: three years from the grant date.

- Performance condition: Final vesting of the performance shares is subject to the attainment of a defined level of Return on Assets ("**ROA**") of Sanofi as calculated over a three year period.

In 2019, Ablynx's employees will be treated as eligible under the common long term incentive plan applicable to other employees of Sanofi and its affiliates.

In addition, Sanofi agrees to compensate the relevant, qualifying employees and senior managers of Ablynx for any adverse tax impact resulting from the accelerated exercise of Warrants because of the Bid up to a total gross amount of EUR 2 million. This payment will be made to each relevant, qualifying employee or senior manager of Ablynx at the time of payment of such tax, provided that they are employees or senior managers of the Sanofi group.

6.3.3 Dividend policy

Ablynx has never declared or paid any dividend on its Shares and Sanofi does not expect that Ablynx shall pay any dividend on the Shares for the foreseeable future.

6.3.4 Intentions of Sanofi with respect to Ablynx's articles of association

At this time, Sanofi does not intend to amend Ablynx's articles of associations, unless Ablynx is no longer a listed company. In case of such delisting, Sanofi may consider to amend the provisions of the articles of association of Ablynx including those that would appear to be no longer relevant.

6.3.5 Future delisting of Ablynx's Shares, Convertible Bonds and ADSs

When conducting the Bid, Sanofi reserves the right to request the delisting of (i) the Shares from admission to trading on the regulated market of Euronext Brussels, (ii) the Convertible Bonds from admission to trading on the open market of the Frankfurt MTF (*Freiverkehr*), and (iii) the ADSs from admission to trading on the NASDAQ Global Select Market, in accordance with the applicable legislation (see Sections 7.6.4 (*Squeeze Out*) and 7.6.6 (*Application for a delisting*)). In the event of delisting of the Shares, the Convertible Bonds and the ADSs, the remaining Security Holders shall hold illiquid financial instruments.

The privatization of Ablynx would result in fundamental changes to its articles of association and governance conditions.

The FSMA may oppose the delisting of the Shares in the interest of the protection of investors. The FSMA has indicated in the past that it shall not oppose to a delisting if it is preceded by a successful accompanying measure for the benefit of the minority shareholders. Conversely, it shall oppose to a delisting if no such successful accompanying measures have been taken[4].

6.4 ADVANTAGES FOR ABLYNX AND ITS SECURITY HOLDERS

The transaction being structured as a full cash offer, the main and immediate advantage of the Bid for Ablynx's Security Holders is the Bid Price and the premium implied by such price. The Bid also constitutes an opportunity for the Security Holders to obtain immediate and certain liquidity.

In the long term, a stable majority shareholder such as Sanofi will allow Ablynx to develop its activities with the added advantage of Sanofi's know-how and the operational synergies of a multinational group.

6.5 ADVANTAGES FOR SANOFI AND ITS SHAREHOLDERS

Including R&D expenses, the acquisition is expected to be neutral to Business EPS[5] in 2018 and 2019. The addition of Ablynx is anticipated to drive meaningful long-term value for Sanofi’s shareholders by enhancing its pipeline and research capabilities.

Apart from the above, Sanofi has not as of the date of the Prospectus envisaged more precisely the possible synergies with Ablynx and estimated economic returns and timing thereof, since the Bid is not inspired by the level of potential synergies that could be achieved.

[4] See CBFA Annual Report 2006, p. 68 and p. 69.

[5] Business EPS is a non-GAAP financial measure (see appendix to Sanofi press release on quarterly results for a definition).

While Sanofi does expect to realize certain cost synergies, it is not separately quantifying the cost synergies that could be realised should the Bid be successful, since these are not material to the value Sanofi expects to realise.

The objective is for Sanofi to bring its global footprint, R&D and manufacturing scale, in order to help accelerate the development and to maximize the commercial potential of Ablynx's ongoing programs and to advance its early-stage pipeline and leverage its Nanobody technology platform.

7. THE BID

7.1 CHARACTERISTICS OF THE BID

7.1.1 Nature of the Bid

The Bid is a voluntary and conditional takeover bid made by Sanofi in accordance with the Takeover Act and Chapter II of the Takeover RD. The Bid will be paid in cash.

7.1.2 Scope of the Bid

The Bid consists of a cash consideration and relates to all (i) Shares, of which 9,926,407 are in the form of ADSs, (ii) 2,747,725 Warrants and (iii) 983 outstanding Convertible Bonds, which are not already, directly or indirectly, held by Sanofi.

On the contrary, the Bid does not cover the ADSs, which are listed on NASDAQ Global Select Market under the symbol ABLX. The ADSs are subject to the U.S. Bid.

Ablynx has not issued any securities with voting rights or giving access to voting rights, other than the here above mentioned Shares, Warrants and Convertible Bonds.

7.1.2.1 Shares

The Bid covers all Shares, of which 9,926,407 are in the form of ADSs, representing the entire share capital of Ablynx, and which are not already, directly or indirectly, held by Sanofi.

The Shares are freely transferable.

The acceptance procedure for the Shares is described in Section 7.8.1.1 (*Acceptance procedure for the Shares*).

7.1.2.2 Warrants

The Bid covers all Warrants, which are not already, directly or indirectly, held by Sanofi, i.e. 2,747,725 Warrants, giving right to subscribe to a maximum of 2,747,725 new ordinary shares.

To the best of the knowledge of Sanofi, the Warrants are not freely transferable, except in the event of death of the Warrant Holder to the extent vested. Although the Warrants fall within the scope of the Bid, the non-transferability provisions contained in the issue conditions of the Warrants remain in effect. As a result, such Warrants cannot be tendered to the Bid.

However, if Sanofi launches a Squeeze Out, the non-tranferability provisions applicable to the Warrants will be overruled by operation of law, and Sanofi shall acquire compulsorily all Warrants not yet exercised.

The Warrant Holders (except for the Warrants 2008) have the right to accelerate the exercise of their Warrants when a public takeover bid on Ablynx is issued, irrespective of the fact whether their Warrants were already vested. The Warrants 2008 did not provide for an accelerated exercise of the Warrants in case of a public takeover bid. On 21 February 2018, the board of directors of Ablynx decided, in accordance with Article 5.3.5 of the Warrant 2008 plan, to grant an additional exercise period, in order to allow the holders of Warrants 2008 to exercise their Warrants following the launch of the Bid. The additional exercise period for the holders of Warrants 2008 starts from the end of the closed period in relation to Ablynx's 2017 annual results as set out in the Dealing Code of Ablynx and ends on the last day of the last Acceptance Period (it being understood that this additional exercise period can never extend beyond the end date of the last ordinary exercise period as described in Article 5.3.5 of the Warrant 2008 plan).

As a result, the Warrant Holders who wish to accept the Bid may exercise their Warrants during the Acceptance Period and subsequently tender the Shares subscribed as a result of such exercise into the Bid. The Warrant Holders shall each be informed personally on behalf of Ablynx of the formalities to be complied with in order to exercise their Warrants. Warrant Holders who choose to unconditionally exercise their Warrants can subsequently tender the underlying Shares into the Bid during the Initial Acceptance Period by delivering the Exercise and Acceptance Form 1(b), or during any subsequent reopening period, as the case may be, by delivering the Acceptance Form 1(a), in accordance with the procedure set out in Article 7.8.1. Following unconditional conversion of their Warrants, Warrant Holders will be entitled to the Share Bid Price.

However, in order that Warrant Holders are not forced to exercise their Warrants not knowing whether or not the conditions precedent of the Bid have been or will be fulfilled (or waived), the Warrant Holders are offered the option to conditionally exercise their Warrants, the condition being a successful closing of the Initial Acceptance Period of the Bid. In such case, the exercise price for the Warrants shall be paid by Sanofi, who shall advance the exercise price of the exercised Warrants. Sanofi shall only advance the exercise price of the exercised Warrants to the extent that the Warrant Holder tenders the underlying Shares into the Bid. Warrants may be conditionally exercised by completing Exercise and Acceptance Form 1(b). Following conditional exercise, the Warrant Holders shall tender the Shares, to be acquired as a result of such conditional exercise, to the Bid by completing the same Exercise and Acceptance Form 1(b). All Exercise and Acceptance Forms 1(b) shall be collected (i) by Ablynx, for all current employees of Ablynx or (ii) KBC Bank NV/SA, acting on behalf of Ablynx (and not in its capacity of Receiving & Paying Agent), in all other cases. Following conversion of their Warrants and subsequent tender of the underlying Shares in the Bid, Warrant Holders will be entitled to the Share Bid Price (set off against the exercise price for the Warrants paid by Sanofi on behalf and for the account of a Warrant Holder). Warrant Holders that have conditionally exercised their Warrants may still retract their conditional exercise during the Initial Acceptance Period, in accordance with the provisions set out in Section 7.8.2 (*Withdrawal of acceptance*).

If Sanofi launches a Squeeze Out after the Acceptance Period, the non-transferability provisions applicable to the Warrants will be overruled by operation of law, and Sanofi shall acquire compulsorily all Warrants not yet exercised. Then, Warrant Holders will be entitled to the relevant Warrant Bid Price.

The acceptance and exercise procedure for the Warrants is described in Section 7.8.1.2 (*Acceptance procedure for the Warrants*).

7.1.2.3 Convertible Bonds

The Bid covers all 983 outstanding Convertible Bonds, which are not already, directly or indirectly, held by Sanofi.

The Convertible Bonds are dematerialized and freely transferable.

The formalities with respect to the Convertible Bonds are further described in Section 7.8.1.3 of the Prospectus.

The acceptance procedure for the Convertible Bonds is described in Section 7.8.1.3 (*Acceptance procedure for the Convertible Bonds*).

7.1.3 Bid Price

7.1.3.1 General

The total consideration for the Shares, Warrants and Convertible Bonds under the Bid on a fully diluted basis[6] amounts to a maximum of EUR 3.9 Bn in cash. This amount is determined based upon the number of Shares, Warrants and Convertible Bonds at the date of this Prospectus and may need to be revisited should the number of the Securities change pending the Bid, if and to the extent allowed under Article 16 of the Takeover RD. The Bid Price shall not be revisited following the exercise of Warrants or the conversion of Convertible Bonds.

7.1.3.2 Share Bid Price

The price offered for each Share tendered to the Bid, including the Shares underlying the Warrants and the Convertible Bonds that are exercised and that are tendered in the Bid, amounts to EUR 45 (the "**Share Bid Price**").

If Ablynx declares or pays a distribution (in capital or a dividend) on its Shares, prior to the acquisition of Ablynx's Shares by Sanofi, the price to be paid for a Share pursuant to the Bid shall be reduced by one EUR per each EUR of the distribution per Share of Ablynx paid to the shareholders or to which they are entitled by detaching the coupon or otherwise prior to the sale of Ablynx's Shares to Sanofi.

For the Shares tendered to the Bid upon the conditional exercise of the Warrants, the Bid Price per Share shall be set off against the exercise price for the Warrants paid by Sanofi on behalf and for the account of a Warrant Holder.

For the Shares tendered to the Bid upon the unconditional exercise of the Warrants, the Bid Price per Share shall not be set off against the exercise price for the Warrants because, in the event of an unconditional exercise of the Warrants, the exercise price of such Warrants will not be paid by Sanofi on behalf and for the account of a Warrant Holder, but must be paid by respectively the Warrant Holder.

A justification of the Share Bid Price is provided in Section 7.1.4.1 (*Justification of the Share Bid Price*).

[6] Meaning under the assumption that all Securities giving right to acquire ordinary shares in Ablynx have been exercised.

7.1.3.3 The Warrant Bid Price

In the event of a Squeeze Out, the Warrant Bid Price shall amount to:

Warrant	Ablynx's Internal Note	Issue Date	Number of Warrants	Exercise Price per Warrant (€)	Warrant Bid Price (€)
Warrants 2008	Issue 9	22-Aug-08	70,417	4.88	40.12
Warrants 2012	Issue 17	01-Feb-12	76,049	3.21	41.79
Warrants 2013 (1)	Issue 20 Excom	29-Jan-13	100,000	6.44	38.56
Warrants 2013 (2)	Issue 20	29-Jan-13	65,853	6.43	38.57
Warrants 2013 (3A)	Issue 21 Excom	05-Aug-13	5,028	6.96	38.04
Warrants 2013 (3B)	Issue 21 Excom	05-Aug-13	4,781	7.32	37.68
Warrants 2014 (1)	Issue 23 Excom	24-Apr-14	101,168	9.09	35.91
Warrants 2014 (2A)	Issue 23	24-Apr-14	53,084	8.85	36.15
Warrants 2014 (2B)	Issue 23	24-Apr-14	4,252	8.84	36.16
Warrants 2014 (2C)	Issue 23	24-Apr-14	3,500	8.25	36.75
Warrants 2015 (1A)	Issue 24	16-Mar-15	20,000	10.13	34.87
Warrants 2015 (1B)	Issue 24	16-Mar-15	118,742	9.50	35.50
Warrants 2015 (2)	Issue 24 Excom	16-Mar-15	285,995	10.22	34.78
Warrants 2015 (3)	Issue 25 Excom	14-Sep-15	150,000	12.10	32.90
Warrants 2015 (4A)	Issue 25	14-Sep-15	38,000	12.29	32.71
Warrants 2015 (4B)	Issue 25	14-Sep-15	27,500	11.67	33.33
Warrants 2016 (1)	Issue 26 Excom	24-Feb-16	198,552	12.02	32.98
Warrants 2016 (2A)	Issue 26	24-Feb-16	162,059	12.02	32.98
Warrants 2016 (2B)	Issue 26	24-Feb-16	1,500	13.31	31.69
Warrants 2016 (2C)	Issue 26	24-Feb-16	12,500	13.99	31.01
Warrants 2017 (1)	Issue 28 additional offer	22-Feb-17	33,244	12.33	32.67
Warrants 2017 (2)	Issue 28 Excom	22-Feb-17	283,440	12.33	32.67
Warrants 2017 (3)	Issue 28	22-Feb-17	183,061	12.33	32.67
Warrants 2017 (4A)	Issue 29	20-Sep-17	89,000	12.26	32.74
Warrants 2017 (4B)	Issue 29	20-Sep-17	42,500	12.96	32.04
Warrants 2017 (4C)	Issue 29	20-Sep-17	150,000	13.32	31.68
Warrants 2017 (4D)	Issue 29	20-Sep-17	10,000	17.84	27.16
Warrants 2017 (4E)	Issue 29	20-Sep-17	37,500	19.78	25.22
Warrants 2017 (5)	Issue 29 Excom	20-Sep-17	150,000	14.53	30.47
Warrants 2017 (6)	Issue 29 Excom	20-Sep-17	150,000	23.36	21.64
Warrants 2018 (1A)	Recruitment Warrants	17-Jan-18	20,000	26.34	18.66

Warrants 2018 (1B)	Recruitment Warrants (bis)	17-Jan-18	100,000	25.64	19.36

A justification of the Warrant Bid Price is provided in Section 7.1.4.2 (*Justification of the Warrant Bid Price*).

7.1.3.4 The Convertible Bond Bid Price

The price offered for each Convertible Bond tendered to the Bid amounts to EUR 393,700.78 (the "**Convertible Bond Bid Price**").

For the avoidance of any doubt, the Convertible Bond Holders that (i) exercised their right to require redemption of their Convertible Bonds or (ii) exercised their right to convert their Convertible Bonds into Shares, are not entitled to the Convertible Bond Bid Price. The Convertible Bond Holders who tendered the Shares subscribed as a result of the conversion of their Convertible Bonds into the Bid, are entitled to the Share Bid Price.

A justification of the Convertible Bond Bid Price is provided in Section 7.1.4.3 (*Justification of the Convertible Bond Bid Price*).

7.1.3.5 Higher price

In accordance with Article 45 of the Takeover RD, in the event of the acquisition of Securities to which the Bid relates by Sanofi, or persons acting in concert with it, within a period of one year from the end of the bid period, at terms that are more favourable for the transferors than those of the Bid, the difference shall be paid to all Security Holders that accepted the Bid.

7.1.4 Justification of the Bid Price

7.1.4.1 Justification of the Share Bid Price

Sanofi offers a Share Bid Price of EUR 45 for each Share.
The total Share Bid Price for all Shares that are subject to the Bid amounts to EUR 3,378,324,870. This total Share Bid Price only encompasses the number of outstanding Shares at the date of the Prospectus, and does not encompass any future shares following the possible exercise of any Warrants and/or the possible conversion of any Convertible Bonds.

I. Reference framework for valuation of the Shares

The basic number of Ablynx Shares used for the calculation amounts to 75,065,990, as of 26 January 2018.

The Share Bid Price has been based on the following financial analyses:

a) Methods that provide context to the Bid Price:

i. Analysis of the historical share price performance;
ii. Analysis of the broker target prices; and
iii. Analysis of the premium observed in selected biopharmaceutical public takeover transactions.

b) Intrinsic Valuation Method:

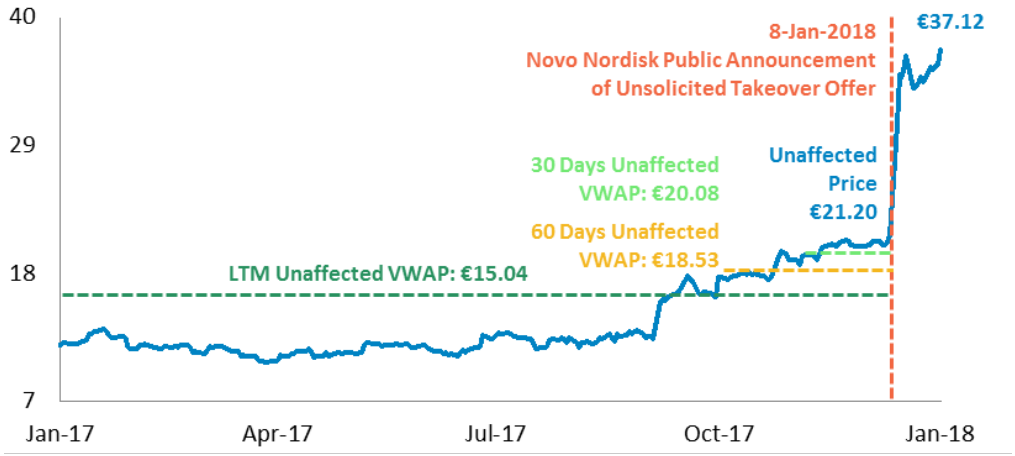
iv. Analysis of discounted cash flows ("**DCF**").

i) Historical share price performance

This method consists in comparing the Share Bid Price with historical observable share prices of Ablynx.

The Shares are primary listed on Euronext Brussels (primary market), while the ADSs are listed on NASDAQ (Global Select Market).

As illustrated by the following chart, Ablynx's share price as of 26 January 2018 should not be considered a neutral reference point to assess the Share Bid Price, as the stock price has been affected following Novo Nordisk making public its unsolicited takeover offer bid on 8 January 2018.



Source: S&P Capital IQ as of 26 January 2018

Consequently, the Share Bid Price includes the following premia:

- 112.3% compared to the closing price on 5 January 2018, the last closing price prior to Novo Nordisk making public its unsolicited takeover bid on 8 January 2018;
- 124.1% compared to the volume weighted average share price over the 30 days prior to Novo Nordisk making public its unsolicited offer on 8 January 2018;
- 142.9% compared to the volume weighted average share price over the 60 days prior to Novo Nordisk making public its unsolicited offer on 8 January 2018; and
- 199.1% compared to the volume weighted average share price over the last twelve months prior to Novo Nordisk making public its unsolicited offer on 8 January 2018.

Note: calculations are based on the daily closing share price; the weighted average share price reflects the volume-weighted average share price based on the daily closing share price and the traded volume.

ii) Broker consensus target prices

Sanofi reviewed the target prices issued by the research analysts covering Ablynx.

10 research analysts cover the Target:

- Baird: EUR 27.99, on 12-Dec-2017;
- Bank of America Merrill Lynch: EUR 24.73, on 12-Dec-2017;
- Bryan Garnier: EUR 30.00, on 12-Dec-2017;
- Degroof Petercam: EUR 17.50, on 16-Nov-2017;
- HSBC: EUR 14.60, on 6-Oct-2017;
- Jefferies: EUR 29.00, on 12-Dec-2017;
- J.P. Morgan Cazenove: EUR 26.00, on 29-Dec-2017;
- KBC Securities: EUR 19.50, on 21-Dec-2017;
- Kempen & Co: EUR 18.00, on 21-Dec-2017; and
- Ladenburg Thalmann: EUR 25.55, on 21-Nov-2017.

The target prices issued by the research analysts ranged from EUR 14.60 to EUR 30.00 (with a median of EUR 25.14) prior to Novo Nordisk's public announcement of its unsolicited offer (as of 5 January 2018).

Note: target prices on ADRs converted at Spot FX rate.

The Share Bid Price represents a premium of 79.0% to the median of the consensus broker target prices prior to Novo Nordisk announcement on 8 January 2018.

iii) Premium observed in relevant selected Biopharmaceutical public takeover transactions

Sanofi also reviewed the takeover premia paid for the takeover of relevant Biopharmaceutical companies where the lead product was in pre-marketing phase and the enterprise value was between $1Bn and $10 Bn. Selected relevant transactions are: Juno / Celgene, Ignyta / Roche, Celator / Jazz Pharma, Anacor / Pfizer, ZS Pharma / AstraZeneca, Dyax / Shire, Receptos / Celgene, Synageva / Alexion, Auspex / Teva, Idenix / Merck & Co and Inhibitex / Bristol Myers.

Biopharma Public Precedent M&A Transactions				
Date Announced	Target	Acquiror	Enterprise Value ($Bn)	Premium to Unaffected (%)
01/22/18	Juno	Celgene	10	90.8%
12/22/17	Ignyta	Roche	2	73.6%
05/31/16	Celator	Jazz Pharma	2	72.6%
05/16/16	Anacor	Pfizer	5	55.0%
11/06/15	ZS Pharma	AstraZeneca	3	42.2%
11/02/15	Dyax	Shire	7	35.5%
07/14/15	Receptos	Celgene	7	40.7%
05/06/15	Synageva	Alexion	8	135.7%
03/30/15	Auspex	Teva	3	42.4%
06/09/14	Idenix	Merck & Co.	4	238.9%
01/07/12	Inhibitex	Bristol Myers	2	163.4%
Average				**90.1%**
Median				**72.6%**

The average bid premia offered in selected Biopharmaceutical public takeover transactions with a value between $1 Bn and $10 Bn, represents a 90.1% premium over the unaffected share price observed in these transactions.

iv) Discounted cash flow analysis ("DCF")

A Discounted Free Cash Flows analysis aims at determining the enterprise value of a company by discounting its future free cash flows at the weighted average cost of capital. The equity value and subsequent value per share are obtained by deducting from the enterprise value the company's net financial debt/cash and debt like items, and by dividing these values by the diluted number of shares outstanding, respectively.

Sanofi used this methodology as part of its multi-criteria approach based on customary valuation methods. The estimated future cash flows were based on a consensus of research notes published between 12 December 2017 and 26 January 2018, Sanofi's own assumptions based on its internal scientific knowledge, and interactions with Ablynx's management.

It should be noted that given the nature of Ablynx's business there is a high degree of variability in a number of assumptions, including but not limited to probability of success of approval and launch of products, launch year, peak sales year, pricing and gross-to-net adjustments. Consequently, the DCF only reflects the value attributable to the most advanced product candidate caplacizumab.
In determining the future free cash flows, the following key parameters were taken into considerations:

- An assessment of the probability of success for caplacizumab based on Broker's estimates

- An assessment of the revenue growth profile over the forecast period
    - The consensus of Broker's estimate for 2018 revenue is approximately €65 MM, and approximately EUR 415 MM for 2022
    - Sanofi's assumptions, building on Broker's estimates, resulted in 2018-2040 CAGRs ranging from 6.3% to 11.2%, with
        - CAGR of 59.4% from 2018 to 2022, based on the data from the brokers consensus
        - CAGRs ranging from 4.6% to 8.6% from 2023 to 2030, based on Sanofi's assumptions, and
        - CAGRs ranging from -9.7% to -6.0% for the last period ending December 2040, reflecting the loss of exclusivity (LoE) which Sanofi expects to occur between 2031 and 2035

- An assessment of the cost of research, development, manufacturing and commercialization
    - The consensus of Broker's estimate for 2022 operating margin is 46%
    - Sanofi's extrapolation beyond 2022 resulted into a gradual increase in operating margin within a range of 50.0% to 57.5% over the forecast period until loss of exclusivity

- An assessment of working capital and capital expenditures
    - Due to the nature of Ablynx's business, variations in Net Working Capital and Capital Expenditures are expected to be limited. The consensus of Broker's estimate for Capital Expenditures averaged 3.4% of Sales in 2021, and change in Net Working Capital was marginal
    - Sanofi's extrapolation beyond 2021 is in-line with those estimates, with change in net working capital remaining marginal as percentage of sales, and capex reaching a long-term level of 3% of Sales.

The terminal value was calculated by applying the Gordon and Shapiro method to a normative free cash flow assuming a range of long-term perpetual growth rate ranging from -2% to -8%, aimed at reflecting the loss of exclusivity following the patent expiry of caplacizumab.

The DCF was run on the base case of the above-mentionned assumption ranges, and the free cash flows were discounted at a Weighted Average Cost of Capital ranging between 7% and 9%, which is consistent with the discount rate retained by research analysts in their discounted cash flow valuation of Ablynx.

The DCF analysis only reflects the value attributable to the most advanced product candidate caplacizumab. Based on the assumptions from Sanofi's central case for Ablynx on a forecasted period from 2018 to 2040, the results of the DCF valuation correspond to a share price value between EUR 37 and EUR 49 per share, depending on the weighted average cost of capital and perpetual growth rate used.

Valuation is performed as of 30 June 2018.

		Discount Rate				
		7.00%	7.50%	8.00%	8.50%	9.00%
Perpetual Growth Rate	(8.00%)	45.9	43.5	41.3	39.2	37.3
	(7.00%)	46.2	43.8	41.5	39.4	37.4
	(6.00%)	46.6	44.0	41.7	39.6	37.6
	(5.00%)	47.0	44.4	42.0	39.8	37.8
	(4.00%)	47.5	44.8	42.4	40.1	38.1
	(3.00%)	48.0	45.3	42.7	40.4	38.3
	(2.00%)	48.7	45.8	43.2	40.8	38.7

II. Summary of the most relevant valuation methods, and methods that provide context to the Bid

Historical share prices: the price offered represents premia, all considered prior to Novo Nordisk making public its unsolicited offer on 8 January 2018, of:

- 199.1% over the VWAP for the last twelve months;
- 142.9% over the VWAP of the last 60 days
- 124.1% over the VWAP of the last 30 days;
- 112.3% to the share price the day prior to the announcement of Novo Nordisk's intentions to acquire Ablynx, on 5 January 2018.

The Price offered also represents a premium of 21.2% over the closing share price as at 26 January 2018 (i.e. the trading day before Sanofi's announcement of the Bid on 29 January 2018).

Broker Consensus Target Price: The price offered implies a premium of 79.0% to the median of the consensus broker target prices as at January 5th 2018, prior to the announcement of Novo Nordisk's intentions to acquire Ablynx.

Premium observed in relevant selected Biopharmaceutical public takeover transactions: The average bid premia offered in selected Biopharmaceutical public takeover transactions with a value between $1 Bn and $10 Bn, represents a 90.1% premium over the unaffected share price observed in these transactions.
DCF analysis: The DCF analysis only reflects the value attributable to the most advanced product candidate caplacizumab. Based on the assumptions from Sanofi's central case for Ablynx on a forecasted period from 2018 to 2040, the results of the DCF valuation correspond to a share price value between EUR 37 and EUR 49 per share, depending on the weighted average cost of capital and perpetual growth rate used.

7.1.4.2 Justification of the Warrant Bid Price

Sanofi has valued the Warrants on the basis of their intrinsic value at the Bid Price. The Warrant Bid Price is different for each category of Warrants.

Given the non-transferability provisions applicable to the Warrants, the intrinsic value provides the full benefit of the Bid to Warrant Holders. Although the Bid has been formally made on all Warrants, the non-transferability provisions contained in the issue conditions of the Warrants remain in effect. As a result, such Warrants cannot be tendered to the Bid. Warrant Holders are however given the possibility to exercise their Warrants under the condition precedent of a successful closing of the Initial Acceptance Period and tender the Shares (in exchange for the Share Bid Price) acquired as a result of such conditional exercise before the end of the Acceptance Period.

In the event the Bid is successful but there is no Squeeze Out, it could be argued that the Warrants should be valued with a Black & Scholes formula.

However, the table below shows that the "theoretical" time value is small compared to the intrinsic value (it represents 6% of the intrinsic value, on average). In addition, this time value would be offset by the lack of liquidity of the ordinary Shares that would result from the exercise of the Warrants. Lastly, the non-transferability provisions would remain in effect, and the Warrant holders would not be in a position to tender their Warrants to the Bid. They would, however, be entitled to exercise their Warrants and tender the Shares (in exchange for the Share Bid Price) acquired as a result of such exercise. Consequently, the intrinsic value approach best reflects such situation.

Warrant	**Ablynx's Internal Note**	**Issue Date**	**Number of Warrants**	**Exercise Price per Warrant (€)**	**Warrant Bid Price (€)**	**Warrant B&S Value (€)**
Warrants 2008	Issue 9	22-Aug-08	70.417,00	4.88	40.12	40.12
Warrants 2012	Issue 17	01-Feb-12	76.049,00	3.21	41.79	41.79
Warrants 2013 (1)	Issue 20 Excom	29-Jan-13	100.000,00	6.44	38.56	38.56
Warrants 2013 (2)	Issue 20	29-Jan-13	65.853,00	6.43	38.57	38.57
Warrants 2013 (3A)	Issue 21 Excom	05-Aug-13	5.028,00	6.96	38.04	38.05
Warrants 2013 (3B)	Issue 21 Excom	05-Aug-13	4.781,00	7.32	37.68	37.69
Warrants 2014 (1)	Issue 23 Excom	24-Apr-14	101.168,00	9.09	35.91	35.91
Warrants 2014 (2A)	Issue 23	24-Apr-14	53.084,00	8.85	36.15	36.21
Warrants 2014 (2B)	Issue 23	24-Apr-14	4.252,00	8.84	36.16	36.22
Warrants 2014 (2C)	Issue 23	24-Apr-14	3.500,00	8.25	36.75	36.8
Warrants 2015 (1A)	Issue 24	16-Mar-15	20.000,00	10.13	34.87	35.16
Warrants 2015 (1B)	Issue 24	16-Mar-15	118.742,00	9.50	35.50	35.75
Warrants 2015 (2)	Issue 24 Excom	16-Mar-15	285.995,00	10.22	34.78	35.08
Warrants 2015 (3)	Issue 25 Excom	14-Sep-15	150.000,00	12.10	32.90	33.55

Warrants 2015 (4A)	Issue 25	14-Sep-15	38.000,00	12.29	32.71	33.39
Warrants 2015 (4B)	Issue 25	14-Sep-15	27.500,00	11.67	33.33	33.92
Warrants 2016 (1)	Issue 26 Excom	24-Feb-16	198.552,00	12.02	32.98	33.8
Warrants 2016 (2A)	Issue 26	24-Feb-16	162.059,00	12.02	32.98	33.8
Warrants 2016 (2B)	Issue 26	24-Feb-16	1.500,00	13.31	31.69	32.73
Warrants 2016 (2C)	Issue 26	24-Feb-16	12.500,00	13.99	31.01	32.19
Warrants 2017 (1)	Issue 28 additional offer	22-Feb-17	33.244,00	12.33	32.67	33.93
Warrants 2017 (2)	Issue 28 Excom	22-Feb-17	283.440,00	12.33	32.67	33.93
Warrants 2017 (3)	Issue 28	22-Feb-17	183.061,00	12.33	32.67	33.93
Warrants 2017 (4A)	Issue 29	20-Sep-17	89.000,00	12.26	32.74	34.19
Warrants 2017 (4B)	Issue 29	20-Sep-17	42.500,00	12.96	32.04	33.66
Warrants 2017 (4C)	Issue 29	20-Sep-17	150.000,00	13.32	31.68	33.4
Warrants 2017 (4D)	Issue 29	20-Sep-17	10.000,00	17.84	27.16	30.29
Warrants 2017 (4E)	Issue 29	20-Sep-17	37.500,00	19.78	25.22	29.07
Warrants 2017 (5)	Issue 29 Excom	20-Sep-17	150.000,00	14.53	30.47	32.52
Warrants 2017 (6)	Issue 29 Excom	20-Sep-17	150.000,00	23.36	21.64	27.01
Warrants 2018 (1A)	Recruitment Warrants	17-Jan-18	20.000,00	26.34	18.66	25.94
Warrants 2018 (1B)	Recruitment Warrants (bis)	17-Jan-18	100.000,00	25.64	19.36	26.28

If Sanofi launches a Squeeze Out after the Acceptance Period, the non-transferability provisions applicable to the Warrants will be overruled by operation of law, and Sanofi shall acquire compulsorily all Warrants not yet exercised. Then, Warrant Holders will be entitled to the relevant Warrant Bid Price.

In the event of a Squeeze Out, the intrinsic value provides the full benefit of the Bid to Warrant Holders as the Squeeze Out would be immediately followed by a delisting of the Shares.

7.1.4.3 Justification of the Convertible Bond Bid Price

The Convertible Bond Bid Price amounts to EUR 393,700.78 per Convertible Bond tendered during the Initial Acceptance Period from 4 April 2018 through 4 May 2018, or any later date announced in the event of an extension.

The total Convertible Bond Bid Price for all Convertible Bonds, which are the subject of the Bid, amounts to EUR 387,007,866.74.

For the avoidance of doubt, the Bid is subject to the conditions precedent in accordance with Section 7.2 (*Conditions of the Bid*) and, in particular, the tendered (and not withdrawn) Shares, Warrants, Convertible Bonds and ADSs representing at least 75% of the number of Shares at the end of the Initial Acceptance Period of the Bid.

The Convertible Bond Bid Price is in general equivalent to the value Convertible Bond Holders would get by converting the Convertible Bonds after a Change of Control has occurred at the end of the Initial Acceptance Period, i.e. at an enhanced Conversion Price (the Change of Control Conversion Price – CoCCP) and subsequently tendering the underlying Shares in the Bid. Such value varies in function of the date on which the change of control occurs as such date influences the Change of Control Conversion Price as set out below.

Thus, in case the Initial Acceptance Period is extended, the Change of Control Date will occur later than originally foreseen and in application of the below CoCCP formula, the aforementioned value for the Convertible Bond Holders shall decrease. However, the Convertible Bond Bid Price shall not be revised in such case, so that the Convertible Bond Bid Price will be higher than the value the Convertible Bond Holders would get by converting the Convertible Bonds at the enhanced Change of Control Conversion Price and subsequently tendering the underlying Shares in the Bid.

In case of a change of control, Convertible Bonds Holders are entitled to: (i) exercise their right to require redemption of their Convertible Bonds at their principal amount, together with accrued and unpaid interest; or (ii) exercise their right to convert their Convertible Bonds into Shares. The Convertible Bond Holder wishing to exercise its right to convert at the CoCCP, can do so during a period of 60 calendar days from the day a notice of change of control is given to the Convertible Bond Holders. Such notice must be sent by Ablynx within 14 calendar days from the occurrence of the change of control. The issue of new shares takes place in the month in which the conversion notice is sent if sent before the 15th calendar day of such month, and in the next month if sent after the 15th calendar day of such month.

The CoCCP amounts to EUR 11.4300, and is calculated as per Condition 5(b)(x) of the Terms and Conditions of the Convertible Bonds:

- CoCCP = CP / (1+ (IP x c/t)), where:
    - CP is the Conversion Price in effect immediately prior to the Change of Control Period, i.e. EUR 12.6631 (rounded);
    - IP is the issuance premium of each Bond over the reference price of the Ordinary Share used to determine the terms of the Convertible Bonds (i.e., EUR 10.2219), expressed as a fraction, i.e. 26.5%;
    - c is the number of days from and including the date the Change of Control occurs to but excluding the Final Maturity Date (27 May 2020), i.e. 744 days; and
    - t is the number of days from and including the Closing Date to but excluding the Final Maturity date (i.e., 1827 days).

The Convertible Bond principal amounts to EUR 100,000 and the number of shares to be created per Convertible Bond upon conversion, in the event of a change of control, amounts to 8,748 (principal of EUR 100,000 divided by the CoCCP of EUR 11.4300).[7]

The results of the Initial Acceptance Period shall be published on 14 May 2018, which shall be the date the Change of Control (if any) occurs.

At a Share Bid Price of EUR 45.00, the implied value of each of the 983 outstanding Convertible Bonds amounts to EUR 393,700.78, which shall in general be equal to the Convertible Bond Bid Price (i.e. save for extension of the Initial Acceptance Period).

On 29 January 2018, at the time when Sanofi and Ablynx published a press release to announce they had entered into a definitive agreement under which Sanofi would acquire Ablynx, the announced Convertible Bond Bid Price had been determined based on the ask closing price of the Convertible Bonds on 26 January 2018, being the day preceding the announcement date, not taking into account the Share Bid Price. Later on, Sanofi decided to take into account the Share Bid Price and to anticipate the impact of an event of a Change of Control on the conversion ratio, in the framework of the determination of the Convertible Bond Bid Price.

The offering price of the Convertible Bonds in the squeeze-out will be equal to the offering price of the previous offering period(s).

The Convertible Bond Holders should in particular pay attention to the so called *soft call option* and *clean-up call option*, which respectively allow Ablynx to redeem for cash all, but not a portion of, the Convertible Bonds, at nominal value plus any accrued but unpaid interest, at its option, (i) on or after 17 June 2018, if the volume weighted average price of the Shares exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading days period ending no earlier than the 5th trading day prior the notice given by Ablynx to the Convertible Bond Holders of the exercise of this redemption right or (ii) at any time if conversion rights have been exercised and/or purchases (and corresponding cancellations) and/or redemptions have been effected in respect of at least 85% of the original principal amount of the Convertible Bonds. In case one of the aforementioned conditions is fulfilled and Ablynx wishes to exercise this call option, such redemption will necessarily take place on less favourable conditions than the conditions of the Bid. Should Ablynx opt to exercise this call option, Sanofi would be in favour of such decision and would be willing to provide the necessary financing to Ablynx.

The Convertible Bond Holders are advised to carefully read the Terms and Conditions of the Convertible Bonds, and, in particular, to review the time limits and the terms governing a possible conversion or termination as a result of a possible Change of Control. Please also refer to Section 5.5.4.

[7] For the provisions on rounding of the resulting number of Shares, reference is made to the terms and conditions of the Convertible Bonds.

7.2 CONDITIONS OF THE BID

The Bid is subject to the following conditions precedent:

(i) the tendered (and not withdrawn) Shares, Warrants, Convertible Bonds and ADSs representing at least 75% of the number of Shares at the end of the Initial Acceptance Period of the Bid;

(ii) (a) the waiting period (and any extension thereof) applicable to the consummation of the transactions contemplated by this Bid under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**") shall have expired or been terminated and (b) the consent or approval required under any Antitrust Law of Germany applicable to the transactions contemplated by this Bid shall have been received, subject however to Article 4 of the Takeover RD. The conditions precedent listed under this item (ii), a and b have been fulfilled;

(iii) no change or event has occurred prior to the publication of the results of both the Bid and the U.S. Bid that results in, or is at that moment reasonably likely to result in (in such case, as confirmed by an independent expert), a loss (including loss of net asset value) or liability of Ablynx or its Subsidiary, taken as a whole, with an impact on the consolidated net asset value of Ablynx and its Subsidiary on an after tax basis exceeding EUR 500 million (a "**Material Adverse Change**"); provided, however, that none of the following shall be deemed of itself to constitute a Material Adverse Change: (i) any change in the market price or trading volume of Shares; (ii) any general evolution on the stock exchange markets; (iii) any adverse effect resulting from or arising out of the announcement or anticipated consummation of both bids (Bid or U.S. Bid) including any such effects on employees, customers, vendors, suppliers, distributors, partners, lenders, contractors or other third parties; (iv) any changes in applicable law (or the interpretation thereof); (v) the threat, occurrence, escalation, outbreak or worsening of any natural disaster, force majeure event, acts of God, acts of war, police or military action, armed hostilities, sabotage or terrorism or (vi) any change arising out of conditions affecting the economy or industry of Ablynx in general which does not affect Ablynx in a materially disproportionate manner relative to other participants in the economy or such industry, respectively;

(iv) with respect to the U.S. Bid only, the Bid has not been withdrawn ("*intrekking*") by Sanofi as permitted by Belgian applicable law; and

(v) there is no judgment issued by a court of competent jurisdiction or mandatory order by a Governmental Authority in the United States (whether federal, state or local) that would make the U.S. Bid illegal or otherwise prohibit the consummation thereof.

The abovementioned conditions precedent are stipulated for the sole benefit of Sanofi. Sanofi reserves the right to waive them, in whole or in part, except for the condition in (iv), which is only applicable to the U.S Bid, at any time. If any of the abovementioned conditions precedent are not fulfilled, Sanofi shall announce its decision on whether to waive the (these) condition(s) precedent, except for the condition in (iv), which is only applicable to the U.S Bid, no later than the time at which the results of the Initial Acceptance Period of the Bid are announced.

If the applicable requirements are met, Sanofi intends to reopen the Bid and/or to make a Squeeze Out. Sanofi reserves the right to reopen the Bid voluntarily at its sole discretion.

If the Bid is revoked because any of the conditions is not met, any Security tendered to the Bid will be returned to the entitled Security Holder and the conditional exercise of any Warrant shall be deemed not to have occurred because the condition of exercise that the Bid becomes unconditional will not have been met.

7.3 REGULARITY AND VALIDITY OF THE BID

7.3.1 Sanofi's board of directors' resolution to make the Bid

The Bid was approved by the board of directors of Sanofi on 28 January 2018.

7.3.2 Requirements of Article 3 of the Takeover RD

The Bid is subject to the requirements of Article 3 of the Takeover RD:

(i) the Bid relates to the totality of securities with voting rights or that give access to voting rights issued by Ablynx and not yet held by Sanofi or persons affiliated to Sanofi;

(ii) the aggregate Bid Price for all Securities (i.e. Share Bid Price, Warrant Bid Price and Convertible Bond Bid Price) is available through a credit facility agreement with BNP Paribas Fortis NV/SA (acting as Arranger, Lender and Agent). and to be used exclusively for the purpose of paying the Bid Price;

(iii) the conditions of the Bid comply with the applicable legislation, more specifically the Takeover Act and the Takeover RD, and Sanofi considers that these conditions, notably the Bid Price, should normally allow it to achieve the desired outcome;

(iv) the prices offered for the Shares, the Warrants and the Convertible Bonds do not contain differences other than those attributable to the respective characteristics of each category of securities;

(v) Sanofi undertakes, as far as it is concerned and without prejudice to the provisions set forth under Articles 16 and 17 of the Takeover RD, to pursue its best efforts to carry out the Bid until the closing thereof; and

(vi) the Receiving & Paying Agents are entrusted with the receipt of the Acceptance Form 1 (a) and 1 (b) and the payment of the Bid Price.

These requirements are also met for the Squeeze Out.

7.3.3 Review of the Bid by the competition authorities

The Bid is subject to review of the competition authorities of (i) the United States and (ii) Germany.

The consummation of the transactions contemplated by the Bid is subject to (i) the expiration or termination of the waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**") and (ii) the clearance of transactions or expiration of the relevant waiting period under Chapter VII of the German Act Against Restraints of Competition, as amended ("**German Competition Act**"), applicable to the transactions contemplated by this Bid.

The filing with the Federal Trade Commission of the United States (FTC) under the HSR Act was made on 13 February 2018. At 11:59 pm (EST) on 28 February 2018, the waiting period under the HSR Act with respect to the Bid expired.

The filing with the German Federal Cartel Office (the "**FCO**") was made on 9 February 2018. On 27 February 2018, the FCO cleared the Bid.

7.3.4 Regulatory approvals

The Bid is not subject to any regulatory approval other than the FSMA's approval of this Prospectus and the approval mentioned in Section 7.3.3 (*Review of the Bid by the competition authorities*) above.

7.4 PROJECTED TIMETABLE

Event	Scheduled Date
Filing of the first takeover notice	29 January 2018
Publication of the first notice pursuant to Article 7 of the Takeover RD	29 January 2018
Approval of the Prospectus by the FSMA	27 March 2018
Publication of the Prospectus	3 April 2018
Opening of the Initial Acceptance Period	4 April 2018
Close of the Initial Acceptance Period	4 May 2018
Publication of the results of the Bid	14 May 2018
Initial Payment Date (i.e. settlement)	18 May 2018
Voluntary reopening, mandatory reopening (in one of the instances mentioned in Article 35 of the Takeover RD) or Squeeze Out (if the Bidder holds at least 95% of the Shares)	22 May 2018
Closing of the second Acceptance Period (if applicable)	5 June 2018
Publication of the results of the period of reopening of the Bid (and Squeeze Out, as the case may be)	12 June 2018
Payment date following the period of reopening of the Bid (and Squeeze Out, as the case may be) (i.e. settlement)	19 June 2018

Each amendment to the timetable above will be communicated in a press release and trough the Belgian financial press.

7.5 INITIAL ACCEPTANCE PERIOD

7.5.1 Initial Acceptance Period

The Initial Acceptance Period for the Bid runs from 4 April 2018 until 11:00 p.m. CET on 4 May 2018, subject to extension.

The Initial Acceptance Period closes on 4 May 2018 at 11:00 p.m. CET (subject to extension) in order to align the closing thereof with the closing of the initial acceptance period of the U.S. Bid, which mandatorily closes at 4:30 p.m. local time.
Please also refer to Section 7.8.1. for the practical consequences of the Initial Acceptance Period ending at 11:00 p.m. CET.

7.5.2 Extension

In accordance with Article 31, §2 of the Takeover RD, the Initial Acceptance Period may be extended by five Business Days. This will be the case if, at any time after publication of the Notice of the Bid but prior to publication of the results of the Bid, Sanofi (and/or a person acting in concert with Sanofi) acquires or undertakes to acquire Securities outside the framework of the Bid at a price which exceeds the Bid Price. In that case, the Bid Price shall be aligned to this higher price and the Initial Acceptance Period shall be extended by five Business Days as from publication of the price increase, so that Security Holders may accept the Bid at this higher price.

Furthermore, in accordance with Article 40, §1, (4) of the Takeover RD, in case of a counterbid, the Acceptance Period shall also be extended until the expiry of the acceptance period of a counterbid.

7.6 REOPENING OF THE BID AND SQUEEZE OUT

Sanofi has the right or may be obliged to reopen the Bid in the following cases:

7.6.1 Tendered less than 90% of the Shares: voluntary reopening

If Sanofi, persons affiliated to it and persons acting in concert with it hold, at the closing of the Initial Acceptance Period, less than 90% of the Shares, and all the conditions precedent have been fulfilled or waived, Sanofi reserves the right to voluntary reopen the Bid at its sole discretion under the same terms and conditions after the publication of the results of the Bid following the Initial Acceptance Period.

7.6.2 Tendered at least 90% of the Shares: mandatory reopening

Pursuant to Article 35 (1) of the Takeover RD, a takeover bid shall be reopened for a period of no less than five Business Days and no more than fifteen Business Days if Sanofi and/or persons affiliated to it hold, upon expiry of the preceding acceptance period, 90% or more of the Shares. Under these circumstances, the Bid shall be reopened within ten Business Days following publication of the results of the Bid.

7.6.3 Tendered less than 95% of the Shares: voluntary reopening

If Sanofi, persons affiliated to it and persons acting in concert with it following the closing of the mandatory reopening of the Bid hold less than 95% of the Shares, Sanofi reserves the right to reopen the Bid at its sole discretion under the same terms and conditions after the publication of the results of the Bid following the mandatory reopening of the Bid.

In case of voluntary reopening of the Bid, Sanofi might want the total acceptance period (as from the first day of the mandatory reopening until the last day of the subsequent voluntary reopening of the Bid) to exceed the maximum duration of ten weeks as set out in Article 30 of the Takeover RD.

This extended acceptance period is intended to allow Sanofi to acquire 95% of the Shares and thus to be able to launch a Squeeze Out as set out in Article 7.6.4, taking into account the specifics of the U.S. Bid, which runs in parallel to the Bid.

As the case may be, Sanofi shall request the FSMA to grant an exemption from the requirements of Article 30 of the Takeover RD so that the total acceptance period might exceed the maximum duration of ten weeks as set out in Article 30 of the Takeover RD.

7.6.4 Tendered at least 95% of the Shares: Squeeze Out

If, in accordance with Article 513 § 1(1) of the Company Code and Articles 42 and 43 of the Takeover RD, Sanofi, following the Initial Acceptance Period of the Bid or its reopening, possesses 95% or more of the Shares, it can require the remaining Security Holders to sell their Securities at the relevant Bid Price, provided it has acquired, through acceptance of the Bid, at least 90% of the Shares that form the object of the Bid. For the purposes of application of the preceding paragraph, securities held by persons acting in concert with Sanofi within the meaning of Article 513 § 1(4) of the Company Code, shall be treated as securities held by Sanofi itself.

If a Squeeze Out is launched, the Bid shall be reopened within three months from expiry of the Initial Acceptance Period (or the first reopening thereof) for a period of at least 15 Business Days. This reopening shall be at the same conditions as the Bid. The launch of a Squeeze Out and the reopening of the Bid shall be notified in advance.

Any such reopening shall be considered to be a simplified squeeze out within the meaning of Article 513 of Company Code, to which the Royal Decree of 27 April 2007 on Squeeze Outs shall not apply.

Shares, Warrants and Convertible Bonds not offered upon expiry of the acceptance period of the reopened Bid shall be deemed transferred to Sanofi by operation of law. The funds necessary to pay the price for the Shares, Warrants and Convertible Bonds thus transferred shall be deposited with the Bank for Official Deposits (*Deposito- en Consignatiekas* /*Caisse des dépôts et consignations*) in favour of the former Security Holders that did not sign or submit the Acceptance Form in due time.

7.6.5 Increase in the Bid Price: mandatory reopening

If Sanofi undertakes to acquire Shares, prior to the expiration of the bid period, at a price exceeding the Bid Price, Articles 35 and 36 of the Takeover RD require that the Acceptance Period be reopened within ten Business Days from notification of the fact requiring the reopening, unless the Bid has been extended in accordance with Article 31 of the Takeover RD, as explained in Section 7.5.2 (*Extension*).

If the event of reopening of the Bid in accordance with Articles 35 and 36 of the Takeover RD, it shall be reopened at the increased price and Sanofi shall pay the difference between the increased price and the Bid Price to the Security Holders that accepted the earlier offer.

Sanofi does not intend to proceed with such an acquisition of Securities at a price in excess of the Bid Price.

7.6.6 Application for a delisting: mandatory reopening

Even if the conditions for a mandatory reopening or Squeeze Out would not be satisfied, Sanofi may apply for a delisting of the Shares pursuant to Article 26, §1 of the Law of 21 November 2017, in which case such delisting will need to be approved by Euronext Brussels. In such a case and assuming Sanofi requests the delisting within three months following expiry of the last acceptance period without having applied for a Squeeze Out beforehand, the Bid must be reopened in accordance with Article 35 of the Takeover RD.

The FSMA may oppose the delisting of the Shares in the interest of the protection of investors. The FSMA has indicated in the past that it shall not oppose to a delisting if it is preceded by a successful accompanying measure for the benefit of the minority shareholders. Conversely, it shall oppose to a delisting if no such successful accompanying measures have been taken[8].

7.7 SELL-OUT

If, in accordance with Article 513 § 1 (1) of the Company Code, Sanofi, following the Bid or its reopening, possesses 95% of the Shares, any Security Holder can force Sanofi to acquire its Securities at the relevant Bid Price, provided Sanofi acquired, through acceptance of the Bid, at least 90% of the Shares. For the purposes of application of this paragraph, securities held by persons acting in concert with Sanofi within the meaning of Article 513 § 1 (4) of the Company Code shall be treated as securities held by Sanofi itself.

In the event the right described in the preceding paragraph is exercised, the Security Holders concerned shall bring their request to the attention of Sanofi, within three months from expiry of the last Acceptance Period, by registered mail with acknowledgement of receipt. Sanofi shall inform the FSMA of any such request, as well as the purchases made and the prices thereof.

[8] See CBFA Annual Report 2006, p. 68 and p. 69.

7.8 ACCEPTANCE OF THE BID AND PAYMENT

7.8.1 Acceptance procedure for the Bid

7.8.1.1 Acceptance procedure for the Shares

(i) Valid tender of the Shares

In order for Shares to be tendered validly to the Bid, Shareholders must deliver to BNP Paribas Fortis NV/SA as Centralizing Agent and Receiving & Paying Agent or to KBC Securities NV/SA (in cooperation with KBC Bank NV/SA) as Receiving & Paying Agent, the Acceptance Form 1(a) (set forth in **Annex 1**) at the latest on the last day of the Initial Acceptance Period before 11:00 p.m. CET correctly completed and duly signed, along with the following documents as the case may be:

for registered shares:

- evidence of record in the shareholders register as provided by Ablynx; and
- for natural persons: a copy of the Shareholders' identity card or passport containing a signature specimen; or
- for legal entities: a certified copy of the articles of association of the Shareholder, evidence of who can validly represent the Shareholder, the power of attorney, if any, and a copy of the identity card or passport containing a signature specimen of the person(s) competent to represent the Shareholder that executed the Acceptance Form.

for dematerialized shares:

- no additional document is required.

The Shareholders who hold both registered and dematerialized Shares are explicitly requested to fill in two separate Acceptance Forms 1(a) (for the registered Shares tendered to the Bid to be delivered to any of the offices of BNP Paribas Fortis NV/SA as Centralizing Agent and for the dematerialized Shares tendered to the Bid to be delivered to their financial institution or broker where such dematerialized Shares are held). The Acceptance Form for the registered Shares is required to permit the Centralizing Agent to register the acceptance of the Bid and to make the necessary verification with Ablynx of the shareholding of the Shareholder concerned. The Acceptance Form for the dematerialized Shares is required to permit the Receiving & Paying Agents to register the acceptance of the Bid and to permit the custodian of such tendered dematerialized Shares to transfer the Shares to the Centralizing Agent in favour of Sanofi.

If the Shares are co-owned by two or more holders, each of them must sign the same Acceptance Form 1(a). If the Shares are subject to beneficial ownership, both the bare owner and the beneficial owner must sign the same Acceptance Form 1(a). If the Shares are pledged, both the pledging debtor and the creditor benefiting from such pledge must sign the Acceptance Form 1(a) with the understanding that the creditor benefiting from the pledge will be deemed irrevocably and unconditionally to renounce and release the Shares concerned from this pledge. If the Shares are subject to any other encumbrance, both the grantor and the beneficiary of such encumbrance must sign the Acceptance Form 1(a) with the understanding that the beneficiary from the encumbrance will be deemed irrevocably and unconditionally to renounce and release the Shares concerned from this encumbrance.

(ii) Receiving & Paying Agents for the Shares

BNP Paribas Fortis NV/SA, Centralizing Agent, and KBC Securities NV/SA (in cooperation with KBC Bank NV/SA) act as Receiving & Paying Agents for the Shares.

All Acceptance Forms (along with any other document that could be required) must be delivered:

for registered shares: these Acceptance Forms cannot be delivered through another financial institution or broker other than the above mentioned Centralizing Agent;

for dematerialized shares: directly with one of the offices of the Receiving & Paying Agents, if the Shareholder has an account there or if the account is held elsewhere through the relevant financial intermediary.

All holders of registered Shares shall receive an instruction letter sent by Ablynx, explaining the procedure that has to be followed to validly deliver their Acceptance Forms.

All Acceptance Forms should be submitted at the latest by 11:00 p.m. on the last day of the Initial Acceptance Period. However, Shareholders should be aware that submission of the Acceptance Forms (along with any other document that could be required) at the offices of the Receiving & Paying Agents or relevant financial intermediary is only possible during their regular business hours. The Shareholders are advised to inquire on these regular business hours.

There are no costs for Shareholders who tender their Shares directly with the Receiving & Paying Agents provided that such Shareholder has an account with the Receiving & Paying Agents. Shareholders must inquire about the cost that other financial intermediaries might charge and which they will have to bear themselves.

(iii) Payment of Shares - Transfer of title

The Acceptance Form 1(a) includes, for registered Shares, a power of attorney in favour of any director of Ablynx to record the transfer in the shareholders' register and, for dematerialized Shares, a power of attorney in favour of the financial institution of the Shareholder to transfer the Shares by way of book-entry to BNP Paribas Fortis NV/SA as Centralizing Agent on a delivery free of payment basis once the conditions of the Bid have been fulfilled or waived by Sanofi.
Shareholders who have validly tendered their Shares to the Bid during the Acceptance Period will be paid by transfer into the bank account specified by the Shareholder in the Acceptance Form 1(a) in accordance with Section 7.10 (*Payment of consideration*).

The risk associated with and the title to the Shares that were validly tendered during the Acceptance Period will pass to Sanofi on the initial settlement date (or relevant subsequent settlement date), upon payment of the Bid Price by the relevant Receiving & Paying Agent in the name of Sanofi (i.e. when Sanofi's account is debited for this purpose). The risk associated with the payment of the Bid Price remains with Sanofi after it issues a payment instruction to the paying banks on the settlement date and passes to the Shareolder at the point the Bid Price consideration arrives at the Shareholder's first nominated financial intermediary or such financial intermediary's correspondent bank as applicable.

7.8.1.2 Acceptance procedure for the Warrants

(i) Transferability of the Warrants

To the best of the knowledge of Sanofi, the Warrants are not freely transferable, except in the event of death of the Warrant Holder to the extent vested. Although the Warrants fall within the scope of the Bid, the non-transferability provisions contained in the issue conditions of the Warrants remain in effect. As a result, such Warrants cannot be tendered to the Bid.

The Warrant Holders (except for the Warrants 2008) have the right to accelerate the exercise of their Warrants when a public takeover bid on Ablynx is issued, irrespective of the fact whether their Warrants were already vested. The Warrants 2008 did not provide for an accelerated exercise of the Warrants in case of a public takeover bid. On 21 February 2018, the board of directors of Ablynx decided, in accordance with Article 5.3.5 of the Warrant 2008 plan, to grant an additional exercise period, in order to allow the holders of Warrants 2008 to exercise their Warrants following the launch of the Bid. The additional exercise period for the holders of Warrants 2008 starts from the end of the closed period in relation to Ablynx's 2017 annual results as set out in the Dealing Code of Ablynx and ends on the last day of the last Acceptance Period (it being understood that this additional exercise period can never extend beyond the end date of the last ordinary exercise period as described in Article 5.3.5 of the Warrant 2008 plan).

(ii) Exercise of Warrants at the occasion of the Bid

Warrant Holders willing to benefit from the Bid are invited:

1. to exercise their Warrants *unconditionally* and to tender the underlying Shares into the Bid, or
2. to exercise their Warrants *conditionally* during the Initial Acceptance Period, the condition being a successful closing of the Initial Acceptance Period of the Bid, and to tender the underlying Shares into the Bid.

All Warrant Holders shall receive an instruction letter sent by (i) Ablynx, for all current employees of Ablynx or (ii) KBC Bank NV/SA, acting on behalf of Ablynx and not acting on behalf of Sanofi in its capacity of Receiving & Paying Agent, in all other cases, explaining the different options and the procedure that has to be followed to validly exercise their Warrants.

In the event that a Warrant Holder *unconditionally* exercises its Warrants the underlying Shares will be delivered in dematerialised form. These underlying Shares can subsequently be tendered into the Bid during the Initial Acceptance Period by delivering the Exercise and Acceptance Form 1(b), or during any subsequent reopening period, as the case may be, by delivering the Acceptance Form 1(a), in accordance with the procedure set out in Article 7.8.1.

In the event that a Warrant Holder *conditionally* exercises its Warrants during the Initial Acceptance Period (by completing Exercise and Acceptance Form 1 (b)) the underlying Shares will be delivered in registered form on the relevant settlement date. Such underlying Shares will be tendered into the Bid by completing the same Exercise and Acceptance Form 1 (b)) (as set out below).

(iii) Receiving & Paying Agent for the Warrants

In the event that a Warrant Holder wishes to exercise its Warrants *conditionally*, the condition being a successful closing of the Initial Acceptance Period of the Bid as described in Section 7.9 (*Announcement of the results*), and to tender the Shares acquired as a result of such conditional exercise, it should comply with the instruction letter sent by Ablynx or KBC Bank NV/SA, acting on behalf of Ablynx and not acting on behalf of Sanofi in its capacity of Receiving & Paying Agent and deliver the Exercise and Acceptance Form 1(b) per e-mail and in two original copies to (i) Ablynx, for all current employees of Ablynx (per email to Guido.Gielen@ablynx.com and Ablynx – Guido Gielen, Technologiepark 21, 9052 Ghent (Belgium)) or (ii) KBC Bank NV/SA (per email to kbcvcdesop@kbc.be and KBC Bank, Dienst Order&Trade - VOF, Prof. R. Van Overstraetenplein 5, 3000 Leuven (Belgium)), acting on behalf of Ablynx and not acting on behalf of Sanofi in its capacity of Receiving & Paying Agent, in all other cases.

All Acceptance Forms should be submitted at the latest by 11:00 p.m. CET on the last day of the Initial Acceptance Period. However, Warrant Holders should be aware that submission of the Acceptance Forms (along with any other document that could be required) at the offices of Ablynx or KBC Bank NV/SA, acting on behalf of Ablynx and not acting on behalf of Sanofi in its capacity of Receiving & Paying Agent, is only possible during their regular business hours. The Warrant Holders are advised to inquire on these regular business hours. After such regular business hours, submissions can still be made by e-mail until 11:00 p.m. CET at the latest on the last day of the Initial Acceptance Period. The time of receipt of the e-mail shall be the time of submission of the Acceptance Form.

The Exercise and Acceptance Form 1(b) as received and kept by KBC Bank NV/Ablynx will serve as sole evidential proof of the instruction of the Warrant Holder. The Warrant Holder is legally bound by the reproduction of the signature(s) appearing on the document e-mailed by it. The Warrant Holder will bear all prejudicial consequences of fraud and error, unless it can furnish proof of error or fraud on the part of an employee or agent of KBC Bank NV/Ablynx.

The Warrants that have not been exercised or lapsed will automatically be transferred to Sanofi in the event of a Squeeze Out.

With respect to the exercise of the Warrants, KBC Bank NV/SA is acting on behalf of Ablynx and is not acting on behalf of Sanofi in its capacity of Receiving & Paying Agent and, consequently, Sanofi cannot be held liable for any actions and/or omissions by KBC Bank NV/SA, acting on behalf of Ablynx, with regard to the exercise of the Warrants and/or damages resulting therefrom.

(iv) Payment of the exercise price in the event of a conditional exercise of Warrants

In case the Warrant Holder conditionally exercises its Warrants (the condition being a successful closing of the Initial Acceptance Period of the Bid), the exercise price for the Warrants shall be paid by Sanofi, who shall advance the exercise price of the exercised Warrants. Sanofi shall only advance the exercise price of the exercised Warrants to the extent that the Warrant Holder tenders the underlying Shares into the Bid.

The Warrant Holder will grant a power of attorney to Sanofi to pay on behalf and for the account of the Warrant Holder the exercise price for the exercised Warrants on the account opened by Ablynx for this purpose. On the relevant settlement date, the exercise price for Warrants advanced by Sanofi shall be set off (in accordance with Article 1289 of the Civil Code) against the Share Bid Price to be paid to the Warrant Holder who has tendered the underlying Shares to be issued upon exercise of the Warrants in accordance with the procedure set forth above. The total amount of the exercise price will depend on the number of Warrants held and exercised by any Warrant Holder as well as the exercise price of each Warrant.

(v) Issuance of the Shares underlying the conditionally exercised Warrants

Following the end of the Initial Acceptance Period, Ablynx shall draw up a list, in accordance with Article 591 of the Company Code, of the Warrants that are being conditionally exercised (the condition being a successful closing of the Initial Acceptance Period of the Bid). Such list shall be authenticated by Ablynx's auditor before the settlement date. A copy of the Exercise and Acceptance Forms 1(b) of the Warrants that are conditionally exercised and of the list of such exercised Warrants as authenticated by Ablynx's auditor shall be sent to Sanofi.

Upon publication of the results of the Initial Acceptance Period of the Bid and confirmation that the conditions of the Bid have been fulfilled or waived by Sanofi, the condition precedent for the conditional exercise of the Warrants will be fulfilled. Sanofi, on behalf and for the account of the Warrant Holders that have conditionally exercised their Warrants and have tendered the underlying Shares into the Bid, shall advance the exercise price of the Warrants on an account opened in the name of Ablynx with KBC Bank NV/SA in accordance with the instruction letter. On the settlement date, following the transfer of the Shares tendered to the Bid by the Shareholders, Ablynx shall issue the Shares to the relevant Warrant Holders who have conditionally exercised their Warrants.

(vi) Payment of the Shares - Transfer of title

Title to the Shares issued to the Warrant Holder upon the *conditional* exercise of the Warrants (the condition being a successful closing of the Initial Acceptance Period of the Bid) (and who has tendered the underlying Shares into the Bid) shall subsequently be transferred from the Warrant Holder to Sanofi on the settlement date, following the transfer of title to the Shares tendered to the Bid by the Shareholders, against payment of the Share Bid Price less the exercise price for the Warrants advanced by Sanofi on behalf and for the account of the Warrant Holder. In addition, the Acceptance Form 1 (b) also includes a power of attorney in favour of any director of Ablynx to record the transfer of the underlying Shares in the shareholders register of Ablynx.

Warrant Holders who have validly *conditionally* exercised their Warrants and tendered the underlying Shares to the Bid during the Initial Acceptance Period will be paid the Share Bid Price less the exercise price of their respective Warrants by transfer to the Warrant Holder’s specified bank account on the settlement date.

7.8.1.3 Acceptance procedure for the Convertible Bonds

(i) Valid tender of the Convertible Bonds

In order for Convertible Bonds to be tendered validly to the Bid, Convertible Bond Holders must deliver to BNP Paribas Fortis NV/SA as Centralizing Agent the Acceptance Form 1(c) (set forth in **Annex 3**) at the latest on the last day of the Initial Acceptance Period before 11:00 p.m. CET correctly completed and duly signed.

The Acceptance Form 1(c) has to be delivered to the financial institution or broker where the Convertible Bonds are held. The Acceptance Form for the Convertible Bonds is required to permit the Centralizing Agent to register the acceptance of the Bid and to permit the custodian of such tendered Convertible Bonds to transfer the Convertible Bonds to the Centralizing Agent in favour of Sanofi.

If the Convertible Bonds are co-owned by two or more holders, each of them must sign the same Acceptance Form 1(c). If the Convertible Bonds are subject to beneficial ownership, both the bare owner and the beneficial owner must sign the same Acceptance Form 1(c). If the Convertible Bonds are pledged, both the pledging debtor and the creditor benefiting from such pledge must sign the Acceptance Form 1(c) with the understanding that the creditor benefiting from the pledge will be deemed irrevocably and unconditionally to renounce and release the shares concerned from his pledge.

(ii) Centralizing Agent for the Convertible Bonds

BNP Paribas Fortis NV/SA acts as Centralizing Agent for the Convertible Bonds.

All Acceptance Forms must be delivered directly with one of the offices of BNP Paribas Fortis NV/SA as Centralizing Agent, if the Convertible Bond Holder has an account there or if the account is held elsewhere through the relevant financial intermediary.

All Acceptance Forms should be submitted at the latest by 11:00 p.m. CET on the last day of the Initial Acceptance Period. However, Convertible Bond Holders should be aware that submission of the Acceptance Forms (along with any other document that could be required) at the offices of the Centralizing Agent or relevant financial intermediary is only possible during their regular business hours. The Convertible Bond Holders are advised to inquire on these regular business hours.

There are no costs for Convertible Bond Holders who tender their Convertible Bonds directly with the Centralizing Agent provided that such Convertible Bond Holder has an account with the Centralizing Agent. Convertible Bond Holders must inquire about the cost that other financial intermediaries might charge and which they will have to bear themselves.

(iii) Payment of Convertible Bonds - Transfer of title

The Acceptance Form 1(c) include a power of attorney in favour of the financial institution of the Convertible Bond Holder to transfer the Convertible Bonds by way of book-entry to BNP Paribas Fortis NV/SA as Centralizing Agent on a delivery free of payment basis once the conditions of the Bid have been fulfilled or waived by Sanofi. Convertible Bond Holders who have validly tendered their Convertible Bond to the Bid during the Acceptance Period will be paid by transfer into the bank account specified by the Convertible Bond Holder in the Acceptance Form 1(c) in accordance with Section 7.10 (*Payment of consideration*).

The risk associated with and the title to the Convertible Bonds that were validly tendered during the Acceptance Period will pass to Sanofi on the initial settlement date (or relevant subsequent settlement date), upon payment of the Convertible Bond Bid Price by the Centralizing Agent in the name of Sanofi (i.e. when Sanofi's account is debited for this purpose). The risk associated with the payment of the Convertible Bond Bid Price remains with Sanofi after it issues a payment instruction to the paying banks on the settlement date and passes to the Convertible Bond Holder at the point the Convertible Bond Bid Price consideration arrives at the Convertible Bond Holder's first nominated financial intermediary or such financial intermediary's correspondent bank as applicable.

7.8.2 Withdrawal of acceptance

In accordance with Article 25 (1) of the Takeover RD, Security Holders that have accepted the Bid may still withdraw their acceptance during the Initial Acceptance Period (or any subsequent Acceptance Period(s)). However, after the end of the Acceptance Period, acceptance of the Bid is irrevocable and unconditional.

In order for acceptances (save for withdrawal of a conditional exercise of Warrants) to be withdrawn validly, Security Holders must deliver to the financial intermediary to which the Security Holder had delivered its Acceptance Form the Withdrawal Form (set forth in **Annex 4**). The Withdrawal Form must be received by the Centralizing Agent at the latest on the date of closing of the Initial Acceptance Period (or any subsequent Acceptance Period(s)) before 11:00 p.m. CET.

Any withdrawal of a conditional exercise of Warrants shall be made in writing and submitted to and received by (i) Ablynx, for all current employees of Ablynx or (ii) KBC Bank NV/SA (acting on behalf of Ablynx and not in its capacity of Receiving & Paying Agent) in all other cases, by means of the Withdrawal Form (set forth in **Annex 4**) at the latest on the day of closing of the Initial Acceptance Period before 11:00 p.m. CET.

However, Security Holders should be aware that submission of the Withdrawal Forms at the offices of the Centralizing Agent, relevant financial intermediary, Ablynx or KBC Bank NV/SA (acting on behalf of Ablynx and not in its capacity of Receiving & Paying Agent) is only possible during their regular business hours. The Security Holders are advised to inquire on these regular business hours. With respect to the Warrants, the Withdrawal Forms can still be submitted after regular business hours by e-mail until 11:00 p.m. CET at the latest on the last day of the Initial Acceptance Period. The time of receipt of the e-mail shall be the time of submission of the Withdrawal Form.
With respect to the exercise of the Warrants, KBC Bank NV/SA is acting on behalf of Ablynx and is not acting on behalf of Sanofi in its capacity of Receiving & Paying Agent and, consequently, Sanofi cannot be held liable for any actions and/or omissions by KBC Bank NV/SA, acting on behalf of Ablynx, with regard to the exercise of the Warrants and/or damages resulting therefrom.

7.9 ANNOUNCEMENT OF THE RESULTS

In accordance with Article 32 of the Takeover RD, Sanofi shall announce, within five Business Days following the end of the Initial Acceptance Period, (i) the results of the Bid, as well as the number of Shares and Convertible Bonds Sanofi holds following the Bid, (ii) the number of Warrants that have been validly conditionally exercised (the condition being a successful closing of the Initial Acceptance Period of the Bid) as well as the number of resulting underlying Shares, that can be acquired by Sanofi as a result of such conditional exercise and tender of the underlying Shares, and (iii) whether the conditions of the Bid have been fulfilled and, if not, if it waives the benefit of such conditions. If the conditions have been fulfilled or waived by Sanofi, the Bid will be successful.

This announcement shall be made in a distributed press release and published on the websites of the Receiving & Paying Agents (for BNP Paribas Fortis NV/SA, https://www.bnpparibasfortis.be/epargneretplacer (French and English) and https://www.bnpparibasfortis.be/sparenenbeleggen (Dutch and English); for KBC Securities NV/SA in cooperation with KBC Bank NV/SA, https://www.kbcsecurities.com/prospectus-documents-overviews/prospectus-overview, https://www.kbc.be, https://www.cbc.be and https://www.bolero.be), Sanofi (https://www.sanofi.com/en/investors/tender-offers-ablynx and https://www.sanofi.com/fr/investisseurs/offres-ablynx) and Ablynx (http://www.ablynx.com/investors/sanofi-takeover-bid/).

If the Bid is reopened as described in Section 7.6 (*Reopening of the Bid and Squeeze Out*), Sanofi shall announce, within five Business Days following the end of the subsequent acceptance period(s), (i) the results of the reopening, as well as the number of Securities Sanofi holds following the Bid and (ii) the number of Convertible Bonds that have been validly converted as well as the number of resulting underlying Shares, that can be acquired by Sanofi as a result of such conversion and tender of the underlying Shares. This announcement shall be made in a distributed press release published on the websites of the Receiving & Paying Agents (for BNP Paribas Fortis NV/SA, https://www.bnpparibasfortis.be/epargneretplacer (French and English) and https://www.bnpparibasfortis.be/sparenenbeleggen (Dutch and English); for KBC Securities NV/SA in cooperation with KBC Bank NV/SA, https://www.kbcsecurities.com/prospectus-documents-overviews/prospectus-overview, https://www.kbc.be, https://www.cbc.be and https://www.bolero.be), Sanofi (https://www.sanofi.com/en/investors/tender-offers-ablynx and https://www.sanofi.com/fr/investisseurs/offres-ablynx) and Ablynx (http://www.ablynx.com/investors/sanofi-takeover-bid/).

7.10 PAYMENT OF CONSIDERATION

If the Bid is successful, then within ten Business Days following announcement of the results of the Initial Acceptance Period, Sanofi shall pay to the Security Holders that have validly offered their Securities during the Initial Acceptance Period, the Bid Price or, in respect of Warrants exercised conditionally (the condition being a successful closing of the Initial Acceptance Period of the Bid) and the underlying Shares of which were tendered into the Bid, the Bid Price less the Warrant exercise price paid by Sanofi on behalf and for the account of the Warrant Holder.

If there are subsequent Acceptance Periods (due to one or more reopening(s) of the Bid, including within the context of a Squeeze Out) as described in Section 7.6 (*Reopening of the Bid*), then within ten Business Days following the announcement of the results of the subsequent Acceptance Period(s), Sanofi shall pay the Bid Price.

The Bid Price shall be paid to the Security Holders that have duly accepted the Bid, without condition or restriction, by wire transfer to the bank account specified by the Security Holders in its Acceptance Form.

Sanofi shall bear the tax on stock market transactions. See Sections 8.2.5, 8.3.3 and 8.4.3 (*Tax on stock exchange transactions*) for more details. The Receiving & Paying Agents shall not charge the Security Holders any commission, fees or other costs under the Bid. Security Holders registering their acceptance with a financial institution other than the Receiving & Paying Agents are requested to inquire about any costs they could incur in connection with the Bid.

Risk and title to Securities validly tendered during the Initial Acceptance Period (or any subsequent Acceptance Period(s)) shall be transferred to Sanofi on the initial settlement date (or relevant subsequent settlement date), upon payment of the Bid Price by the relevant Receiving & Paying Agent in the name of Sanofi (i.e. when Sanofi's account is debited for this purpose).

7.11 HIGHER BID

In the event of a higher bid (the price of which must be at least 5% above the Bid Price in accordance with Articles 37 to 41 of the Takeover RD), the Initial Acceptance Period shall be extended until expiry of the acceptance period for the higher bid.

In the event of a valid and more favourable higher bid, all Security Holders that have offered their Securities under the Bid may exercise their right to withdraw their acceptance in accordance with Article 25 of the Takeover RD and the procedure described in Section 7.8 (*Acceptance of the Bid and payment*).

7.12 SUBSEQUENT INCREASE IN THE BID PRICE

If Sanofi increases the Bid Price, all Security Holders that accepted the Bid prior to the price increase will benefit from it.

7.13 OTHER ASPECTS OF THE BID

7.13.1 Financing of the Bid

As required by Article 3 of the Takeover RD, Sanofi has entered into an irrevocable and unconditional bank credit facility for an amount of EUR 4.2 billion with BNP Paribas Fortis NV/SA (acting as Arranger, Lender and Agent). The purpose of this credit line is solely for the purpose of the acquisition of all or part of the Securities. This loan has a duration of six months extendible to twelve months. For the financing of the Bid, Sanofi intends to use existing cash available on its balance sheet and raise debt on the capital markets. Drawing under the bank credit facility is also an option.

As a result, post funding of the Bid, the net debt of Sanofi will increase by the amount of the Bid. The impact of the payment of the consideration for the acquisition of all the Shares of Ablynx on respectively the consolidated assets and liabilities, and the consolidated profit and loss account of Sanofi is expected to be marginal.

The letter of certain funds dated 29 January 2018 and signed by BNP Paribas Fortis NV/SA states that an irrevocable and unconditional credit facility is available to Sanofi for the purpose of the Bid.

7.13.2 Applicable law

This Bid is governed by Belgian law, in particular the Takeover Act and the Takeover RD. Any dispute relating to the present Bid shall be submitted to the exclusive jurisdiction of the Market Court (*Marktenhof / Cour des Marchés*) (Belgium).

7.13.3 Cost associated with the tender of Shares in the Bid

Sanofi shall not pay any costs charged by financial intermediaries, other than the Receiving & Paying Agents, to which Security Holders submit their Acceptance Forms. If the Acceptance Forms are submitted to one of the Receiving & Paying Agents, however, Security Holders shall not be charged any costs for acceptance of the Bid. Security Holders are therefore requested to inquire with their respective financial institution about any costs they may incur in connection with the Bid.

8. TAX TREATMENT OF THE BID[9]

The information provided below does not purport to describe all tax implications of the Bid and does not take into account the specific circumstances of individual Security Holders, some of which may be subject to special rules (such as credit institutions, organization for financing of pensions, insurance companies, undertakings for collective investment, securities or currency traders, and persons holding Securities as part of a straddle position, repo transaction, conversion transaction, hybrid transaction or any other integrated financial transaction), or tax laws of countries other than Belgium. This summary does not address the local taxes that may be due in connection with the Securities, other than Belgian local surcharges which generally vary from 0% to 9% of the individual's income tax liability. The information provided in this Section is based on laws and practices in effect in Belgium on the date of this Prospectus. These laws and practices are subject to change, with retroactive effect as the case may be.

The information set out below does not constitute legal or tax advice or recommendations. Security Holders are advised to ask their tax consultants about the tax implications of accepting the Bid, having regard to their specific situation.

Please find below a general overview of the potential tax implications of the Bid for each type of Security Holder, i.e. the Shareholders, the Convertible Bond Holders and the Warrant Holders.

8.1 GENERAL DEFINITIONS

For the purposes of this Section, (i) "Belgian individual" means any individual subject to Belgian personal income tax (i.e. a natural person whose residence or assets are in Belgium or individuals treated as such for the purposes of Belgian tax law); (ii) "Belgian company" means any company subject to Belgian corporate income tax (i.e. a company with its registered office, principal place of business or place of effective management in Belgium); (iii) "Belgian legal entity" means any legal entity subject to the Belgian legal entities tax (i.e. a legal entity other than a Belgian company, that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium); and (iv) "non-resident" means any person that is not a Belgian resident.

8.2 TAXATION IN BELGIUM UPON TRANSFER OF THE SHARES[10]

8.2.1 Belgian resident individuals

As regards Belgian resident individuals, the tax treatment upon disposal of the Shares will depend on the type of investment.

For individuals holding Shares as a private investment, capital gains realized upon disposal of the Shares are generally not subject to Belgian income tax. Likewise, capital losses on the Shares are in principle not tax deductible.

However, individuals may be subject to income tax at a special rate of 33% (plus local surcharges) if the capital gain on the Shares is deemed to have been realized outside the scope of the normal management of the individual's private estate. Capital losses on the Shares are in principle not tax deductible.

[9] Please note that a summary of the tax on securities accounts ("taks op effectenrekeningen") does not form part of this Section 8. Security Holders are recommended to consult their own tax advisors as regards the specific consequences of the application of this tax on their tax position.
[10] Please note that only the tendering of the Shares into the Bid is discussed in Section 8. The tax consequences of a dividend distribution (or a deemed dividend distribution) does not form part of this Section 8.

Capital gains realized by individuals upon disposal of Shares held for professional purposes are taxable at the normal progressive income tax rates applicable to earned income (plus local taxes), except for Shares held for more than five years, in which case the capital gain is taxable at a separate rate of 16.5% (plus local taxes). Capital losses on the transfer of Shares held for professional purposes are in principle tax deductible.

8.2.2 Belgian resident companies

Capital gains realised upon disposal of the Shares by Belgian resident companies are exempt from Belgian corporate income tax to the extent that the income distributed in respect of the Shares is deductible pursuant to Articles 202 and 203 of the Belgian Income Tax Code 1992 (hereinafter the "**Conditions for Tax-exempt Dividends Treatment**", which include (i) a subject to tax test, (ii) a minimum participation threshold of 10% in the share capital or with an acquisition value of at least EUR 2,500,000) and (iii) a minimum one-year holding period in full ownership.

In case the conditions for Tax-exempt Dividends Treatment are not met, the realized capital gains are considered as ordinary profits taxable at the standard corporate income tax rate of 29.58% (20.40% on the first bracket of EUR 100,000 for small companies within the meaning of Article 15 of the Company Code, hereafter "**SMEs**") (please note that as from tax year 2021 the rate of 29.58% will be reduced to 25% and the rate of 20.40% to 20%).

If the minimum one-year holding period is not met (but the other Conditions for Tax-exempt Dividends Treatment are), the capital gains realized upon disposal of the Shares by Belgian resident companies are taxable at a separate rate of 25.50% (20.40% on the first bracket of EUR 100,000 for SMEs).

Capital losses on Shares incurred by Belgian companies (regardless of whether they are SMEs) are not tax deductible.

The Shares held in the trading portfolios (*portefeuille commercial/handelsportefeuille*) of qualifying credit institutions, investment enterprises and management companies of collective investment undertakings which are subject to the Royal Decree of 23 September 1992 on the annual accounts of credit institutions, investment firms and management companies of collective investment undertakings (*comptes annuels des etablissements de credit, des entreprises d'investissement et des societes de gestion d'organismes de placement collectif/jaarrekening van de kredietinstellingen,de beleggingsondernemingen en de beheervennootschappen van instellingen voor collectieve belegging*) are subject to a different regime. The capital gains on such shares are taxable at the ordinary corporate income tax rates and the capital losses on such shares are tax deductible. Internal transfers to and from the trading portfolio are assimilated to a realization.

8.2.3 Belgian resident legal entities

Capital gains realized upon the transfer of Shares by legal entities are in principle tax exempt. Capital losses are not tax deductible.

8.2.4 Non-residents

Non-resident individuals or companies are, in principle, not subject to Belgian income tax on capital gains realized upon transfer of the Shares, unless the Shares are held as part of a business conducted in Belgium through a Belgian establishment. In such a case, the same principles apply as described with regard to Belgian resident individuals (holding the shares for professional purposes) or Belgian resident companies.

Non-resident individuals who do not use the shares for professional purposes and who have their fiscal residence in a country with which Belgium has not concluded a tax treaty or with which Belgium has concluded a tax treaty that confers the authority to tax capital gains on the Shares to Belgium, will be subject to tax in Belgium if the capital gains arise from transactions which are to be considered speculative or beyond the normal management of one's private estate and the capital gains are obtained or received in Belgium. Capital losses are generally not deductible.

Non-resident legal entities subject to the non-resident legal entities tax are generally not subject to Belgian income tax on capital gains realized on the transfer of Shares. Capital losses are not tax deductible.

8.2.5 Tax on stock exchange transactions

The purchase and the sale and any other acquisition or transfer for consideration of the Shares (secondary market transactions) is subject to the Tax on Stock Exchange Transactions if (i) it is executed in Belgium through a professional intermediary, or (ii) deemed to be executed in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals with habitual residence in Belgium, or legal entities for the account of their seat or establishment in Belgium (both, a Belgian Investor).

The Tax on Stock Exchange Transactions is levied at a rate of 0.35% of the purchase price. This tax is however limited to a maximum of EUR 1,600 per transaction and per party. The tax is due separately by each party to the transaction, i.e. the seller (transferor) and the purchaser (transferee), and is collected by the professional intermediary.

However, if the intermediary is established outside of Belgium, the tax will in principle be due by the Belgian Investor, unless that Belgian Investor can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian Stock Exchange Tax Representative, which will be liable for the Tax on Stock Exchange Transactions in respect of the transactions executed through the professional intermediary. If the Stock Exchange Tax Representative would have paid the Tax on Stock Exchange Transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the Tax on Stock Exchange Transactions.

No Tax on Stock Exchange Transactions is due on transactions entered into by the following parties, provided they are acting for their own account: (i) professional intermediaries described in Article 2,9° and 10° of the Belgian Law of 2 August 2002; (ii) insurance companies described in Article 2, §1 of the Belgian Law of 9 July 1975; (iii) professional retirement institutions referred to in Article 2,1 of the Belgian Law of 27 October 2006 concerning the supervision on institutions for occupational pension; (iv) collective investment institutions; (v) regulated real estate companies; and (vi) Belgian non-residents provided they deliver a certificate to their financial intermediary in Belgium confirming their non-resident status.

The EU Commission adopted on 14 February 2013 the Draft Directive on a Financial Transaction Tax, or FTT. The Draft Directive currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Draft Directive regarding the FTT is still subject to negotiation between the Participating Member States and therefore may be changed at any time.

In the context of the Bid, the Tax on Stock Exchange Transactions with respect to the Shares submitted to the Bid shall be borne by the Bidder.

8.3 TAXATION IN BELGIUM UPON TRANSFER OF THE WARRANTS

This section addresses the basic tax consequences related to capital gains or losses upon transfer or exercise of the Warrants in the context of the Bid only for Warrant Holders who are Belgian individuals or Belgian companies.

The below assumes that the warrants are currently vested or will become vested at the occasion of the Bid.

The Bidder will not be liable for any taxation on the part of the Warrant Holders, which shall exclusively be borne by the Warrant Holders.

8.3.1 Belgian resident individuals

8.3.1.1 Transfer of Warrants

Any capital gains realized on the transfer of the Warrants will in principle be subject to the tax regime for Shares described under Section 8.2.1 (*Belgian indivduals*) above.

The transfer of Warrants which have been granted under the application of the law of 26 March 1999 (and have been subject to an up-front taxation calculated on a formulary basis) could, under certain circumstances, trigger additional taxation for the Warrant Holders, who should consult their own tax advisor.

8.3.1.2 Exercise of Warrants during the Bid

If the Warrants are exercised prior to the closing of the Bid, the newly issued Shares that result from that exercise can be tendered in the Bid. Any capital gains realized upon the exercise of the Warrants will in principle be subject to the tax regime for Shares described under Section 8.2.1 (*Belgian indivduals*)above.

The exercise of Warrants which have been granted under the application of the law of 26 March 1999 (and have been subject to an up-front taxation calculated on a formulary basis) could, under certain circumstances, trigger additional taxation for the Warrant Holders, who should consult their own tax advisor.

Capital gains realized on Shares that were obtained as a consequence of the above exercise by Warrant Holders and that are tendered in the Bid will in principle be subject to the tax regime for Shares described under Section 8.2.1 (*Belgian indivduals*) above.

With regard to capital gains realized on Shares that were obtained as a consequence of the above exercise by Warrant Holders that obtained their Warrants under the application of the law of 26 March 1999 (and have been subject to an up-front taxation calculated on a formulary basis) and that are tendered in the Bid will in principle be subject to the tax regime for Shares described under Section 8.2.1 (*Belgian indivduals*) (but cannot be considered as professional income based on Article 42 (2) of the law of 26 March 1999).

8.3.1.3 Transfer of Warrants in the framework of a squeeze-out

Capital gains realized on the transfer of the Warrants in the framework of a squeeze-out will in principle be subject to the tax regime for Shares described under Section 8.2.1 (*Belgian indivduals*) above.

The Belgian tax authorities generally accept that an automatic transfer of a warrant under a squeeze-out may be considered as a case of force majeure and that such transfer should therefore not trigger additional income taxes for the holders of those warrants (even if the warrants contained transfer restrictions) under the application of the law of 26 March 1999. However, in the event that the Belgian tax authorities would change their position, this might, in certain circumstances, result in adverse tax consequences. Warrant Holders are advised to consult their own tax advisor in this regard.

8.3.2 Belgian resident companies

8.3.2.1 Transfer of Warrants

Any capital gains realized upon the transfer of the Warrants shall, as a principle, be subject to corporate income tax at the ordinary corporate income tax rate of 29.58% (20.40% on the first bracket of EUR 100,000 for SMEs).

8.3.2.2 Exercise of Warrants during the Bid

The tax treatment follows the accounting treatment at the level of the company holding the Warrants. Taxation of gains resulting from the exercise of the Warrants followed by a tender of the Shares in the Bid at the ordinary corporate income tax rate cannot be excluded. Warrant Holders are advised to consult their own tax advisor.

8.3.2.3 Transfer of Warrants in the framework of a squeeze-out

Any capital gains realized upon the automatic transfer of Warrants to the Bidder upon completion of the squeeze-out will, in principle, be subject to corporate income tax at the ordinary corporate income tax rate of 29.58% (20.40% on the first bracket of EUR 100,000 for SMEs) in the hands of the Warrant Holders, who should consult their own tax advisor.

8.3.3 Tax on Stock Exchange Transactions

The Tax on Stock Exchange Transactions is levied at a rate of 0.35% of the purchase price. This tax is however limited to a maximum of EUR 1,600 per transaction and per party. The tax is due separately by each party to the transaction, i.e. the seller (transferor) and the purchaser (transferee), and is collected by the professional intermediary.

However, if the intermediary is established outside of Belgium, the tax will in principle be due by the Belgian Investor, unless that Belgian Investor can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian Stock Exchange Tax Representative, which will be liable for the Tax on Stock Exchange Transactions in respect of the transactions executed through the professional intermediary. If the Stock Exchange Tax Representative would have paid the Tax on Stock Exchange Transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the Tax on Stock Exchange Transactions.

No Tax on Stock Exchange Transactions is due on transactions entered into by the following parties, provided they are acting for their own account: (i) professional intermediaries described in Article 2,9° and 10° of the Belgian Law of 2 August 2002; (ii) insurance companies described in Article 2, §1 of the Belgian Law of 9 July 1975; (iii) professional retirement institutions referred to in Article 2,1 of the Belgian Law of 27 October 2006 concerning the supervision on institutions for occupational pension; (iv) collective investment institutions; (v) regulated real estate companies; and (vi) Belgian non-residents provided they deliver a certificate to their financial intermediary in Belgium confirming their non-resident status.

The EU Commission adopted on 14 February 2013 the Draft Directive on a Financial Transaction Tax, or FTT. The Draft Directive currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Draft Directive regarding the FTT is still subject to negotiation between the Participating Member States and therefore may be changed at any time.
In the context of the Bid, the Tax on Stock Exchange Transactions with respect to the Warrants submitted to the Bid shall be borne by the Bidder.

8.4 TAXATION IN BELGIUM UPON TRANSFER OF THE CONVERTIBLE BONDS[11]

8.4.1 Belgian withholding tax

The portion of the payment received by Convertible Bond holders which corresponds to the amount of any accrued interest will in principle be subject to a 30% withholding tax in Belgium but only for Convertible Bond holders who hold their Convertible Bonds through a so-called "N-account" in the X/N clearing system of the NBB. No withholding tax will apply on any part of the payment made to Convertible Bond Holders who are entitled to hold their Target Bonds through a so-called "X-account".

[11] Only the tendering of the Convertible Bonds into the Bid is discussed in Section 8. Early redemption or conversion of the Convertible Bonds does not form part of this Section 8.

8.4.2 Belgian taxation on income and capital gains

8.4.2.1 Belgian resident individuals

For Belgian resident individuals holding Convertible Bonds as private investment, the payment of the 30% withholding tax referred to above fully discharges them from their tax liability with respect to the portion of the payment received which corresponds to the accrued interest.

They may nevertheless elect to declare that amount of interest in their personal income tax return. In such a case, interest payments will normally be taxed at a rate of 30% (or at the progressive personal income tax rate taking into account the taxpayer's other declared income, whichever is more beneficial). If the interest payment is declared, the withholding tax retained by the NBB may be credited and possibly refunded in case of excess.

Any capital gain realised by Belgian resident individuals upon the Bid should as a rule be tax exempt, unless the capital gain is realized outside the normal management of one's private estate (in which case the capital gain will be taxed at 33%, plus municipal surcharges). Alternatively, any capital loss (if any) realised by an individual holding Convertible Bonds as a non-professional investment would not be tax deductible.

Specific tax rules apply to Belgian resident individuals who do not hold the Convertible Bonds as a private investment.

8.4.2.2 Belgian resident companies

Convertible Bond Holders which are Belgian resident companies will be subject to Belgian corporate income tax on the accrued interest as well as on any capital gain realised upon the disposal or conversion of the Convertible Bonds. The withholding tax retained will, subject to certain conditions, be creditable against any corporate income tax due and any excess amount will in principle be refundable.
Capital losses (if any) are in principle tax deductible.

8.4.2.3 Belgian resident legal entities

For taxpayers subject to the Belgian income tax on legal entities, any Belgian withholding tax applied at source on the amount of accrued interest in principle fully discharges their income tax liability.

If no withholding tax is withheld at source (because the relevant Belgian resident legal entities hold their Convertible Bonds through an X-account), they are required to pay the amount of withholding tax on the accrued interest themselves.

For such Convertible Bond Holders, any capital gain realised on the transfer of Convertible Bonds is as a rule exempt from Belgian income tax. Alternatively, any capital loss (if any) realised would not be tax deductible.

8.4.2.4 Non-residents

Convertible Bond Holders who are non-residents of Belgium for Belgian tax purposes, are not holding the Convertible Bonds through a Belgian establishment and have not invested the Convertible Bonds within a professional activity in Belgium, will not incur or become liable for any Belgian tax on income or capital gains (save as the case may be, in the form of withholding tax if the Convertible Bonds are not held in an X-account) by reason only of the disposal of the Convertible Bonds.

8.4.3 Tax on stock market transactions

The Tax on Stock Exchange Transactions due upon the transfer of the Convertible Bonds further to the Bid is levied at a rate of 0.12% of the purchase price. This tax is however limited to a maximum of EUR 1,300 per transaction and per party. The tax is due separately by each party to the transaction, i.e. the seller (transferor) and the purchaser (transferee), and is collected by the professional intermediary.

However, if the intermediary is established outside of Belgium, the tax will in principle be due by the Belgian investor, unless that Belgian investor can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian Stock Exchange Tax Representative, which will be liable for the Tax on Stock Exchange Transactions in respect of the transactions executed through the professional intermediary. If the Stock Exchange Tax Representative would have paid the Tax on Stock Exchange Transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the Tax on Stock Exchange Transactions.

No Tax on Stock Exchange Transactions is due on transactions entered into by the following parties, provided they are acting for their own account: (i) professional intermediaries described in Article 2,9° and 10° of the Belgian Law of 2 August 2002; (ii) insurance companies described in Article 2, §1 of the Belgian Law of 9 July 1975; (iii) professional retirement institutions referred to in Article 2,1 of the Belgian Law of 27 October 2006 concerning the supervision on institutions for occupational pension; (iv) collective investment institutions; (v) regulated real estate companies; and (vi) Belgian non-residents provided they deliver a certificate to their financial intermediary in Belgium confirming their non-resident status.

The EU Commission adopted on 14 February 2013 the Draft Directive on a Financial Transaction Tax, or FTT. The Draft Directive currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Draft Directive regarding the FTT is still subject to negotiation between the Participating Member States and therefore may be changed at any time.

In the context of the Bid, the Tax on Stock Exchange Transactions with respect to the Convertible Bonds submitted to the Bid shall be borne by The Bidder.

ANNEX 1. ACCEPTANCE FORM 1(A)

ACCEPTANCE FORM FOR THE VOLUNTARY AND CONDITIONAL TAKEOVER BID IN CASH BY SANOFI FOR THE SECURITIES OF ABLYNX NV

Acceptance Form for registered and dematerialized Shares only

---

TO BE COMPLETED AND SUBMITTED IN DUPLICATE TO THE RECEIVING & PAYING AGENTS (BNP PARIBAS FORTIS SA/NV OR KBC SECURITIES NV/SA IN COOPERATION WITH KBC BANK NV/SA) AND/OR THE FINANCIAL INTERMEDIARY NO LATER THAN 4 MAY, 2018, 11:00 P.M. (CET) OR ANY LATER DATE ANNOUNCED IN THE EVENT OF AN EXTENSION, OR ANY EARLIER DEADLINE SET BY THE FINANCIAL INTERMEDIARY

I, the undersigned,

Legal entity:

Name and legal form:	
Registered office:	
Country:	
Validly represented by:	1. (*name, surname, domicile and capacity*) 2. (*name, surname, domicile and capacity*)

Natural person:

Surname:	
Name:	
Domicile:	
Nationality:	
Passport number:	

declare after having had the opportunity to read the Prospectus published by Sanofi *société anonyme à conseil d'administration* (the Bidder) relating to its voluntary and conditional takeover bid in cash (the Bid) for all Shares, Warrants and Convertible Bonds issued by Ablynx NV (the Target) that:

i. I accept the terms and conditions of the Bid described in the Prospectus;
ii. I hereby agree to transfer the Shares identified in this Acceptance Form 1(a), and which I fully own, to Sanofi, in accordance with the terms and conditions of the Prospectus, for a price consisting of a payment in cash of EUR 45.00 for each Share.
iii. I shall transfer the Shares in accordance with the acceptance process described in the Prospectus; and
iv. I acknowledge that all representations, warranties and undertakings deemed to be made or given by me under the Prospectus are incorporated in this Acceptance Form 1(a) with respect to the transfer of my Shares.

I hold the following Shares:

Shares		
Number	**Form**	**Instructions**
……	Dematerialised form	These Shares are available on my securities account with the following details: *Name bank:* ……..……..…… *IBAN:* ……..……..…… *BIC/SWIFT:* ……..……..…… I hereby authorise ……..... (*one of the Receiving & Paying Agents if I have an account there or if the account is held elsewhere, the relevant financial intermediary*) to transfer these Shares from my securities account to the Centralizing Agent in favour of Sanofi.
……	Registered form	The following documents must be attached to this Acceptance Form 1(a): – evidence of record in the shareholders register as provided by Ablynx; and – *for natural persons*: a copy of my identity card or passport containing a signature specimen; or – *for legal entities*: a certified copy of the articles of association of the Shareholder, evidence of who can validly represent the Shareholder, the power of attorney, if any, and a copy of the identity card or passport containing a signature specimen of the person(s) competent to represent the Shareholder that executed the Acceptance Form 1(a). I hereby request that (i) these Shares be transferred to Sanofi, (ii) the transfer of these Shares be duly recorded in the share register of Ablynx, and, to that end, I authorize each director of Ablynx, acting alone and with the power to delegate their authority, to sign the share register in my name and on my behalf and to perform all actions required for this purpose.

The Shareholders who hold both registered and dematerialized Shares are explicitly requested to fill in two separate Acceptance Forms 1(a) (for the registered Shares tendered to the Bid to be delivered to any of the offices of the Centralizing Agent and for the dematerialized Shares tendered to the Bid to be delivered to their financial institution or broker where such dematerialized Shares are held).

I hereby request that on the Settlement Date, the Share Bid Price of the transferred Shares, as relevant, be credited to my following account:

Name bank:	
IBAN:	
BIC/SWIFT:	

I am aware, agree and confirm that:

i. in order to be valid, this Acceptance Form 1(a) must be submitted in duplicate in accordance with the applicable acceptance procedure as set forth in the Prospectus (Section 7.8.1), to the Receiving & Paying Agents (BNP Paribas Fortis SA/NV or KBC Securities NV/SA in cooperation with KBC Bank NV/SA) and/or the financial intermediary no later than 4 May, 2018, 11:00 p.m. (CET) or any later date announced in the event of an extension, or any earlier deadline set by the financial intermediary;

ii. I am duly authorised to transfer my Shares and all authorizations, formalities or procedures required to that end have been duly and successfully obtained, accepted, completed and/or carried out;

iii. I may withdraw my acceptance during the Acceptance Period during which I tendered my Shares and that for the withdrawal of such acceptance to be valid, I must deliver to the financial intermediary to which I had delivered my Acceptance Form 1(a) the Withdrawal Form (set forth in **Annex 4** to the Prospectus); the Withdrawal Form must be received by the Centralizing Agent at the latest on the date of closing of the Initial Acceptance Period (or any subsequent Acceptance Period(s)) before 11:00 p.m. CET.

iv. if the Shares are co-owned by two or more holders, each of them must sign this same Acceptance Form 1(a); if the Shares are subject to beneficial ownership, both the bare owner and the beneficial owner must sign this Acceptance Form 1(a); if the Shares are pledged, both the pledging debtor and the creditor benefiting from such pledge must sign this Acceptance Form 1(a) with the understanding that the creditor benefiting from the pledge will be deemed irrevocably and unconditionally to renounce and release the shares concerned from his pledge.

v. Sanofi shall bear the potential tax on stock market transactions; the Receiving & Paying Agents shall not charge the Shareholders any commission, fees or other costs under the Bid; Shareholders registering their acceptance with a financial institution other than the Receiving & Paying Agents are requested to inquire about any costs they could incur in connection with the Bid.

vi. I have received all information necessary to be able to take a decision on the Bid with full knowledge of the facts, and I am fully aware of the risks it entails and have inquired about the taxes I could owe in the framework of the transfer of my Shares to Sanofi which, if need be, I shall bear in full.

Except where indicated to the contrary, the terms used in this Acceptance Form 1(a) shall have the same meaning as in the Prospectus.

***

Done in **duplicate** at (*place*) …… on (*date*) ……2018.

The Shareholder	**The Receiving & Paying Agent / other financial intermediary**
(signature) *(name, first name)*	*(signature)* *(financial intermediary)*
(signature) *(name, first name)*	

ANNEX 2. EXERCISE AND ACCEPTANCE FORM 1(B)

EXERCISE & ACCEPTANCE FORM FOR THE VOLUNTARY AND CONDITIONAL TAKEOVER BID IN CASH BY SANOFI FOR THE SECURITIES OF ABLYNX NV

EVERY WARRANT HOLDER SHALL RECEIVE A PERSONALIZED AND PRE-FILLED EXERCISE AND ACCEPTANCE FORM

Evidence of record in Ablynx's warrant register

Ablynx hereby declares that the Warrants set out below are recorded in your name in Ablynx's warrant register as per 2 April 2018:

[Name Warrant Holder], [address]		
A	B	C
Warrant plan[12]	Number of Warrants	Exercise price per Warrant (EUR)

This "Evidence of record in Ablynx's warrant register" is strictly personal and cannot be transferred to any other person. It does not represent the ownership of any Warrants, but merely confirms the Warrants recorded in your name in Ablynx's warrant register as per the date set out above.

All Warrants give right to subscribe for one Share.

Your options for the exercise of Warrants

You may exercise your Warrants under the condition precedent of a successful closing of the Initial Acceptance Period of the Bid. If you exercise your Warrants conditionally, (i) you will keep your Warrants if the condition is not satisfied, or (ii) you will receive the underlying Shares if the condition is satisfied. If you exercise your Warrants unconditionally, you will receive the underlying Shares even if the condition is not satisfied.

Furthermore, only if you exercise your Warrants conditionally, Sanofi commits to advance the total exercise price of your Warrants, and no exercise costs will be charged by KBC Bank.

[12] As defined in the Prospectus.

This means that you have three options for the exercise of your warrants:

Option 1: you may exercise your Warrants conditionally, and tender the underlying Shares in the Bid, and Sanofi will advance the total exercise price of the Warrants.

Option 2: you may exercise your Warrants unconditionally, and tender the underlying Shares in the Bid.

Option 3: you may exercise your Warrants unconditionally, and not tender the underlying Shares in the Bid.

Please consult the Prospectus for more detailed information about these options.

OPTION 1

I want to <u>conditionally exercise</u> my Warrants, <u>tender</u> the underlying Shares in the Bid <u>and have Sanofi advance the total exercise price</u>

a) Warrant exercise

- <u>Exercise deadline</u>: **4 May 2018 (11:00 p.m. CET)**
- <u>Payment deadline</u>: not applicable since Sanofi advances the total exercise price
- <u>Exercise cost</u>: not applicable

Important: if you do not meet the exercise deadline, you may not be able to tender the underlying Shares in the Bid during the Initial Acceptance Period.

b) Tendering of the underlying Shares

- <u>Initial Acceptance Period</u>: 4 April through 4 May 2018 (11:00 p.m. CET)

I hereby exercise the Warrants as set out in the table below under the condition precedent of a successful closing of the Initial Acceptance Period of the Bid as described in Section 7.8.1.2 (ii) of the Prospectus (*please fill in the number of exercised Warrants (column D) and the total exercise price (column E)*).

A	B	C	D	E
Warrant plan[13]	Number of Warrants	Exercise price per Warrant (EUR)	Number of Warrants to be exercised **(fill in)**	Total exercise price (= C * D) (EUR)
			……..	……..
			……..	……..
			……..	……..
			……..	……..
			……..	……..
			TOTAL	……..

I hereby authorise Sanofi to pay the total exercise price as set out in the table above in my name and for my account to Ablynx in view of the issuance of the underlying Shares under the condition precedent of a successful closing of the Initial Acceptance Period of the Bid as described in Section 7.8.1.2 (ii) of the Prospectus; I acknowledge and accept that Sanofi shall only do so if I tender the underlying Shares in the Bid as set out below.

[13] As defined in the Prospectus.

I hereby declare, after having had the opportunity to read the Prospectus, that:

- I accept the terms and conditions of the Bid described in the Prospectus;
- I agree to transfer all Shares that are issued following the exercise of the Warrants as set out in the table above, which Shares I will fully own, to Sanofi under the terms and conditions of the Bid set out in the Prospectus, against payment of an amount of the Share Bid Price for each Share (i.e. EUR 45.00) less the exercise price for each conditionally exercised Warrant advanced by Sanofi in my name and for my account;
- I acknowledge that all representations, warranties and undertakings deemed to be made or given by me under the Prospectus with respect to these Shares are incorporated in this form;
- I hereby authorize any director of Ablynx, acting alone and with the power to delegate its authority, to record the transfer of the underlying Shares to Sanofi in Ablynx's share register and to perform all actions required for this purpose;
- I undertake to pay to Ablynx the amount of any applicable taxes, levies and/or employee social security contributions in relation to the exercise of my Warrants that (i) Ablynx would need to pay under the relevant legislation and/or (ii) would be charged to me under the relevant legislation but for which Ablynx may be held jointly and severally liable, the amount of which will be determined by Ablynx[14], and I hereby authorise Ablynx to withhold or deduct any such taxes, levies and/or employee social security contributions from my wages and compensation (if any) as required under the relevant legislation.

I hereby request that on the Initial Payment Date, the Share Bid Price for each Share (i.e. EUR 45.00) less the exercise price for each conditionally exercised Warrant advanced by Sanofi in my name and for my account, be credited to my bank account with KBC Bank (more information can be obtained at any of the offices of KBC Bank NV/SA).

Please send the completed form (i) by e-mail to Guido.Gielen@ablynx.com/kbcvcdesop@kbc.be and (ii) in two original copies to Ablynx – Guido Gielen, Technologiepark 21, 9052 Ghent (Belgium)/KBC Bank – Dienst Order&Trade - VOF, Prof. R. Van Overstraetenplein 5, 3000 Leuven (Belgium) by 4 May 2018 (11:00 p.m. CET).

I acknowledge that if I do not meet the exercise deadline, I may not be able to tender the underlying Shares in the Bid during the Initial Acceptance Period.

Name	:	……	Signature
Date	:	……	……

The following documents must be appended hereto:

- *for natural persons*: a copy of my identity card or passport containing a signature specimen; or
- *for legal entities*: a certified copy of the articles of association of the Warrant Holder, evidence of who can validly represent the Warrant Holder, the power of attorney, if any, and a copy of the identity card or passport containing a signature specimen of the person(s) competent to represent the Warrant Holder that executed this form.

[14] Ablynx will inform you of the amount of applicable taxes, levies and/or employee social security contributions.

OPTION 2

I want to <u>unconditionally exercise</u> my Warrants <u>and tender</u> the underlying Shares in the Bid

a) Warrant exercise

- <u>Exercise deadline</u>: **20 April 2018 (4 p.m. CET)**
- <u>Payment deadline</u>: **20 April 2018 (4 p.m. CET)** on [individual bank account number to be completed/my bank account with KBC Bank] (please give payment instructions well in advance)
- <u>Exercise cost</u>: fixed cost of EUR 7,5 per warrant plan concerned + 0,25% of the exercise price

Important: if you do not meet the exercise deadline and/or the payment deadline, you may not be able to tender the underlying Shares in the Bid during the Initial Acceptance Period.

b) Tendering of the underlying Shares

- <u>Initial Acceptance Period</u>: 4 April through 4 May 2018 (11:00 p.m. CET)

I hereby unconditionally exercise the Warrants as set out in the table below (*please fill in the number of exercised Warrants (column D), the total exercise price (column E), the exercise cost (column F) and the exercise amount (column G)*).

A	B	C	D	E	F	G
Warrant plan[15]	Number of Warrants	Exercise price per Warrant (EUR)	Number of Warrants to be exercised **(fill in)**	Total exercise price (= C * D) (EUR)	Exercise cost: EUR 7,5 + (E * 0,25%) (EUR)	Exercise amount (= E + F) (EUR)
			……..	……..	EUR 7,5 +……..	……..
			……..	……..	EUR 7,5 +……..	……..
			……..	……..	EUR 7,5 +……..	……..
			……..	……..	EUR 7,5 +……..	……..
			……..	……..	EUR 7,5 +……..	……..
					TOTAL	……..

I hereby declare, after having had the opportunity to read the Prospectus, that:

- I accept the terms and conditions of the Bid described in the Prospectus;
- I agree to transfer all Shares that are issued following the exercise of the Warrants as set out in the table above, which Shares I will fully own, to Sanofi under the terms and conditions of the Bid set out in the Prospectus, against payment of the Share Bid Price for each Share (i.e. EUR 45.00);
- I acknowledge that all representations, warranties and undertakings deemed to be made or given by me under the Prospectus with respect to these Shares are incorporated in this form;
- I hereby authorize the transfer of the underlying Shares from my securities account with KBC Bank to the Centralizing Agent in favour of Sanofi on a delivery free of payment basis if the Bid is successful.

[15] As defined in the Prospectus.

- I undertake to pay to Ablynx the amount of any applicable taxes, levies and/or employee social security contributions in relation to the exercise of my Warrants that (i) Ablynx would need to pay under the relevant legislation and/or (ii) would be charged to me under the relevant legislation but for which Ablynx may be held jointly and severally liable, the amount of which will be determined by Ablynx[16], and I hereby authorise Ablynx to withhold or deduct any such taxes, levies and/or employee social security contributions from my wages and compensation (if any) as required under the relevant legislation.

I hereby request that on the Initial Payment Date, the Share Bid Price for each tendered Share (i.e. EUR 45.00) be credited to my bank account with KBC Bank (more information can be obtained at any of the offices of KBC Bank NV/SA).

Please send the completed form (i) by e-mail to Guido.Gielen@ablynx.com/kbcvcdesop@kbc.be and (ii) in two original copies to Ablynx – Guido Gielen, Technologiepark 21, 9052 Ghent (Belgium)/ KBC Bank – Dienst Order&Trade - VOF, Prof. R. Van Overstraetenplein 5, 3000 Leuven (Belgium) by 20 April 2018 (4 p.m. CET).

Please transfer the exercise amount to [individual bank account number to be completed/your bank account with KBC Bank] by 20 April 2018 (4 p.m. CET) (please give payment instructions well in advance).

I acknowledge that if I do not meet the exercise deadline and/or the payment deadline, I may not be able to tender the underlying Shares in the Bid during the Initial Acceptance Period.

Name	:	……	Signature
Date	:	……	……

The following documents must be appended hereto:

- *for natural persons*: a copy of my identity card or passport containing a signature specimen; or
- *for legal entities*: a certified copy of the articles of association of the Warrant Holder, evidence of who can validly represent the Warrant Holder, the power of attorney, if any, and a copy of the identity card or passport containing a signature specimen of the person(s) competent to represent the Warrant Holder that executed this form.

[16] Ablynx will inform you of the amount of applicable taxes, levies and/or employee social security contributions.

ANNEX 3. ACCEPTANCE FORM 1 (C)

ACCEPTANCE FORM FOR THE VOLUNTARY AND CONDITIONAL TAKEOVER BID IN CASH BY SANOFI FOR THE SECURITIES OF ABLYNX NV

Acceptance Form for Convertible Bonds only

TO BE COMPLETED AND SUBMITTED IN DUPLICATE TO THE CENTRALIZING AGENT (BNP PARIBAS FORTIS SA/NV) AND/OR THE FINANCIAL INTERMEDIARY NO LATER THAN 4 MAY, 2018, 11:00 P.M. (CET) OR ANY LATER DATE ANNOUNCED IN THE EVENT OF AN EXTENSION, OR ANY EARLIER DEADLINE SET BY THE FINANCIAL INTERMEDIARY

I, the undersigned,

Legal entity:

Name and legal form:	
Registered office:	
Country:	
Validly represented by:	1. (*name, surname, domicile and capacity*) 2. (*name, surname, domicile and capacity*)

Natural person:

Surname:	
Name:	
Domicile:	
Nationality:	
Passport number:	

declare after having had the opportunity to read the Prospectus published by Sanofi *société anonyme à conseil d'administration* (the Bidder) relating to its voluntary and conditional takeover bid in cash (the Bid) for all Shares, Warrants and Convertible Bonds issued by Ablynx NV (the Target) that:

i. I accept the terms and conditions of the Bid described in the Prospectus;

ii. I hereby agree to transfer the Convertible Bonds identified in this Acceptance Form 1(c), and which I fully own, to Sanofi, in accordance with the terms and conditions of the Prospectus, for a price consisting of a payment in cash of EUR 393,700.78 for each Convertible Bond.

iii. I shall transfer the Convertible Bonds in accordance with the acceptance process described in the Prospectus; and

iv. I acknowledge that all representations, warranties and undertakings deemed to be made or given by me under the Prospectus are incorporated in this Acceptance Form 1(c) with respect to the transfer of my Convertible Bonds.

I hold the following Convertible Bonds:

Convertible Bonds	
Number	**Instructions**
……	These Convertible Bonds are available on my securities account with the following details: *Name bank:* ……...……..…… *IBAN:* ……...……..…… *BIC/SWIFT:* ……...……..…… I hereby authorise ……..... (*the Centralizing Agent if I have an account there or if the account is held elsewhere the relevant financial intermediary*) to transfer these Convertible Bonds from my securities account to the Centralizing Agent in favour of Sanofi.

I hereby request that on the Settlement Date, the Convertible Bond Bid Price of the transferred Convertible Bonds, as relevant, be credited to my following account:

Name bank:	
IBAN:	
BIC/SWIFT:	

I am aware, agree and confirm that:

i. in order to be valid, this Acceptance Form 1(c) must be submitted in duplicate in accordance with the applicable acceptance procedure as set forth in the Prospectus (Section 7.8.1), to the Centralizing Agent (BNP Paribas Fortis SA/NV) and/or the financial intermediary no later than 4 May, 2018, 11:00 p.m. (CET) or any later date announced in the event of an extension, or any earlier deadline set by the financial intermediary;

ii. I am duly authorised to transfer my Convertible Bonds and all authorizations, formalities or procedures required to that end have been duly and successfully obtained, accepted, completed and/or carried out;

iii. I may withdraw my acceptance during the Acceptance Period during which I tendered my Convertible Bonds and that for the withdrawal of such acceptance to be valid, I must deliver to the financial intermediary to which I had delivered my Acceptance Form 1(c) the Withdrawal Form (set forth in 7.8.2 to the Prospectus); the Withdrawal Form must be received by the Centralizing Agent at the latest on the date of closing of the Initial Acceptance Period (or any subsequent Acceptance Period(s)) before 11:00 p.m. CET.

iv. if the Convertible Bonds are co-owned by two or more holders, each of them must sign this same Acceptance Form 1(c); if the Convertible Bonds are subject to beneficial ownership, both the bare owner and the beneficial owner must sign this Acceptance Form 1(c); if the Convertible Bonds are pledged, both the pledging debtor and the creditor benefiting from such pledge must sign this Acceptance Form 1(c) with the understanding that the creditor benefiting from the pledge will be deemed irrevocably and unconditionally to renounce and release the Convertible Bonds concerned from his pledge.

v. Sanofi shall bear the potential tax on stock market transactions; the Centralizing Agent shall not charge the Convertible Bond Holders any commission, fees or other costs under the Bid; Convertible Bond Holders registering their acceptance with a financial institution other than the Centralizing Agent are requested to inquire about any costs they could incur in connection with the Bid.

i. all representations, warranties and undertakings deemed to be delivered by me are incorporated herein with respect to the transfer of my Convertible Bonds;

vi. I have received all information necessary to be able to take a decision on the Bid with full knowledge of the facts, and I am fully aware of the risks it entails and have inquired about the taxes I could owe in the framework of the transfer of my Convertible Bonds to Sanofi which, if need be, I shall bear in full.

Except where indicated to the contrary, the terms used in this Acceptance Form 1(c) shall have the same meaning as in the Prospectus.

***

Done in **duplicate** at (*place*) …… on (*date*) ……2018.

The Convertible Bond Holder	**The Centralizing Agent / other financial intermediary**
(signature) *(name, first name)*	*(signature)* *(financial intermediary)*
(signature) *(name, first name)*	

ANNEX 4. WITHDRAWAL FORM

WITHDRAWAL FORM FOR THE VOLUNTARY AND CONDITIONAL TAKEOVER BID IN CASH BY SANOFI FOR THE SECURITIES OF ABLYNX NV

TO BE COMPLETED AND SUBMITTED IN DUPLICATE TO ABLYNX, KBC BANK NV/SA (ACTING ON BEHALF OF ABLYNX), THE RELEVANT RECEIVING & PAYING AGENT OR THE FINANCIAL INTERMEDIARY TO WHICH THE SECURITY HOLDER HAD DELIVERED ITS ACCEPTANCE FORM AND/OR EXERCISE FORM, AS THE CASE MAY BE, NO LATER THAN THE DATE OF CLOSING OF THE INITIAL ACCEPTANCE PERIOD (OR ANY SUBSEQUENT ACCEPTANCE PERIOD(S)) BEFORE 11:00 P.M. CET

I, the undersigned,

Legal entity:

Name and legal form:	
Registered office:	
Country:	
Validly represented by:	1. (*name, surname, domicile and capacity*) 2. (*name, surname, domicile and capacity*)

Natural person:

Surname:	
Name:	
Domicile:	
Nationality:	
Passport number:	

declare after having had the opportunity to read the Prospectus published by Sanofi *société anonyme à conseil d'administration* (the Bidder) relating to its voluntary and conditional takeover bid in cash (the Bid) for all Shares, Warrants and Convertible Bonds issued by Ablynx NV (the Target) that:

i. I accept the terms and conditions of the Bid described in the Prospectus;

ii. I hereby withdraw:

☐ my acceptance of the Bid (tendering of my Shares) as indicated on my executed Acceptance Form 1(a), that I attach to this Withdrawal Form;

or[17]

☐ my conditional exercise of my Warrants and my acceptance of the Bid (tendering of the Shares resulting from the conditional exercise of my Warrants) as indicated on my executed Exercise and Acceptance Form 1(b), that I attach to this Withdrawal Form;

or[18]

☐ my acceptance of the Bid (tendering of my Convertible Bonds) as indicated on my executed Acceptance Form 1(c), that I attach to this Withdrawal Form;

I am aware, agree and confirm that:

i. in order to be valid, this Withdrawal must be submitted in duplicate in accordance with the applicable withdrawal procedure as set forth in the Prospectus (Section 7.8.2), to Ablynx, KBC Bank NV/SA (acting on behalf of Ablynx), the relevant Receiving & Paying Agent or the financial intermediary to which I had delivered my Form (Acceptance Form or Exercise Form), as the case may be, at the latest on the date of closing of the Initial Acceptance Period before 11:00 p.m. CET, or any earlier deadline set by Ablynx, KBC Bank NV/SA (acting on behalf of Ablynx), the relevant Receiving & Paying Agent or the financial intermediary;

ii. I am duly authorised to withdraw my acceptance of the Bid and/or conditional exercise of my Warrants, and all authorizations, formalities or procedures required to that end have been duly and successfully obtained, accepted, completed and/or carried out;

iii. if the Securities are co-owned by two or more holders, each of them must sign this same Withdrawal Form; if the Securities are subject to beneficial ownership, both the bare owner and the beneficial owner must sign this Withdrawal Form; if the Securities are pledged, both the pledging debtor and the creditor benefiting from such pledge must sign this Withdrawal Form with the understanding that the creditor benefiting from the pledge will be deemed irrevocably and unconditionally to renounce and release the Securities concerned from his pledge.

[17] Please tick the appropriate box.

[18] Please tick the appropriate box.

iv. I have received all information necessary to be able to take a decision on the Bid with full knowledge of the facts, and I am fully aware of the risks it entails and have inquired about the taxes I could owe in the framework of the transfer of my Shares to Sanofi which, if need be, I shall bear in full.

Except where indicated to the contrary, the terms used in this Withdrawal Form shall have the same meaning as in the Prospectus.

***

Done in **duplicate** at (*place*) …… on (*date*) ……2018.

The Security Holder	**Ablynx / KBC Bank NV/SA / the Receiving & Paying Agent / other financial intermediary**
(signature) *(name, first name)*	*(signature)* *(name, first name, title)*
(signature) *(name, first name)*	*(signature)* *(name, first name, title)*

ANNEX 5. CONSOLIDATED FINANCIAL STATEMENTS OF SANOFI FOR THE FINANCIAL YEAR WHICH CLOSED ON 31 DECEMBER 2017

2017 Annual Consolidated Financial Statements

The financial statements are presented in accordance with International Financial Reporting Standards (IFRS).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

To the Board of Directors and Shareholders of Sanofi,

Opinion on the consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Sanofi and its subsidiaries (together the "Company") as of December 31, 2017, 2016, and 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, 2016, and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as endorsed by the European Union.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 6, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are public accounting firms registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Audit	Ernst & Young et Autres
/s/ Philippe Vogt	/s/ Stéphane Basset

Ernst & Young et Autres and PricewaterhouseCoopers Audit have respectively served as the Company's auditors since 2012 (Ernst & Young Audit and its predecessor firms served as Company's auditor from 1986 to 2011) and 1999.

Neuilly-sur-Seine and Paris-La Défense, March 6, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

To the Board of Directors and Shareholders of Sanofi,

Opinion on Internal Control over Financial Reporting

We have audited Sanofi and its subsidiaries' (together "the Company") internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

As indicated in the accompanying Report of Management on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Boehringer Ingelheim's Consumer Healthcare business, because it was acquired by the Company in a purchase business combination during 2017. Boehringer Ingelheim's Consumer Healthcare business is included in the 2017 consolidated financial statements of the Company and represented less than 1% of total assets as of December 31, 2017 and less than 5% of revenues for the year then ended. We have also excluded Boehringer Ingelheim's Consumer Healthcare business from our audit of internal control over financial reporting of the Company.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"), and our report dated March 6, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are public accounting firms registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

/s/ PricewaterhouseCoopers Audit
/s/ Philippe Vogt

Ernst & Young et Autres
/s/ Stéphane Basset

Ernst & Young et Autres and PricewaterhouseCoopers Audit have respectively served as the Company's auditors since 2012 (Ernst & Young Audit and its predecessor firms served as Company's auditor from 1986 to 2011) and 1999.

Neuilly-sur-Seine and Paris-La Défense, March 6, 2018

CONSOLIDATED BALANCE SHEETS – ASSETS

(€ million)	Note	December 31, 2017	December 31, 2016	December 31, 2015
Property, plant and equipment	D.3.	9,579	10,019	9,943
Goodwill	D.4.	40,264	40,287	39,557
Other intangible assets	D.4.	13,080	10,879	12,026
Investments accounted for using the equity method	D.6.	2,863	2,890	2,676
Other non-current assets	D.7.	3,364	2,820	2,725
Deferred tax assets	D.14.	4,290	4,669	4,714
Non-current assets		**73,440**	**71,564**	**71,641**
Inventories	D.9.	6,816	6,892	6,516
Accounts receivable	D.10.	7,216	7,311	7,386
Other current assets	D.11.	2,005	2,211	1,878
Cash and cash equivalents	D.13. – D.17.	10,315	10,273	9,148
Current assets		**26,352**	**26,687**	**24,928**
Assets held for sale or exchange	D.8. – D.36.	34	6,421	5,752
TOTAL ASSETS		**99,826**	**104,672**	**102,321**

CONSOLIDATED BALANCE SHEETS – EQUITY AND LIABILITIES

(€ million)	Note	December 31, 2017	December 31, 2016	December 31, 2015
Equity attributable to equity holders of Sanofi	D.15.	58,089	57,554	58,049
Equity attributable to non-controlling interests	D.16.	169	170	161
Total equity		**58,258**	**57,724**	**58,210**
Long-term debt	D.17.	14,326	16,815	13,118
Non-current liabilities related to business combinations and to non-controlling interests	D.18.	1,026	1,378	1,121
Non-current provisions and other non-current liabilities	D.19.	9,154	8,834	9,169
Deferred tax liabilities	D.14.	1,605	2,292	2,895
Non-current liabilities		**26,111**	**29,319**	**26,303**
Accounts payable		4,633	4,297	3,817
Current liabilities related to business combinations and to non-controlling interests	D.18.	343	198	130
Current provisions and other current liabilities	D.19.5.	9,206	10,175	9,442
Short-term debt and current portion of long-term debt	D.17.	1,275	1,764	3,436
Current liabilities		**15,457**	**16,434**	**16,825**
Liabilities related to assets held for sale or exchange	D.8. – D.36.	-	1,195	983
TOTAL EQUITY AND LIABILITIES		**99,826**	**104,672**	**102,321**

CONSOLIDATED INCOME STATEMENTS

(€ million)	Note	2017[(a)]	2016[(a)]	2015[(a) (b)]
Net sales	**D.35.1.**	**35,055**	**33,821**	**34,060**
Other revenues		1,149	887	801
Cost of sales		(11,611)	(10,702)	(10,919)
Gross profit		**24,593**	**24,006**	**23,942**
Research and development expenses		(5,472)	(5,172)	(5,082)
Selling and general expenses		(10,058)	(9,486)	(9,382)
Other operating income	D.25.	237	355	254
Other operating expenses	D.26.	(233)	(482)	(462)
Amortization of intangible assets		(1,866)	(1,692)	(2,137)
Impairment of intangible assets	D.5.	(293)	(192)	(767)
Fair value remeasurement of contingent consideration	D.18.	(159)	(135)	53
Restructuring costs and similar items	D.27.	(731)	(879)	(795)
Other gains and losses, and litigation	D.28.	(215)	211	-
Operating income		**5,803**	**6,534**	**5,624**
Financial expenses	D.29.	(420)	(924)	(559)
Financial income	D.29.	147	68	178
Income before tax and investments accounted for using the equity method	**D.35.1.**	**5,530**	**5,678**	**5,243**
Income tax expense	D.30.	(1,722)	(1,326)	(709)
Share of profit/(loss) from investments accounted for using the equity method	D.31.	104	134	(22)
Net income excluding the exchanged/held-for-exchange Animal Health business		**3,912**	**4,486**	**4,512**
Net income/(loss) of the exchanged/held-for-exchange Animal Health business	D.36.	4,643	314	(124)
Net income		**8,555**	**4,800**	**4,388**
Net income attributable to non-controlling interests	D.32.	121	91	101
Net income attributable to equity holders of Sanofi		**8,434**	**4,709**	**4,287**
Average number of shares outstanding (million)	D.15.9.	1,256.9	1,286.6	1,306.2
Average number of shares outstanding after dilution (million)	D.15.9.	1,266.8	1,296.0	1,320.7
■ Basic earnings per share (in euros)		6.71	3.66	3.28
■ Basic earnings per share excluding the exchanged/held-for-exchange Animal Health business (in euros)		3.02	3.42	3.38
■ Diluted earnings per share (in euros)		6.66	3.63	3.25
■ Diluted earnings per share excluding the exchanged/held-for-exchange Animal Health business (in euros)		2.99	3.39	3.34

(a) The results of the Animal Health business, and the gain on the divestment of that business, are presented separately in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations); see Notes D.1. and D.36.

*(b) Following a change in accounting presentation in 2016, VaxServe sales of non-Sanofi products are included in **Other revenues**. The presentation of 2015 **Net sales** and **Other revenues** has been amended accordingly (see Note B.13.).*

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(€ million)	Note	2017	2016	2015
Net income		**8,555**	**4,800**	**4,388**
Attributable to equity holders of Sanofi		*8,434*	*4,709*	*4,287*
Attributable to non-controlling interests		*121*	*91*	*101*
Other comprehensive income:				
■ Actuarial gains/(losses)	**D.15.7.**	(28)	(106)	652
■ Tax effects	**D.15.7.**	(90)	(22)	(187)
Sub-total: items not subsequently reclassifiable to profit or loss (a)		**(118)**	**(128)**	**465**
■ Available-for-sale financial assets	**D.15.7.**	838	(105)	(37)
■ Cash flow hedges	**D.15.7.**	(24)	31	(3)
■ Change in currency translation differences	**D.15.7.**	(3,240)	1,090	1,915
■ Tax effects	**D.15.7.**	(137)	40	20
Sub-total: items subsequently reclassifiable to profit or loss (b)		**(2,563)**	**1,056**	**1,895**
Other comprehensive income for the period, net of taxes (a+b)		**(2,681)**	**928**	**2,360**
Comprehensive income		**5,874**	**5,728**	**6,748**
Attributable to equity holders of Sanofi		*5,768*	*5,634*	*6,641*
Attributable to non-controlling interests		*106*	*94*	*107*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(€ million)	Share capital	Additional paid-in capital and retained earnings	Treasury shares	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, 2015	**2,639**	**52,553**	**(694)**	**2,599**	**(977)**	**56,120**	**148**	**56,268**
Other comprehensive income for the period	-	465	-	-	1,889	2,354	6	2,360
Net income for the period	-	4,287	-	-	-	4,287	101	4,388
Comprehensive income for the period	**-**	**4,752**	**-**	**-**	**1,889**	**6,641**	**107**	**6,748**
Dividend paid out of 2014 earnings (€2.85 per share)	-	(3,694)	-	-	-	(3,694)	-	(3,694)
Payment of dividends to non-controlling interests	-	-	-	-	-	-	(110)	(110)
Share repurchase program[(a)]	-	-	(1,781)	-	-	(1,781)	-	(1,781)
Reduction in share capital[(a)]	(52)	(2,124)	2,176	-	-	-	-	-
Share-based payment plans:								
■ Exercise of stock options[(a)]	18	555	-	-	-	573	-	573
■ Issuance of restricted shares[(a)]	6	(6)	-	-	-	-	-	-
■ Proceeds from sale of treasury shares on exercise of stock options	-	-	1	-	-	1	-	1
■ Value of services obtained from employees	-	-	-	205	-	205	-	205
■ Tax effects of the exercise of stock options	-	-	-	10	-	10	-	10
Change in non-controlling interests without loss of control	-	(26)	-	-	-	(26)	16	(10)
Balance at December 31, 2015	**2,611**	**52,010**	**(298)**	**2,814**	**912**	**58,049**	**161**	**58,210**
Other comprehensive income for the period	-	(127)	-	-	1,052	925	3	928
Net income for the period	-	4,709	-	-	-	4,709	91	4,800
Comprehensive income for the period	**-**	**4,582**	**-**	**-**	**1,052**	**5,634**	**94**	**5,728**
Dividend paid out of 2015 earnings (€2.93 per share)	-	(3,759)	-	-	-	(3,759)	-	(3,759)
Payment of dividends to non-controlling interests	-	-	-	-	-	-	(110)	(110)
Share repurchase program[(a)]	-	-	(2,905)	-	-	(2,905)	-	(2,905)
Reduction in share capital[(a)]	(45)	(1,655)	1,700	-	-	-	-	-
Share-based payment plans:								
■ Exercise of stock options[(a)]	7	212	-	-	-	219	-	219
■ Issuance of restricted shares[(a)]	7	(7)	-	-	-	-	-	-
■ Employee share ownership plan[(a)]	4	96	-	-	-	100	-	100
■ Value of services obtained from employees	-	-	-	227	-	227	-	227
■ Tax effects of the exercise of stock options	-	-	-	(9)	-	(9)	-	(9)
Change in non-controlling interests without loss of control	-	(2)	-	-	-	(2)	27	25
Change in non-controlling interests arising from divestment	-	-	-	-	-	-	(2)	(2)
Balance at December 31, 2016	**2,584**	**51,477**	**(1,503)**	**3,032**	**1,964**	**57,554**	**170**	**57,724**

(€ million)	Share capital	Additional paid-in capital and retained earnings	Treasury shares	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 December 31, 2016	**2,584**	**51,477**	**(1,503)**	**3,032**	**1,964**	**57,554**	**170**	**57,724**
Other comprehensive income for the period	-	(117)	-	-	(2,549)	(2,666)	(15)	(2,681)
Net income for the period	-	8,434	-	-	-	8,434	121	8,555
Comprehensive income for the period	**-**	**8,317**	**-**	**-**	**(2,549)**	**5,768**	**106**	**5,874**
Dividend paid out of 2016 earnings (€2.96 per share)	-	(3,710)	-	-	-	(3,710)	-	(3,710)
Payment of dividends to non-controlling interests	-	-	-	-	-	-	(99)	(99)
Share repurchase program[(a)]	-	-	(2,159)	-	-	(2,159)	-	(2,159)
Reduction in share capital[(a)]	(94)	(3,554)	3,648	-	-	-	-	-
Share-based payment plans:								
■ Exercise of stock options[(a)]	8	215	-	-	-	223	-	223
■ Issuance of restricted shares[(a)]	7	(7)	-	-	-	-	-	-
■ Employee share ownership plan[(a)]	3	103	-	-	-	106	-	106
■ Value of services obtained from employees	-	-	-	263	-	263	-	263
■ Tax effects of the exercise of stock options	-	-	-	3	-	3	-	3
Other changes arising from issuance of restricted shares[(b)]	-	16	-	-	-	16	-	16
Change in non-controlling interests without loss of control	-	25	-	-	-	25	(1)	24
Change in non-controlling interests arising from divestment	-	-	-	-	-	-	(7)	(7)
Balance at December 31, 2017	**2,508**	**52,882**	**(14)**	**3,298**	**(585)**	**58,089**	**169**	**58,258**

(a) See Notes D.15.1., D.15.3., D.15.4. and D.15.5.
(b) Issuance of restricted shares to former employees of the Animal Health business subsequent to the date of divestment.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(€ million)	Note	2017[a]	2016[a]	2015[a]
Net income attributable to equity holders of Sanofi		**8,434**	**4,709**	**4,287**
Net (income)/loss of the exchanged/held-for-exchange Animal Health business		(4,643)	(314)	124
Non-controlling interests, excluding BMS[b]	D.32.	38	5	7
Share of undistributed earnings from investments accounted for using the equity method		(66)	(83)	115
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		3,686	3,301	4,276
Gains and losses on disposals of non-current assets, net of tax[c]		(97)	(244)	(136)
Net change in deferred taxes		(909)	(542)	(1,253)
Net change in non-current provisions and other non-current liabilities[d]		321	20	(13)
Cost of employee benefits (stock options and other share-based payments)	D.15.2. - D.15.3. - D.15.8.	263	241	193
Impact of the workdown of acquired inventories remeasured at fair value	D.35.1.	166	-	-
Unrealized (gains)/losses recognized in income		38	(83)	(365)
Operating cash flow before changes in working capital and excluding the exchanged/held-for-exchange Animal Health business		**7,231**	**7,010**	**7,235**
(Increase)/decrease in inventories		(145)	(323)	(466)
(Increase)/decrease in accounts receivable		(529)	168	(493)
Increase/(decrease) in accounts payable		577	447	241
Net change in other current assets and other current liabilities		245	536	1,773
Net cash provided by/(used in) operating activities excluding the exchanged/held-for-exchange Animal Health business[e]		**7,379**	**7,838**	**8,290**
Net cash provided by/(used in) operating activities of the exchanged/held-for-exchange Animal Health business		**-**	**346**	**630**
Acquisitions of property, plant and equipment and intangible assets	D.3. - D.4.	(1,956)	(2,083)	(2,772)
Acquisitions of investments in consolidated undertakings and investments accounted for using the equity method[f][h]	D.2. - D.18.	(1,151)	(426)	(220)
Acquisitions of available-for-sale financial assets	D.7.	(161)	(208)	(142)
Proceeds from disposals of property, plant and equipment, intangible assets and other non-current assets, net of tax[g]		535	209	211
Net change in loans and other financial assets		(163)	(3)	(88)
Net cash provided by/(used in) investing activities excluding the exchanged/held-for-exchange Animal Health business		**(2,896)**	**(2,511)**	**(3,011)**
Net cash provided by/(used in) investing activities of the exchanged/held-for-exchange Animal Health business	**D.36.**	**-**	**(126)**	**(246)**
Net cash inflow from the exchange of the Animal Health business for BI's Consumer Healthcare business[i]	**D.36.**	**3,535**	**-**	**-**

(€ million)	Note	2017[a]	2016[a]	2015[a]
Issuance of Sanofi shares	D.15.1.	319	305	573
Dividends paid:				
■ to shareholders of Sanofi		(3,710)	(3,759)	(3,694)
■ to non-controlling interests, excluding BMS[b]		(15)	(21)	(12)
Payments received/(made) on changes of ownership interest in a subsidiary without loss of control		(37)	(11)	(8)
Additional long-term debt contracted	D.17.	41	4,773	2,253
Repayments of long-term debt	D.17.	(2,368)	(2,576)	(708)
Net change in short-term debt		30	96	(199)
Acquisitions of treasury shares	D.15.4.	(2,162)	(2,908)	(1,784)
Disposals of treasury shares, net of tax	D.15.	-	-	1
Net cash provided by/(used in) financing activities excluding the exchanged/held-for-exchange Animal Health business		**(7,902)**	**(4,101)**	**(3,578)**
Net cash provided by/(used in) financing activities of the exchanged/held-for-exchange Animal Health business		**-**	**111**	**(23)**
Impact of exchange rates on cash and cash equivalents		**(74)**	**(101)**	**(232)**
Impact on cash and cash equivalents of the reclassification of the Animal Health business to "Assets held for sale or exchange"[i]	**D.36.**	**-**	**-**	**(23)**
Net change in cash and cash equivalents		**42**	**1,125**	**1,807**
Cash and cash equivalents, beginning of period		**10,273**	**9,148**	**7,341**
Cash and cash equivalents, end of period	**D.13.**	**10,315**	**10,273**	**9,148**
Net change in cash and cash equivalents excluding the Animal Health business (2015)		**-**	**-**	**1,469**
Net change in cash and cash equivalents of the Animal Health business (2015)		**-**	**-**	**361**

(a) For 2015 and 2016, cash flows of the Animal Health business are presented separately in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations). For 2017, all of the cash flows generated from the exchange of the Animal Health business for the Consumer Healthcare business of Boehringer Ingelheim (BI) are described in note (i) below.

(b) See Note C.2. to the financial statements for the year ended December 31, 2017.

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

(d) This line item includes contributions paid to pension funds (see Note D.19.1.).

(e) Including:

	2017	2016	2015
■ Income tax paid	(1,734)	(2,096)	(1,706)
■ Interest paid (excluding cash flows on derivative instruments used to hedge debt)	(347)	(401)	(404)
■ Interest received (excluding cash flows on derivative instruments used to hedge debt)	56	56	57
■ Dividends received from non-consolidated entities	8	9	9

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

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

(h) The main cash effect of the exchange of the Animal Health business for BI's Consumer Healthcare business was the receipt by Sanofi of a balancing cash payment of €4,207 million. Consequently, all of the cash flows arising from this exchange transaction during 2017 are presented in a separate line item, ***Net cash inflow from the exchange of the Animal Health business for BI's Consumer Healthcare business*** *(see Note D.1.).*

(i) For the year ended December 31, 2017, this line item comprises (i) the receipt by Sanofi of a balancing cash payment of €4,207 million; (ii) reimbursements of intragroup accounts with Merial entities totaling €967 million; (iii) payment of €1,784 million of tax due on the gain arising from the divestment; and (iv) the cash held by the BI subsidiaries acquired by Sanofi. The total consideration for the sale of the Animal Health business to BI was €10,557 million (see Note D.36.), and the consideration for the acquisition of BI's Consumer Healthcare business was €6,239 million (see Note D.1.).

(j) Cash and cash equivalents of the Animal Health business are presented within the line item ***Assets held for sale or exchange*** *for the years ended December 31, 2015 and 2016.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 (NYSE: SNY).

The consolidated financial statements for the year ended December 31, 2017, and the notes thereto, were signed off by the Sanofi Board of Directors on February 7, 2018.

A/ Basis of preparation

A.1. International financial reporting standards (IFRS)

The consolidated financial statements cover the twelve-month periods ended December 31, 2017, 2016 and 2015.

In accordance with Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002 on the application of international accounting standards, Sanofi has presented its consolidated financial statements in accordance with IFRS since January 1, 2005. The term "IFRS" refers collectively to international accounting and financial reporting standards (IASs and IFRSs) and to interpretations of the interpretations committees (SIC and IFRIC) with mandatory application as of December 31, 2017.

The consolidated financial statements of Sanofi as of December 31, 2017 have been prepared in compliance with IFRS as issued by the International Accounting Standards Board (IASB) and with IFRS as endorsed by the European Union as of December 31, 2017.

IFRS as endorsed by the European Union as of December 31, 2017 are available under the heading "IFRS Financial Statements" via the following web link:

https://www.efrag.org/Endorsement.

The consolidated financial statements have been prepared in accordance with the IFRS general principles of fair presentation, going concern, accrual basis of accounting, consistency of presentation, materiality, and aggregation.

A.2. New standards, amendments and interpretations

A.2.1. New standards, amendments and interpretations applicable in 2017

The new standards, amendments to standards, and interpretations that are mandatorily applicable with effect from the 2017 financial year have no material impact on the financial statements, or on their presentation.

In accordance with the amendment to IAS 7 (Statement of Cash Flows), with effect from the year ended December 31, 2017 Sanofi discloses changes in debt arising from financing activities, showing cash and non-cash movements separately (see Note D.17.).

A.2.2. New pronouncements issued by the IASB and applicable from 2018 or later

The note below describes standards, amendments and interpretations issued by the IASB that will have mandatory application in 2018 or subsequent years, and Sanofi's position regarding future application. Sanofi has not early adopted any of those standards, amendments or interpretations.

A.2.2.1. Standards

At the end of May 2014 the IASB issued IFRS 15 (Revenue from Contracts with Customers). IFRS 15 is a converged standard common to both IFRS and US generally accepted accounting principles (US GAAP), and replaces IAS 18 (Revenue) and IAS 11 (Construction Contracts) with effect from January 1, 2018.

In April 2016 the IASB issued clarifications (amendments to IFRS 15 applicable from January 1, 2018) on how to (i) identify a performance obligation, (ii) determine whether a company is a principal or an agent, and (iii) account for the revenue from granting a license.

IFRS 15 includes new revenue recognition principles, in particular as regards identifying a performance obligation and allocating the transaction price in the case of contracts with multiple components. It also changes how contracts are analyzed in the case of revenue generated by licensing arrangements, and how variable consideration is recognized. The standard also contains new disclosure requirements.

To date, the conclusions of our analysis of the impacts of first-time application in 2018 of IFRS 15 are as follows:

- Revenue recognized within ***Net sales*** by Sanofi arises from sales of pharmaceutical products, active ingredients and vaccines, net of sales returns, of customer incentives and discounts, and of certain sales-based payments paid or payable to the healthcare authorities. The concepts of "transfer of control" and "variable consideration" do not materially affect the way in which Sanofi recognizes revenue. Consequently, Sanofi does not anticipate any significant change in the timing or amount of net sales recognized.
- ***Other revenues*** recognized by Sanofi mainly comprise license royalties under collaboration agreements, and VaxServe sales of products sourced from third-party manufacturers. Sanofi does not anticipate any significant change in the timing or amount of other revenues recognized.
- ***Other operating income*** mainly comprises revenue arising from the sharing of costs and profits on product commercialization operations carried out in collaboration with partners, generating revenue under complex partnership and co-promotion agreements. Sanofi does not

anticipate any significant change in the timing or amount of other operating income recognized. Other operating income also includes realized and unrealized foreign exchange gains and losses on operating activities, and gains on disposals of non-financial assets not regarded as major disposals, which are outside the scope of IFRS 15.

- ***Share of profits or losses from investments accounted for using the equity method:*** Sanofi does not expect IFRS 15 to have a major impact on the determination of the share of profits or losses from the associates and joint ventures concerned.

Sanofi will apply IFRS 15 with effect from January 1, 2018, using the full retrospective method of adoption: the opening balance of equity at the start of the first period presented (January 1, 2016) will be adjusted to reflect the cumulative impact of applying IFRS 15, and comparative information for the years ended December 31, 2016 and 2017 will be presented in accordance with IFRS 15. Consequently, in the financial statements for the year ended December 31, 2018 all periods will be presented as though IFRS 15 had always been applied. The adjustments to net sales for the years ended December 31, 2016 and 2017 are regarded as immaterial.

In July 2014 the IASB issued IFRS 9 (Financial Instruments). With effect from January 1, 2018, IFRS 9 replaces the currently applicable standards on the presentation, recognition and measurement of financial instruments (IAS 39).

To date, the conclusions of our analysis of the impacts of first-time application in 2018 of IFRS 9 are as follows:

- Classification and measurement of financial assets

IFRS 9 alters the main accounting categories used for financial assets. Financial assets held by Sanofi that are classified as “available-for-sale” under IAS 39 will be reclassified as of January 1, 2018 into one of two categories: “financial assets at fair value through profit or loss” or “financial assets at fair value through other comprehensive income”. With effect from January 1, 2018 any gains on equity investments that Sanofi elects to classify as “financial assets at fair value through other comprehensive income” will no longer be recognized in profit or loss when the investment is sold. However, all dividends received from such investments will continue to be recognized in profit or loss.

In accordance with paragraph B5.2.3 of IFRS 9, Sanofi will continue to use acquisition cost as an appropriate estimate of the fair value of certain investments in unquoted companies. That method will cease to be used if any of the indicators listed in paragraphs B5.2.4 and B5.2.5 of IFRS 9 become apparent.

- Classification and measurement of financial liabilities

In October 2017, the IASB issued an amendment to IFRS 9 clarifying the treatment of modifications of financial liabilities. Because Sanofi does not enter into transactions of that type, first-time application of the amendment will have no impact on the consolidated financial statements.

- Impairment

The new credit risk recognition model based on expected losses changes the way in which allowances for impairment of accounts receivable are calculated, in that receivables that are not yet past due must be included in the base used to calculate the allowance. Sanofi sells medicines and vaccines to wholesalers, public authorities, hospitals, clinics, pharmacies, and non governmental organizations (NGOs). Given the nature of the accounts receivable recognized by Sanofi and the associated guarantees entered into, IFRS 9 does not materially alter the amount of allowances for impairment of accounts receivable.

- Hedge accounting

IFRS 9 does not alter the way in which Sanofi currently accounts for hedging transactions. Such transactions are carried out as part of our policies on foreign exchange and interest rate risk hedging.

At this stage of our analyses the amount of the adjustment to be recognized within equity is estimated to be immaterial.

Sanofi will apply IFRS 9 with effect from January 1, 2018. Under the transitional provisions of IFRS 9, only financial instruments held as of January 1, 2018 require retrospective application; presentation of comparatives is optional. Sanofi will decide which option to elect during the first half of 2018.

In January 2016 the IASB issued IFRS 16 (Leases), which aligns the accounting treatment of operating leases with that already applied to finance leases (i.e. recognition in the balance sheet of a liability for future lease payments, and of an asset for the associated rights of use). The first-time application of IFRS 16 will also lead to a change in presentation:

- In the income statement: the rental expense currently recognized as a component of ***Operating income*** will, under IFRS 16, be recognized partly as depreciation expense within ***Operating income***, and partly as interest expense within ***Financial expenses***.
- In the statement of cash flows: the rental payments currently presented within ***Net cash provided by/(used in) operating activities*** will, under IFRS 16, be presented within ***Net cash provided by/(used in) financing activities*** to the extent that those payments are allocated to repayment of the lease liability.

IFRS 16 is applicable to annual reporting periods beginning on or after January 1, 2019. Most of the leases contracted by Sanofi are operating leases in which Sanofi is the lessee. The main assets leased are office premises, cars, and computer hardware. An impact assessment is ongoing. For information, Sanofi’s obligations under non-cancelable operating leases are disclosed in Note D.21.1.

In addition, some supply and service contracts are also being assessed.

Sanofi’s IFRS 16 project is being led by a team composed of representatives from the various support functions affected (purchasing, real estate, information systems, finance, shared services). The assessment continued throughout 2017, looking at three key topics: identification and analysis of contracts, selection of IT application, and implementation methods.

Sanofi has not elected to early adopt IFRS 16.

As regards the method of first-time application, Sanofi has yet to make a decision. IFRS 16 may be applied either as of January 1, 2019 without restatement of comparative periods if the simplified transition option is elected, or as of January 1, 2017 with the 2017 and 2018 comparative periods restated under IFRS 16 if the retrospective transition option is elected.

A.2.2.2. Amendments, annual improvements and interpretations

Sanofi does not expect a material impact from the application of:

- IFRIC 22 (Foreign Currency Transactions and Advance Consideration), issued in December 2016 and applicable from 2018 onwards; and
- IFRIC 23 (Uncertainty over Income Tax Treatments), issued in June 2017 and applicable from 2019 onwards.

The other amendments issued, whether within or outside the 2014-2016 Annual Improvements cycle (IFRS 2 – various clarifications, IAS 28 – long-term interests in associates and joint ventures, etc), will have no impact on Sanofi's financial statements.

A.3. Use of estimates and judgments

The preparation of financial statements requires management to make reasonable estimates and assumptions based on information available at the date of the finalization of the financial statements. Those estimates and assumptions may affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements, and disclosures of contingent assets and contingent liabilities as 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 (see Notes B.13.1. and D.23.);
- impairment of property, plant and equipment, intangible assets, and investments accounted for using the equity method (see Notes B.6. and D.5.);
- the valuation of goodwill and the valuation and useful life of acquired intangible assets (see Notes B.3.2., B.4.3., D.4. and D.5.);
- the measurement of contingent consideration receivable in connection with asset divestments (see Notes B.8.6. and D.7.);
- the amount of post-employment benefit obligations (see Notes B.23. and D.19.1.);
- the amount of provisions for restructuring, litigation, tax risks and environmental risks (see Notes B.12., B.19., B.20., B.22., D.19. and D.22.);
- the amount of deferred tax assets resulting from tax losses available for carry-forward and deductible temporary differences (see Notes B.22. and D.14.);
- the direct and indirect impacts recorded in 2017 of the US tax reform (Tax Cuts and Jobs Act of 2017), including the estimated tax charge on deemed repatriation that is attributable to the accumulated earnings of non-US operations. The estimate of such tax charge will be finalized based on further analysis and, as the case may be, computations taking into account any future clarifications and supplementary guidance issued by the US Congress, the US Internal Revenue Service, the US Securities and Exchange Commission or other regulators.
- the measurement of contingent consideration (see Notes B.3. and D.18.); and
- which exchange rate to use at the end of the reporting period for the translation of accounts denominated in foreign currencies, and of financial statements of foreign subsidiaries, in cases where more than one exchange rate exists for a given currency (see Note A.4.).

Actual results could differ from these estimates.

Management is also required to exercise judgment in assessing whether the criteria specified in IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations) are met, and hence whether a non-current asset or asset group should be classified as "held for sale or exchange" and whether a discontinued operation should be reported separately. Such assessments are reviewed at each reporting date based on the facts and circumstances.

A.4. Consolidation and foreign currency translation of the financial statements of Venezuelan subsidiaries

Sanofi continues to account for subsidiaries based 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.

Prior to 2016, the Venezuelan foreign exchange system consisted of three exchange rates: (i) the "CENCOEX" rate, set at a fixed rate of 6.3 bolivars per US dollar and restricted to essential goods; (ii) an administered exchange rate (the "SICAD" rate), which was 13.5 bolivars per US dollar as of December 31, 2015 and applied to certain specific business sectors; and (iii) the "SIMADI" rate, of approximately 200 bolivars per US dollar, applied to specified transactions. In preparing the consolidated financial statements, the financial statements of the Venezuelan subsidiaries were translated into euros using the "SICAD" official exchange rate, which was the estimated rate at which the profits generated by the operations of those subsidiaries would be remitted to the parent.

In February 2016, the Venezuelan government reformed the foreign exchange system, which from that date had two exchange rates that applied to two categories of goods:

- a first category for essential goods to which was applied the "DIPRO" rate, set at a fixed exchange rate of 10 bolivars per US dollar;
- a second category to which was applied the "DICOM" rate, which was a floating exchange rate against the US dollar that initially stood at 206 bolivars per US dollar and was approximately 3,345 bolivars per US dollar as of December 31, 2017.

In light of those changes to the foreign exchange system, recent economic and political developments and the scarcity of US dollar cash in Venezuela, Sanofi changed the exchange rate used to translate its Venezuelan operations and from 2016 onwards has applied the "DICOM" rate. This change led to the recognition of a foreign exchange loss of €102 million in 2016.

The Venezuelan subsidiaries made an immaterial contribution to net sales in 2017 (€18 million in 2016, €455 million in 2015) and had a cash position of €7 million as of December 31, 2017 (€6 million as of December 31, 2016, €90 million as of December 31, 2015). The net assets of the Venezuelan subsidiaries were not material as of December 31, 2017.

At the end of January 2018 the Venezuelan government made further changes to the foreign exchange system, abolishing the "DIPRO" rate of 10 bolivars per US dollar. The "DICOM" rate must now be used for all foreign currency transactions.

A.5. Change in the operational structure of Sanofi

Sanofi acquired the Consumer Healthcare operations of Boehringer Ingelheim (BI) on January 1, 2017, and during 2017 gradually integrated those operations into its Consumer Healthcare Global Business Unit (GBU). Following completion of the integration process and with effect from December 31, 2017, Sanofi has identified the Consumer Healthcare business as an operating segment, the financial information for which is reported separately to, and reviewed separately by, the Chief Executive Officer. Until that date, the results of the Consumer Healthcare business were included in the Pharmaceuticals segment.

In addition, during 2017 Sanofi finalized a complete realignment of its internal management reporting to match its organizational structure. As a result, the costs of Sanofi's global functions (Medical Affairs, External Affairs, Finance, Human Resources, Legal Affairs, Information Solutions & Technologies, Sanofi Business Services, etc.) are now managed centrally at group-wide level and are no longer allocated to operating segments for internal management reporting purposes. For the year ended December 31, 2017 and subsequent years, 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.

Sanofi has amended the presentation of its segment information accordingly (see Note D.35.), and now performs impairment testing of goodwill at the level of three Cash Generating Units (CGUs): Pharmaceuticals, Consumer Healthcare and Human Vaccines (see Note D.5.).

B/ Summary of significant accounting policies

B.1. Basis of consolidation

In accordance with IFRS 10 (Consolidated Financial Statements), the consolidated financial statements of Sanofi include the financial statements of entities that Sanofi controls directly or indirectly, regardless of the level of the equity interest in those entities. An entity is controlled when Sanofi has power over the entity, exposure or rights to variable returns from its involvement with the entity, and the ability to affect those returns through its power over the entity. In determining whether control exists, potential voting rights must be taken into account if those rights are substantive, in other words they can be exercised on a timely basis when decisions about the relevant activities of the entity are to be taken.

Entities consolidated by Sanofi are referred to as "subsidiaries". Entities that Sanofi controls by means other than voting rights are referred to as "consolidated structured entities".

In accordance with IFRS 11 (Joint Arrangements), Sanofi classifies its joint arrangements (i.e. arrangements in which Sanofi exercises joint control with one or more other parties) either as a joint operation or a joint venture. In the case of a joint operation, Sanofi recognizes the assets and liabilities of the operation in proportion to its rights and obligations relating to those assets and liabilities. Joint ventures are accounted for using the equity method.

Sanofi exercises joint control over a joint arrangement when decisions relating to the relevant activities of the arrangement require the unanimous consent of Sanofi and the other parties with whom control is shared.

Sanofi exercises significant influence over an entity when it has the power to participate in the financial and operating policy decisions of that entity, but does not have the power to exercise control or joint control over those policies.

In accordance with IAS 28 (Investments in Associates and Joint Ventures), the equity method is used to account for joint ventures (i.e. entities over which Sanofi exercises joint control) and for associates (i.e. entities over which Sanofi exercises significant influence).

Under the equity method, the investment is initially recognized at cost, and subsequently adjusted to reflect changes in the net assets of the associate or joint venture. IAS 28 does not specify the treatment to be adopted on first-time application of the equity method to an investee following a step acquisition. Consequently, by reference to paragraph 10 of IAS 28, Sanofi has opted to apply the cost method, whereby the carrying amount of the investment represents the sum of the historical cost amounts for each step in the acquisition. As of the date on which the equity method is first applied, goodwill (which is included in the carrying amount of the investment) is determined for each acquisition step. The same applies to subsequent increases in the percentage interest in the equity-accounted investment.

When the criteria of IFRS 5 are met, Sanofi recognizes the equity interest within the balance sheet line item ***Assets held for sale or exchange***. The equity method is not applied to equity interests that are classified as held-for-sale assets.

Transactions between consolidated companies are eliminated, as are intragroup profits.

A list of the principal companies included in the consolidation in 2017 is presented in Note F.

B.2. Foreign currency translation

B.2.1. Accounting for foreign currency transactions in the financial statements of consolidated entities

Non-current assets (other than receivables) and inventories acquired in foreign currencies are translated into the functional currency using the exchange rate prevailing at the acquisition date.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the end of the reporting period. The gains and losses resulting from foreign currency translation are recorded in the income statement. However, foreign exchange gains and losses arising from the translation of advances between consolidated subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are recognized in equity, in the line item ***Change in currency translation differences***.

B.2.2. Foreign currency translation of the financial statements of foreign entities

Sanofi presents its consolidated financial statements in euros (€). In accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates), each subsidiary accounts for its transactions in the currency that is most representative of its economic environment (the functional currency).

All assets and liabilities are translated into euros using the exchange rate of the subsidiary's functional currency prevailing at the end of the reporting period. Income statements are translated using a weighted average exchange rate for the period, except in the case of foreign subsidiaries in a hyperinflationary economy. The resulting currency translation difference is recognized as a separate component of equity in the consolidated statement of comprehensive income, and is recognized in the income statement only when the subsidiary is sold or is wholly or partially liquidated.

B.3. Business combinations and transactions with non-controlling interests

B.3.1. Accounting for business combinations, transactions with non-controlling interests and loss of control

Business combinations are accounted for in accordance with IFRS 3 (Business Combinations) and IFRS 10 (Consolidated Financial Statements).

Business combinations are accounted for using the acquisition method. Under this method, the acquiree's identifiable assets and liabilities that satisfy the recognition criteria of IFRS 3 (Business Combinations) are measured initially at their fair values as at the date of acquisition, except for (i) non-current assets classified as held for sale (which are measured at fair value less costs to sell) and (ii) assets and liabilities that fall within the scope of IAS 12 (Income Taxes) and IAS 19 (Employee Benefits). Restructuring liabilities are recognized as a liability of the acquiree only if the acquiree has an obligation as of the acquisition date to carry out the restructuring.

The principal accounting rules applicable to business combinations and transactions with non-controlling interests include:

- Acquisition-related costs are recognized as an expense on the acquisition date, as a component of ***Operating income***.
- Contingent consideration is recognized in equity if the contingent payment is settled by delivery of a fixed number of the acquirer's equity instruments; otherwise, it is recognized in ***Liabilities related to business combinations***. Contingent consideration is recognized at fair value at the acquisition date irrespective of the probability of payment. If the contingent consideration was originally recognized as a financial liability, subsequent adjustments to the liability are recognized in profit or loss in the line item ***Fair value remeasurement of contingent consideration***, unless the adjustment is made within the twelve months following the acquisition date and relates to facts and circumstances existing as of that date. Subsequent contingent consideration adjustments in respect of business combinations completed before January 1, 2010 continue to be accounted for in accordance with the pre-revision IFRS 3 (i.e. through goodwill).
- In the case of a step acquisition, the previously-held equity interest is remeasured at its acquisition-date fair value. The difference between this fair value and the carrying amount is recorded in profit or loss, along with any gains or losses relating to the previously-held interest that were recognized in other comprehensive income and are reclassifiable to profit or loss.
- Goodwill may be calculated on the basis of either (i) the entire fair value of the acquiree, or (ii) a share of the fair value of the acquiree proportionate to the interest acquired. This option may be elected for each acquisition individually.
- The effects of (i) a buyout of non-controlling interests in a subsidiary already controlled by Sanofi, and (ii) a disposal of a percentage interest without loss of control, are recognized in equity.
- In a partial disposal resulting in loss of control, the retained equity interest is remeasured at fair value at the date of loss of control. The gain or loss recognized on the disposal includes the effect of that remeasurement, and items that were initially recognized in equity are reclassified to profit or loss.
- Adjustments to the values of assets and liabilities initially determined provisionally (pending the results of independent valuations or further analysis) are recognized as a retrospective adjustment to goodwill if they are made within twelve months of the acquisition date. Once this twelve-month period has elapsed, the effects of any adjustments are recognized directly in profit or loss, unless they qualify as an error correction.

Purchase price allocations are performed under the responsibility of management, with assistance from an independent valuer in the case of major acquisitions. The revised IFRS 3 does not specify an accounting treatment for contingent consideration arising from a business combination made by an entity prior to the acquisition of control in that entity and carried as a liability in the acquired entity's balance sheet. The accounting treatment applied by Sanofi to such a liability is to measure it at fair value as of the acquisition date and to report it in the line item ***Liabilities related to business combinations and to non-controlling interests***, with subsequent remeasurements recognized in profit or loss. This treatment is consistent with the accounting applied to contingent consideration in the books of the acquirer.

B.3.2. Goodwill

The excess of the cost of an acquisition over Sanofi's interest in the fair value of the identifiable assets and liabilities of the acquiree is recognized as goodwill at the date of the business combination.

Goodwill arising on the acquisition of subsidiaries is shown in a separate balance sheet line item, whereas goodwill arising on the acquisition of investments accounted for using the equity method is recorded in ***Investments accounted for using the equity method***.

Goodwill arising on foreign operations is expressed in the functional currency of the country concerned and translated into euros using the exchange rate prevailing at the end of the reporting period.

In accordance with IAS 36 (Impairment of Assets), goodwill is carried at cost less accumulated impairment (see Note B.6.).

Goodwill is tested for impairment annually and whenever events or circumstances indicate that impairment might exist. Such events or circumstances include significant changes more likely than not to have an other-than-temporary impact on the substance of the original investment.

B.4. Other intangible assets

Other intangible assets are initially measured at acquisition cost or production cost, including any directly attributable costs of preparing the asset for its intended use, or (in the case of assets acquired in a business combination) at fair value as of the date of the business combination. Intangible assets are amortized on a straight line basis over their useful lives.

The useful lives of other intangible assets are reviewed at the end of each reporting period. The effect of any adjustment to useful lives is recognized prospectively as a change in accounting estimate.

Amortization of other intangible assets is recognized in the income statement within ***Amortization of intangible assets*** except for amortization charged against (i) acquired or internally-developed software and (ii) other rights of an industrial or operational nature, which is recognized in the relevant classification of expense by function.

Sanofi does not own any intangible assets with an indefinite useful life, other than goodwill.

Intangible assets (other than goodwill) are carried at cost less accumulated amortization and accumulated impairment, if any, in accordance with IAS 36 (see Note B.6.).

B.4.1. Research and development not acquired in a business combination

Internally generated research and development

Under IAS 38, research expenses are recognized in profit or loss when incurred.

Internally generated development expenses are recognized as an intangible asset if, and only if, all the following six criteria can be demonstrated: (a) the technical feasibility of completing the development project; (b) Sanofi's intention to complete the project; (c) Sanofi's ability to use the project; (d) the probability that the project will generate future economic benefits; (e) the availability of adequate technical, financial and other resources to complete the project; and (f) the ability to measure the development expenditure reliably.

Due to the risks and uncertainties relating to regulatory approval and to the research and development process, the six criteria for capitalization are usually considered not to have been met until the product has obtained marketing approval from the regulatory authorities. Consequently, internally generated development expenses arising before marketing approval has been obtained, mainly the cost of clinical trials, are generally expensed as incurred within ***Research and development expenses***.

Some industrial development expenses (such as those incurred in developing a second-generation synthesis process) are incurred after marketing approval has been obtained, in order to improve the industrial process for an active ingredient. To the extent that the six IAS 38 criteria are considered as having been met, such expenses are recognized as an asset in the balance sheet within ***Other intangible assets*** as incurred. Similarly, some clinical trials, for example those undertaken to obtain a geographical extension for a molecule that has already obtained marketing approval in a major market, may in certain circumstances meet the six capitalization criteria under IAS 38, in which case the related expenses are recognized as an asset in the balance sheet within ***Other intangible assets***.

Separately acquired research and development

Payments for separately acquired research and development are capitalized within ***Other intangible assets*** provided that they meet the definition of an intangible asset: a resource that is (i) controlled by Sanofi, (ii) expected to provide future economic benefits for Sanofi, and (iii) identifiable (i.e. it is either separable or arises from contractual or legal rights). Under paragraph 25 of IAS 38, the first condition for capitalization (the probability that the expected future economic benefits from the asset will flow to the entity) is considered to be satisfied for separately acquired research and development. Consequently, upfront and milestone payments to third parties related to pharmaceutical products for which marketing approval has not yet been obtained are recognized as intangible assets, and amortized on a straight line basis over their useful lives beginning when marketing approval is obtained.

Payments under research and development arrangements relating to access to technology or to databases and payments made to purchase generics dossiers are also capitalized, and amortized over the useful life of the intangible asset.

Subcontracting arrangements, payments for research and development services, and continuous payments under research and development collaborations which are unrelated to the outcome of that collaboration, are expensed over the service term.

B.4.2. Other intangible assets not acquired in a business combination

Licenses other than those related to pharmaceutical products and research projects, in particular software licenses, are capitalized at acquisition cost, including any directly attributable cost of preparing the software for its intended use. Software licenses are amortized on a straight line basis over their useful lives for Sanofi (three to five years).

Internally generated costs incurred to develop or upgrade software are capitalized if the IAS 38 recognition criteria are satisfied, and amortized on a straight line basis over the useful life of the software from the date on which the software is ready for use.

B.4.3. Other intangible assets acquired in a business combination

Other intangible assets acquired in a business combination which relate to in-process research and development and currently marketed products and are reliably measurable are identified separately from goodwill, measured at fair value and capitalized within ***Other intangible assets*** in accordance with IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets). The related deferred tax liability is also recognized if a deductible or taxable temporary difference exists.

In-process research and development acquired in a business combination is amortized on a straight line basis over its useful life from the date of receipt of marketing approval.

Rights to products currently marketed by Sanofi are amortized on a straight line basis over their useful lives, determined on the basis of cash flow forecasts which take into account the patent protection period of the marketed product.

B.5. Property, plant and equipment

Property, plant and equipment is initially measured and recognized at acquisition cost, including any directly attributable cost of preparing the asset for its intended use, or (in the case of assets acquired in a business combination) at fair value as of the date of the business combination. The component-based approach to accounting for property, plant and equipment is applied. Under this approach, each component of an item of property, plant and equipment with a cost which is significant in relation to the total cost of the item and which has a different useful life from the other components must be depreciated separately.

After initial measurement, property, plant and equipment is carried at cost less accumulated depreciation and impairment, except for land which is carried at cost less impairment.

Subsequent costs are not recognized as assets unless (i) it is probable that future economic benefits associated with those costs will flow to Sanofi and (ii) the costs can be measured reliably.

Borrowing costs attributable to the financing of items of property, plant and equipment, and incurred during the construction period, are capitalized as part of the acquisition cost of the item.

Government grants relating to property, plant and equipment are deducted from the acquisition cost of the asset to which they relate.

In accordance with IAS 17 (Leases), items of property, plant and equipment leased by Sanofi as lessee under finance leases are recognized as an asset in the balance sheet, with the related lease obligation recognized as a liability. A lease qualifies as a finance lease if it transfers substantially all of the risks and rewards of ownership of the asset to Sanofi. Assets held under finance leases are carried at the lower of the fair value of the leased asset or the present value of the minimum lease payments, and are depreciated over the shorter of the useful life of the asset or the term of the lease.

The depreciable amount of items of property, plant and equipment, net of any residual value, is depreciated on a straight line basis over the useful life of the asset. The useful life of an asset is usually equivalent to its economic life.

The customary useful lives of property, plant and equipment are as follows:

Buildings	15 to 40 years
Fixtures	10 to 20 years
Machinery and equipment	5 to 15 years
Other	3 to 15 years

Useful lives and residual values of property, plant and equipment are reviewed annually. The effect of any adjustment to useful lives or residual values is recognized prospectively as a change in accounting estimate.

Depreciation of property, plant and equipment is recognized as an expense in the income statement, in the relevant classification of expense by function.

B.6. Impairment of property, plant and equipment, intangible assets, and investments accounted for using the equity method

B.6.1. Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36 (Impairment of Assets), assets that generate separate cash flows and assets included in cash-generating units (CGUs) are assessed for impairment when events or changes in circumstances indicate that the asset or CGU may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Under IAS 36, each CGU to which goodwill is allocated must (i) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and (ii) not be larger than an operating segment determined in accordance with IFRS 8 (Operating Segments), before application of the IFRS 8 aggregation criteria (see Note B.26.).

Quantitative and qualitative indications of impairment (primarily relating to the status of the research and development portfolio, pharmacovigilance, patent litigation, and the launch of competing products) are reviewed at the end of each reporting period. If there is any internal or external indication of impairment, Sanofi estimates the recoverable amount of the asset or CGU.

Other intangible assets not yet available for use (such as capitalized in-process research and development), and CGUs that include goodwill, are tested for impairment annually whether or not there is any indication of impairment, and more frequently if any event or circumstance indicates that they might be impaired. Such assets are not amortized.

When there is an internal or external indication of impairment, Sanofi estimates the recoverable amount of the asset and recognizes an impairment loss if the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the higher of its fair value less costs to sell or its value in use. To determine value in use, Sanofi uses estimates of future cash flows generated by the asset or CGU, prepared using the same methods as those used in the initial measurement of the asset or CGU on the basis of medium-term strategic plans.

In the case of goodwill, estimates of future cash flows are based on a medium-term strategic plan, an extrapolation of the cash flows beyond that plan, and a terminal value. In the case of other intangible assets, the period used is based on the economic life of the asset.

Estimated cash flows are discounted at long-term market interest rates that reflect the best estimate by Sanofi of the time value of money, the risks specific to the asset or CGU, and economic conditions in the geographical regions in which the business activity associated with the asset or CGU is located.

Certain assets and liabilities that are not directly attributable to a specific CGU are allocated between CGUs on a basis that is reasonable, and consistent with the allocation of the corresponding goodwill.

Impairment losses arising on property, plant and equipment, on software and on certain rights are recognized in the relevant classification of expense by function.

Impairment losses arising on other intangible assets are recognized within ***Impairment of intangible assets*** in the income statement.

B.6.2. Impairment of investments accounted for using the equity method

In accordance with IAS 28 (Investments in Associates and Joint Ventures), Sanofi applies the criteria specified in IAS 39 (Financial Instruments: Recognition and Measurement) to determine whether investments accounted for using the equity method may be impaired (see Note B.8.2.). If an investment is impaired, the amount of the impairment loss is determined by applying IAS 36 (see Note B.6.1.) and recognized in ***Share of profit/(loss) from investments accounted for using the equity method***.

B.6.3. Reversals of impairment losses charged against property, plant and equipment, intangible assets, and investments accounted for using the equity method

At the end of each reporting period, Sanofi assesses whether events or changes in circumstances indicate that an impairment loss recognized in a prior period in respect of an asset (other than goodwill) or an investment accounted for using the equity method can be reversed. If this is the case, and the recoverable amount as determined based on the revised estimates exceeds the carrying amount of the asset, Sanofi reverses the impairment loss only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset.

Reversals of impairment losses in respect of other intangible assets are recognized within the income statement line item ***Impairment of intangible assets***, while reversals of impairment losses in respect of investments accounted for using the equity method are recognized within the income

statement line item ***Share of profit/(loss) from investments accounted for using the equity method***. Impairment losses taken against goodwill are never reversed, unless the goodwill is part of the carrying amount of an investment accounted for using the equity method.

B.7. Assets held for sale or exchange and liabilities related to assets held for sale or exchange

In accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations), non-current assets and groups of assets are classified as held for sale in the balance sheet if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Within the meaning of IFRS 5, the term “sale” also includes exchanges for other assets.

Non-current assets or asset groups held for sale must be available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of such assets, and a sale must be highly probable. Criteria used to determine whether a sale is highly probable include:

- the appropriate level of management must be committed to a plan to sell;
- an active program to locate a buyer and complete the plan must have been initiated;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- completion of the sale should be foreseeable within the twelve months following the date of reclassification to ***Assets held for sale or exchange***; and
- actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Before initial reclassification of the non-current asset (or asset group) to ***Assets held for sale or exchange***, the carrying amounts of the asset (or of all the assets and liabilities in the asset group) must be measured in accordance with the applicable standards.

Subsequent to reclassification to ***Assets held for sale or exchange***, the non-current asset (or asset group) is measured at the lower of carrying amount or fair value less costs to sell, with any write-down recognized by means of an impairment loss. Once a non-current asset has been reclassified as held for sale or exchange, it is no longer depreciated or amortized.

In a disposal of an equity interest leading to loss of control, all the assets and liabilities of the entity involved are classified as held-for-sale assets or liabilities within the balance sheet line items ***Assets held for sale or exchange*** or ***Liabilities related to assets held for sale or exchange***, provided that the disposal satisfies the IFRS 5 classification criteria.

The profit or loss generated by a held-for-sale asset group is reported in a separate line item in the income statement for the current period and for the comparative periods presented, provided that the asset group:

- represents a separate major line of business or geographical area of operations; or,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or,
- is a subsidiary acquired exclusively with a view to resale.

In accordance with IFRS 10, transactions between companies that are held for sale or treated as discontinued operations and other consolidated companies are eliminated.

Events or circumstances beyond Sanofi’s control may extend the period to complete the sale or exchange beyond one year without precluding classification of the asset (or disposal group) in ***Assets held for sale or exchange*** provided that there is sufficient evidence that Sanofi remains committed to the planned sale or exchange. Finally, in the event of changes to a plan of sale that require an asset no longer to be classified as held for sale, IFRS 5 specifies the following treatment:

- The assets and liabilities previously classified as held for sale are reclassified to the appropriate balance sheet line items, with no restatement of comparative periods.
- Each asset is measured at the lower of (a) its carrying amount before the asset was reclassified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized if the asset had not been reclassified as held for sale, or (b) its recoverable amount at the date of reclassification.
- The backlog of depreciation, amortization and impairment not recognized while non-current assets were classified as held for sale must be reported in the same income statement line item that was used to report impairment losses arising on initial reclassification of assets as held for sale and gains or losses arising on the sale of such assets. In the consolidated income statement, those impacts are reported within the line item ***Other gains and losses, and litigation***.
- The net income of a business previously classified as discontinued or as held for sale or exchange and reported on a separate line in the income statement must be reclassified and included in net income from continuing operations, for all periods presented.
- In addition, segment information relating to the income statement and the statement of cash flows (acquisitions of non-current assets) must be disclosed in the notes to the financial statements in accordance with IFRS 8 (Operating Segments), and must also be restated for all prior periods presented.

B.8. Financial instruments

B.8.1. Non-derivative financial assets

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Presentation), Sanofi has adopted the following classification for non-derivative financial assets, based on the type of asset and on management intention at the date of initial recognition. The designation and classification of such financial assets are subsequently reassessed at the end of each reporting period.

Non-derivative financial assets are recognized on the date when Sanofi becomes party to the contractual terms of the asset. On initial recognition, financial assets are measured at fair value, plus direct transaction costs in the case of financial assets not classified as fair value through profit or loss.

Classification, presentation and subsequent measurement of non-derivative financial assets are as follows:

Financial assets at fair value through profit or loss

These assets are classified in the balance sheet within the line items ***Other non-current assets***, ***Other current assets*** and ***Cash and cash equivalents***.

Financial assets at fair value through profit or loss comprise assets held for trading (financial assets acquired principally for the purpose of reselling them in the near term, usually within less than 12 months), and financial instruments designated as fair value through profit and loss on initial recognition in accordance with the conditions for application of the fair value option.

Such financial assets are carried at fair value, without any deduction for transaction costs that may be incurred on sale. Realized and unrealized gains and losses resulting from changes in the fair value of these assets are recognized in the income statement, in ***Financial income*** or ***Financial expenses***.

Realized and unrealized foreign exchange gains and losses on financial assets in currencies other than functional currencies are recognized in the income statement in ***Financial income*** or ***Financial expenses***.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are (i) designated by management as available-for-sale or (ii) not classified as "Financial assets at fair value through profit or loss", "Held-to-maturity investments" or "Loans and receivables". This category includes equity interests in quoted or unquoted companies other than investments accounted for using the equity method (associates and joint ventures). Available-for-sale financial assets are classified in ***Other non-current assets***.

Available-for-sale financial assets are measured at fair value, without any deduction for transaction costs that may be incurred on sale. Gains and losses arising from changes in the fair value of these assets, including unrealized foreign exchange gains and losses, are recognized directly in equity in the consolidated statement of comprehensive income in the period in which they occur, except for impairment losses and foreign exchange gains and losses on debt instruments. On derecognition of an available-for-sale financial asset, or on recognition of an impairment loss on such an asset, the cumulative gains and losses previously recognized in equity are recognized in the income statement for the period within ***Financial income*** or ***Financial expenses***.

Interest income and dividends on equity instruments are recognized in the income statement within ***Financial income*** when Sanofi is entitled to receive payment.

Available-for-sale financial assets in the form of equity interests in companies not quoted in an active market are measured at cost if their fair value cannot be measured reliably; an impairment loss is recognized when there is objective evidence that such an asset is impaired.

Contingent consideration receivable in connection with divestments is recognized as an available-for-sale financial asset at fair value (plus any transaction costs), provided that it represents an unconditional right to receive cash as of the date of the divestment. Fair value is initially measured on the basis of estimated future cash flows.

Subsequent adjustments to fair value arising from revisions to those estimates are recognized immediately in profit or loss. Interest income generated on such assets is calculated using the effective interest method, and recognized in profit or loss on an accruals basis. An impairment loss is taken against contingent consideration arising on divestments where counterparty credit risk suggests its value may have become impaired.

Other adjustments to fair value, such as those arising from a change in the discount rate, are recognized in equity within the statement of comprehensive income in the period in which they occur.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Sanofi has the positive intention and ability to hold to maturity.

Such investments are measured at amortized cost using the effective interest method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented within the line items ***Other current assets***, ***Accounts receivable*** and ***Cash and cash equivalents***. Loans with a maturity of more than 12 months are presented in "Long-term loans and advances" within ***Other non-current assets***. Those financial assets are measured at amortized cost using the effective interest method.

B.8.2. Impairment of non-derivative financial assets

Indicators of impairment are reviewed for all non-derivative financial assets at the end of each reporting period. Such indicators include default in contractual payments, significant financial difficulties of the issuer or debtor, probability of bankruptcy, or a prolonged or significant decline in quoted market price. An impairment loss is recognized in the income statement if there is objective evidence of impairment resulting from one or more events after the initial recognition of the asset (a "loss event") and that loss event has a reliably measurable impact on the estimated future cash flows of the financial asset (or group of financial assets).

The impairment loss on loans and receivables, which are measured at amortized cost, is the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

When an impairment loss is identified on an available-for-sale financial asset, the cumulative losses previously recognized directly in equity are recorded in the income statement. The loss recognized in the income statement is the difference between the acquisition cost (net of principal repayments and amortization) and the fair value at the time of impairment, less any impairment loss previously recognized in the income statement.

The impairment loss on investments in companies not quoted in an active market and measured at cost is the difference between the carrying amount of the investment and the present value of its estimated future cash flows, discounted at the current market interest rate for similar financial assets.

Impairment losses in respect of loans are recognized within ***Financial expenses*** in the income statement.

Impairment losses in respect of trade receivables are recognized within ***Selling and general expenses*** in the income statement.

Impairment losses on equity instruments classified as available-for-sale financial assets cannot be reversed through the income statement.

B.8.3. Derivative instruments

Derivative instruments that do not qualify for hedge accounting are initially and subsequently measured at fair value, with changes in fair value recognized in the income statement in ***Other operating income*** or in ***Financial income*** or ***Financial expenses***, depending on the nature of the underlying economic item which is hedged.

Derivative instruments that qualify for hedge accounting are measured in accordance with the hedge accounting requirements of IAS 39 (see Note B.8.4.).

IFRS 13 (Fair Value Measurement) requires counterparty credit risk to be taken into account when measuring the fair value of financial instruments. This risk is estimated on the basis of observable, publicly-available statistical data.

Policy on offsetting

In order for a financial asset and a financial liability to be presented as a net amount in the balance sheet under IAS 32, there must be (a) a legally enforceable right to offset and (b) the intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In addition, IFRS 7 (Financial Instruments: Disclosures) requires the notes to the financial statements to include a schedule showing a list of any offsets recognized under IAS 32 and of transactions for which only criterion (a) is met, i.e. potential offsets such as those specified in close out netting agreements (positions offset only in the event of default, as specified in the International Swaps and Derivatives Association (ISDA) standard).

B.8.4. Hedging

Hedging involves the use of derivative financial instruments. Changes in the fair value of such instruments are intended to offset the exposure of the hedged items to changes in fair value.

As part of its overall interest rate risk and foreign exchange risk management policy, Sanofi enters into various transactions involving derivative instruments. Derivative instruments used in connection with Sanofi's hedging policy may include forward exchange contracts, currency options, interest rate swaps and interest rate options.

Derivative financial instruments qualify as hedging instruments for hedge accounting purposes when (a) at the inception of the hedge there is formal designation and documentation of the hedging relationship and of the risk management strategy and objective; (b) the hedge is expected by management to be highly effective in offsetting the risk; (c) the forecast transaction being hedged is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss; (d) the effectiveness of the hedge can be reliably measured; and (e) the effectiveness of the hedge is assessed on an ongoing basis and the hedge is determined actually to have been highly effective throughout the reporting periods for which the hedge was designated.

The above criteria are applied when Sanofi uses derivative instruments designated as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or unrecognized firm commitment that could affect profit or loss.

Changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the hedged risk are recognized in the income statement, within ***Other operating income*** for hedges related to operating activities, or within ***Financial income*** or ***Financial expenses*** for hedges related to investing or financing activities.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction, which could affect profit or loss.

Changes in fair value of the hedging instrument attributable to the effective portion of the hedge are recognized directly in equity in the consolidated statement of comprehensive income. Changes in fair value attributable to the ineffective portion of the hedge are recognized in the income statement within ***Other operating income*** for hedges of operating activities, and within ***Financial income*** or ***Financial expenses*** for hedges of investing or financing activities.

Cumulative changes in fair value of the hedging instrument previously recognized in equity are reclassified to the income statement when the hedged transaction affects profit or loss. These transferred gains and losses are recorded within ***Other operating income*** for hedges related to operating activities, or within ***Financial income*** or ***Financial expenses*** for hedges related to investing or financing activities.

When a forecast transaction results in the recognition of a non-financial asset or liability, cumulative changes in the fair value of the hedging instrument previously recognized in equity are included in the initial measurement of that asset or liability.

When the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss previously recognized in equity remains separately recognized in equity and is not reclassified to the income statement until the forecast transaction occurs. However, if Sanofi no longer expects the forecast transaction to occur, the cumulative gain or loss previously recognized in equity is recognized immediately in profit or loss.

Hedge of a net investment in a foreign operation

In a hedge of a net investment in a foreign operation, changes in the fair value of the hedging instrument attributable to the effective portion of the hedge are recognized directly in equity in the consolidated statement of comprehensive income. Changes in fair value attributable to the ineffective portion of the hedge are recognized in the income statement within ***Financial income*** or ***Financial expenses***. When the investment in the foreign operation is sold, the changes in the fair value of the hedging instrument previously recognized in equity are reclassified to the income statement within ***Financial income*** or ***Financial expenses***.

Discontinuation of hedge accounting

Hedge accounting is discontinued when (a) the hedging instrument expires or is sold, terminated or exercised, or (b) the hedge no longer meets the criteria for hedge accounting, or (c) Sanofi revokes the hedge designation, or (d) management no longer expects the forecast transaction to occur.

B.8.5. Non-derivative financial liabilities

Borrowings and debt

Bank borrowings and debt instruments are initially measured at fair value of the consideration received, net of directly attributable transaction costs.

Subsequently, they are measured at amortized cost using the effective interest method. All costs related to the issuance of borrowings or debt instruments, and all differences between the issue proceeds net of transaction costs and the value on redemption, are recognized within ***Financial expenses*** in the income statement over the term of the debt using the effective interest method.

Liabilities related to business combinations and to non-controlling interests

These line items record the fair value of (i) contingent consideration payable in connection with business combinations (see Note B.3.1. for a description of the relevant accounting policy), and (ii) commitments to buy out equity holders of subsidiaries, including put options granted to non-controlling interests.

Adjustments to the fair value of commitments to buy out equity holders of subsidiaries, including put options granted to non-controlling interests, are recognized in equity.

Other non-derivative financial liabilities

Other non-derivative financial liabilities include trade accounts payable, which are measured at fair value (which in most cases equates to face value) on initial recognition, and subsequently at amortized cost.

B.8.6. Fair value of financial instruments

The disclosures required under IFRS 13 relating to the fair value of the principal financial assets and liabilities reported in the consolidated balance sheet and in the notes to consolidated financial statements, and to the level of those instruments in the fair value hierarchy, are presented in Note D.12. The disclosures required under IFRS 13 relating to the sensitivity of level 3 fair value measurements are presented in Note D.18.

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

			Method used to determine fair value		
				Market data	
Note	Type of financial instrument	Measurement principle	Valuation model	Exchange rate	Interest rate
D.7.	Available-for-sale financial assets (quoted equity securities)	Fair value	Quoted market price	N/A	N/A
D.7.	Available-for-sale financial assets (quoted debt securities)	Fair value	Quoted market price	N/A	N/A
D.7.	Available-for-sale financial assets (contingent consideration receivable):	Fair value	Under IAS 39, 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.		
D.7.	Long-term loans and advances and other non-current receivables	Amortized cost	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.		
D.7.	Financial assets recognized under the fair value option[(a)]	Fair value	Market value (net asset value)	N/A	N/A
D.20.	Forward currency contracts	Fair value	Present value of future cash flows	Mid Market Spot	< 1 year: Mid Money Market > 1 year: Mid Zero Coupon
D.20.	Interest rate swaps	Fair value	Present value of future cash flows	Mid Market Spot	< 1 year: Mid Money Market > 1 year: Mid Zero Coupon
D.20.	Cross-currency swaps	Fair value	Present value of future cash flows	Mid Market Spot	< 1 year: Mid Money Market > 1 year: Mid Zero Coupon
D.13.	Investments in mutual funds	Fair value	Market value (net asset value)	N/A	N/A

Note	Type of financial instrument	Measurement principle	Method used to determine fair value		
			Valuation model	Market data	
				Exchange rate	Interest rate
D.13.	Negotiable debt instruments, commercial paper, instant access deposits and term deposits	Amortized cost	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.		
D.17.	Debt	Amortized cost[(b)]	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).		
D.18.	Liabilities related to business combinations and to non-controlling interests (CVRs)	Fair value	Quoted market price	N/A	N/A
D.18.	Liabilities related to business combinations and to non-controlling interests (other than CVRs)	Fair value[(c)]	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 D.18.		

(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.).

The other financial assets and liabilities included in the consolidated balance sheet are:

- Non-derivative current financial assets and liabilities: because these items have a maturity close to the end of the reporting period, Sanofi regards their carrying amount (i.e. historical cost less any credit risk allowance) as a reasonable approximation of their fair value.
- Equity interests in companies not quoted in an active market and the fair value of which cannot be measured reliably, which are measured at amortized cost in accordance with IAS 39.

B.8.7. Derecognition of financial instruments

Financial assets are derecognized when the contractual rights to cash flows from the asset have ended or have been transferred and when Sanofi has transferred substantially all risks and rewards of ownership of the asset. If Sanofi has neither transferred nor retained substantially all the risks and rewards of ownership of a financial asset, it is derecognized if Sanofi does not retain control of the asset.

A financial liability is derecognized when Sanofi's contractual obligations in respect of the liability are discharged, cancelled or extinguished.

B.8.8. Risks relating to financial instruments

Market risks in respect of non-current financial assets, cash equivalents, derivative instruments and debt are described in the discussions of risk factors presented in Item 3.D. and Item 11.

Credit risk is the risk that customers may fail to pay their debts. This risk also arises as a result of the concentration of Sanofi's sales with its largest customers, in particular certain wholesalers in the United States. Customer credit risk is described in "Item 3.D. – Risk Factors – We are subject to the risk of non-payment by our customers".

B.9. Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is calculated using the weighted average cost method or the first-in, first-out method, depending on the nature of the inventory.

The cost of finished goods inventories includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

During the launch phase of a new product, any inventories of that product are written down to zero pending regulatory approval. The write-down is reversed once it becomes highly probable that marketing approval will be obtained.

B.10. Cash and cash equivalents

Cash and cash equivalents as shown in the consolidated balance sheet and statement of cash flows comprise cash, plus liquid short-term investments that are readily convertible into cash and are subject to an insignificant risk of changes in value in the event of movements in interest rates.

B.11. Treasury shares

In accordance with IAS 32, Sanofi treasury shares are deducted from equity, irrespective of the purpose for which they are held. No gain or loss is recognized in the income statement on the purchase, sale, impairment or cancellation of treasury shares.

B.12. Provisions for risks

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), Sanofi records a provision when it has a present obligation, whether legal or constructive, as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the outflow of resources.

If the obligation is expected to be settled more than twelve months after the end of the reporting period, or has no definite settlement date, the provision is recorded within ***Non-current provisions and other non-current liabilities***.

Provisions relating to the insurance programs in which Sanofi's captive insurance company participates are based on risk exposure estimates calculated by management, with assistance from independent actuaries, using IBNR (Incurred But Not Reported) techniques. Those techniques use past claims experience, within Sanofi and in the market, to estimate future trends in the cost of claims.

Contingent liabilities are not recognized, but are disclosed in the notes to the financial statements unless the possibility of an outflow of economic resources is remote.

Sanofi estimates provisions on the basis of events and circumstances related to present obligations at the end of the reporting period and of past experience, and to the best of management's knowledge at the date of preparation of the financial statements.

Reimbursements offsetting the probable outflow of resources are recognized as assets only if it is virtually certain that they will be received. Contingent assets are not recognized.

Restructuring provisions are recognized if Sanofi has a detailed, formal restructuring plan at the end of the reporting period and has announced its intention to implement this plan to those affected by it.

No provisions are recorded for future operating losses.

Sanofi records non-current provisions for certain obligations, such as legal or constructive environmental obligations and litigation, where an outflow of resources is probable and the amount of the outflow can be reliably estimated. Where the effect of the time value of money is material, those provisions are measured at the present value of the expenditures expected to be required to settle the obligation, calculated using a discount rate that reflects an estimate of the time value of money and the risks specific to the obligation.

Increases in provisions to reflect the effects of the passage of time are recognized within ***Financial expenses***.

B.13. Revenue recognition

B.13.1. Net sales

Revenue arising from the sale of goods is presented in the income statement within ***Net sales***. Net sales comprise revenue from sales of pharmaceutical products, active ingredients and vaccines, net of sales returns, of customer incentives and discounts, and of certain sales-based payments paid or payable to the healthcare authorities.

Revenue is recognized when all of the following conditions have been met: the risks and rewards of ownership have been transferred to the customer; Sanofi no longer has effective control over the goods sold; the amount of revenue and costs associated with the transaction can be measured reliably; and it is probable that the economic benefits associated with the transaction will flow to Sanofi, in accordance with IAS 18 (Revenue). In particular, the contracts between Sanofi Pasteur and government agencies specify conditions for the supply and acceptance of batches of vaccine; revenue is recognized when those conditions are met.

Sanofi offers various types of price reductions on its products. In particular, products sold in the United States are covered by various governmental programs (such as Medicare and Medicaid) under which products are sold at a discount. Rebates are granted to healthcare authorities, and under contractual arrangements with certain customers. Some wholesalers are entitled to chargeback incentives based on the selling price to the end customer, under specific contractual arrangements. Cash discounts may also be granted for prompt payment.

Returns, discounts, incentives and rebates, as described above, are recognized in the period in which the underlying sales are recognized as a reduction of gross sales.

These amounts are calculated as follows:

- Provisions for chargeback incentives are estimated on the basis of the relevant subsidiary's standard sales terms and conditions, and in certain cases on the basis of specific contractual arrangements with the customer. They represent management's best estimate of the amount of chargeback incentives that will ultimately be claimed by the customer.
- Provisions for rebates based on attainment of sales targets are estimated and accrued as each of the underlying sales transactions is recognized.
- Provisions for price reductions under Government and State programs, largely in the United States, are estimated on the basis of the specific terms of the relevant regulations or agreements, and accrued as each of the underlying sales transactions is recognized.
- Provisions for sales returns are calculated on the basis of management's best estimate of the amount of product that will ultimately be returned by customers. In countries where product returns are possible, Sanofi operates a returns policy that allows the customer to return products within a certain period either side of the expiry date (usually 12 months after the expiry date). The provision is estimated on the basis of past experience of sales returns.

Sanofi also takes into account factors such as levels of inventory in its various distribution channels, product expiry dates, information about potential discontinuation of products, the entry of competing generics into the market, and the launch of over-the-counter medicines.

In each case, the provisions are subject to continuous review and adjustment as appropriate based on the most recent data available to management.

Sanofi believes that it has the ability to measure each of the above provisions reliably, using the following factors in developing its estimates:

- the nature and patient profile of the underlying product;
- the applicable regulations or the specific terms and conditions of contracts with governmental authorities, wholesalers and other customers;

- historical data relating to similar contracts, in the case of qualitative and quantitative rebates and chargeback incentives;
- past experience and sales growth trends for the same or similar products;
- actual inventory levels in distribution channels, monitored by Sanofi using internal sales data and externally provided data;
- the shelf life of Sanofi products; and
- market trends including competition, pricing and demand.

B.13.2. Other revenues

Other revenues mainly comprise royalties under licensing agreements (see Note C.), and VaxServe sales of products sourced from third-party manufacturers.

VaxServe is a Vaccines segment entity whose operations include the distribution within the United States of vaccines and other products manufactured by third parties.

Some sales recorded by VaxServe are presented within the line item ***Other revenues*** because they are not derived from the sale of products manufactured by Sanofi.

B.14. Cost of sales

Cost of sales consists primarily of the industrial cost of goods sold, payments made under licensing agreements, and distribution costs. The industrial cost of goods sold includes the cost of materials, depreciation of property, plant and equipment, amortization of software, personnel costs, and other expenses attributable to production.

B.15. Research and development

Note B.4.1. “Research and development not acquired in a business combination” and Note B.4.3. “Other intangible assets acquired in a business combination” describe the principles applied to the recognition of research and development costs.

Contributions or reimbursements received from alliance partners are recorded as a reduction of ***Research and development expenses***.

B.16. Other operating income and expenses

B.16.1. Other operating income

Other operating income includes the share of profits that Sanofi is entitled to receive from alliance partners in respect of product marketing agreements. It also includes revenues generated under certain complex agreements, which may include partnership and co-promotion arrangements.

Upfront payments received are deferred until the service obligation is met. Milestone payments are assessed on a case by case basis, and recognized in the income statement on delivery of the products and/or upon the service obligation being met. Revenue generated in connection with these services is recognized on the basis of delivery of the goods or provision of the services to the other contracting party.

This line item also includes realized and unrealized foreign exchange gains and losses on operating activities (see Note B.8.4.), and operating gains on disposals not regarded as major disposals (see Note B.20.).

B.16.2. Other operating expenses

Other operating expenses mainly comprise the share of profits that alliance partners are entitled to receive from Sanofi under product marketing agreements.

B.17. Amortization and impairment of intangible assets

B.17.1. Amortization of intangible assets

The expenses recorded in this line item comprise amortization of product rights (see Note D.4.), given that the benefit of those rights to Sanofi’s commercial, industrial and development functions cannot be separately identified.

Amortization of software, and of other rights of an industrial or operational nature, is recognized as an expense in the income statement, in the relevant line items of expense by function.

B.17.2. Impairment of intangible assets

This line item records impairment losses (other than those associated with restructuring) recognized against intangible assets (including goodwill, but excluding software and other rights of an industrial or operational nature), and any reversals of such impairment losses.

B.18. Fair value remeasurement of contingent consideration

Changes in the fair value of contingent consideration that was (i) already carried in the books of an acquired entity, or (ii) granted in connection with a business combination and initially recognized as a liability in accordance with the revised IFRS 3, are reported in profit or loss in accordance with the principles described in Note B.3.1. Such adjustments are reported separately in the income statement, in the line item ***Fair value remeasurement of contingent consideration.***

This line item also includes changes in the fair value of contingent consideration recognized in connection with divestments and classified as an available-for-sale financial asset.

Finally, it also includes the effect of the unwinding of discount, and of exchange rate movements where the asset or liability is expressed in a currency other than the functional currency of the reporting entity.

B.19. Restructuring costs and similar items

Restructuring costs are expenses incurred in connection with the transformation or reorganization of Sanofi's operations or support functions. Such costs include collective redundancy plans, compensation to third parties for early termination of contracts, and commitments made in connection with transformation or reorganization decisions. They also include accelerated depreciation charges arising from site closures and losses on asset disposals resulting from such decisions.

In addition, this line item includes expenses incurred in connection with programs implemented as part of the transformation strategy announced in November 2015 intended to deliver a global information systems solution, to standardize and consolidate processes, and to transition towards a worldwide services platform.

B.20. Other gains and losses, and litigation

The line item ***Other gains and losses, and litigation*** includes the impact of material transactions of an unusual nature or amount which Sanofi believes it necessary to report separately in the income statement in order to improve the relevance of the financial statements, such as:

- gains and losses on major disposals of property, plant and equipment, of intangible assets, of assets (or groups of assets and liabilities) held for sale, or of a business within the meaning of the revised IFRS 3, other than those considered to be restructuring costs;
- impairment losses and reversals of impairment losses on assets (or groups of assets and liabilities) held for sale, other than those considered to be restructuring costs;
- gains on bargain purchases; and
- costs and provisions relating to major litigation; and
- pre-tax separation costs associated with the process of disinvesting from operations in the event of a major divestment.

B.21. Financial expenses and income

B.21.1. Financial expenses

Financial expenses mainly comprise interest charges on debt financing; negative changes in the fair value of financial instruments (where changes in fair value are recognized in profit or loss); realized and unrealized foreign exchange losses on financing and investing activities; impairment losses on financial instruments; and any reversals of impairment losses on financial instruments.

Financial expenses also include expenses arising from the unwinding of discount on long-term liabilities, and the net interest cost related to employee benefits. This line item does not include commercial cash discounts, which are deducted from net sales.

B.21.2. Financial income

Financial income includes interest and dividend income; positive changes in the fair value of financial instruments (where changes in fair value are recognized in profit or loss); realized and unrealized foreign exchange gains on financing and investing activities; and gains or losses on disposals of financial assets.

B.22. Income tax expense

Income tax expense includes all current and deferred taxes of consolidated companies.

Sanofi accounts for deferred taxes in accordance with IAS 12 (Income Taxes), using the methods described below:

- Deferred tax assets and liabilities are recognized on taxable and deductible temporary differences, and on tax loss carry-forwards. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.
- French business taxes include a value added based component: "CVAE" (*Cotisation sur la Valeur Ajoutée des Entreprises*). Given that CVAE is (i) calculated as the amount by which certain revenues exceed certain expenses and (ii) borne primarily by companies that own intellectual property rights on income derived from those rights (royalties, and margin on sales to third parties and to Sanofi entities), it is regarded as meeting the definition of income taxes specified in IAS 12, paragraph 2 ("taxes which are based on taxable profits").
- Deferred tax assets and liabilities are calculated using the tax rate expected to apply in the period when the corresponding temporary differences are expected to reverse, based on tax rates enacted or substantively enacted at the end of the reporting period.
- Deferred tax assets are recognized in respect of deductible temporary differences, tax losses available for carry-forward and unused tax credits to the extent that future recovery is regarded as probable. The recoverability of deferred tax assets is assessed on a case-by-case basis, taking into account the profit forecasts contained in Sanofi's medium-term business plan.
- A deferred tax liability is recognized for temporary differences relating to interests in subsidiaries, associates and joint ventures, except in cases where Sanofi is able to control the timing of the reversal of the temporary differences. This applies in particular when Sanofi is able to control dividend policy and it is probable that the temporary differences will not reverse in the foreseeable future.
- No deferred tax is recognized on eliminations of intragroup transfers of interests in subsidiaries, associates or joint ventures.
- Each tax entity calculates its own net deferred tax position. All net deferred tax asset and liability positions are then aggregated and shown in separate line items on the relevant side of the consolidated balance sheet. Deferred tax assets and liabilities are offset only if (i) Sanofi has a legally enforceable right to offset current tax assets and current tax liabilities, and (ii) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

- Deferred taxes are not discounted, except implicitly in the case of deferred taxes on assets and liabilities which are already impacted by discounting.
- Withholding taxes on intragroup royalties and dividends, and on royalties and dividends collected from third parties, are accounted for as current income taxes.

In accounting for business combinations, Sanofi complies with the revised IFRS 3 in regards to the recognition of deferred tax assets after the initial accounting period. Consequently, any deferred tax assets recognized by the acquiree after the end of this period in respect of temporary differences or tax loss carry-forwards existing at the acquisition date are recognized in profit or loss.

The positions adopted by Sanofi in tax matters are based on its interpretation of tax laws and regulations. Some of those positions may be subject to uncertainty. In such cases, Sanofi assesses the amount of the tax liability on the basis of the following assumptions: that its position will be examined by one or more tax authorities on the basis of all relevant information; that a technical assessment is carried out with reference to legislation, case law, regulations, and established practice; and that each position is assessed individually (or collectively where appropriate), with no offset or aggregation between positions. Those assumptions are assessed on the basis of facts and circumstances existing at the end of the reporting period. When an uncertain tax position is considered probable, a tax liability is recognized (or a deferred tax asset is not recognized) measured using Sanofi's best estimate. The amount of the liability includes any penalties and late payment interest. The line item ***Income tax expense*** includes the effects of tax reassessments and tax disputes, and any penalties and late payment interest arising from such disputes that have the characteristics of income taxes within the meaning of paragraph 2 of IAS 12 ("taxes which are based on taxable profits").

B.23. Employee benefit obligations

Sanofi offers retirement benefits to employees and retirees. Such benefits are accounted for in accordance with IAS 19 (Employee Benefits).

Benefits are provided in the form of either defined contribution plans or defined benefit plans. In the case of defined contribution plans, the cost is recognized immediately in the period in which it is incurred, and equates to the amount of the contributions paid by Sanofi. For defined benefit plans, Sanofi generally recognizes its obligations to pay pensions and similar benefits to employees as a liability, based on an actuarial estimate of the rights vested or currently vesting in employees and retirees, using the projected unit credit method. Estimates are performed at least once a year, and rely on financial assumptions (such as discount rates) and demographic assumptions (such as life expectancy, retirement age, employee turnover, and the rate of salary increases).

Obligations relating to other post-employment benefits (healthcare and life insurance) offered by Sanofi companies to employees are also recognized as a liability based on an actuarial estimate of the rights vested or currently vesting in employees and retirees at the end of the reporting period.

Such liabilities are recognized net of the fair value of plan assets.

In the case of multi-employer defined benefit plans where plan assets cannot be allocated to each participating employer with sufficient reliability, the plan is accounted for as a defined contribution plan, in accordance with paragraph 34 of IAS 19.

The benefit cost for the period consists primarily of current service cost, past service cost, net interest cost, gains or losses arising from plan settlements not specified in the terms of the plan, and actuarial gains or losses arising from plan curtailments. Net interest cost for the period is determined by applying the discount rate specified in IAS 19 to the net liability (i.e. the amount of the obligation, net of plan assets) recognized in respect of defined benefit plans. Past service cost is recognized immediately in profit or loss in the period in which it is incurred, regardless of whether or not the rights have vested at the time of adoption (in the case of a new plan) or of amendment (in the case of an existing plan).

Actuarial gains and losses on defined benefit plans (pensions and other post-employment benefits), also referred to as "Remeasurements of the net defined benefit liability (asset)", arise as a result of changes in financial and demographic assumptions, experience adjustments, and the difference between the actual return and interest cost on plan assets. The impacts of those remeasurements are recognized in ***Other comprehensive income***, net of deferred taxes; they are not subsequently reclassifiable to profit or loss.

B.24. Share-based payment

Share-based payment expense is recognized as a component of operating income, in the relevant classification of expense by function. In measuring the expense, the level of attainment of any performance conditions is taken into account.

B.24.1. Stock option plans

Sanofi has granted a number of equity-settled share-based payment plans (stock option plans) to some of its employees. The terms of those plans may make the award contingent on the attainment of performance criteria for some of the grantees.

In accordance with IFRS 2 (Share-Based Payment), services received from employees as consideration for stock options are recognized as an expense in the income statement, with the opposite entry recognized in equity. The expense corresponds to the fair value of the stock option plans, and is charged to income on a straight-line basis over the four-year vesting period of the plan.

The fair value of stock option plans is measured at the date of grant using the Black-Scholes valuation model, taking into account the expected life of the options. The resulting expense also takes into account the expected cancellation rate of the options. The expense is adjusted over the vesting period to reflect actual cancellation rates resulting from option-holders ceasing to be employed by Sanofi.

B.24.2. Employee share ownership plans

Sanofi may offer its employees the opportunity to subscribe to reserved share issues at a discount to the reference market price. Shares awarded to employees under such plans fall within the scope of IFRS 2. Consequently, an expense is recognized at the subscription date, based on the value of the discount offered to employees.

B.24.3. Restricted share plans

Sanofi may award restricted share plans to certain of its employees. The terms of those plans may make the award contingent on the attainment of performance criteria for some of the grantees.

In accordance with IFRS 2, an expense equivalent to the fair value of such plans is recognized on a straight line basis over the vesting period of the plan, with the opposite entry recognized in equity. Depending on the country, the vesting period of such plans is either three or four years. Plans with a two-year or three-year vesting period are subject to a two-year lock-up period.

The fair value of stock option plans is based on the fair value of the equity instruments granted, representing the fair value of the services received during the vesting period. The fair value of an equity instrument granted under a plan is the market price of the share at the grant date, adjusted for expected dividends during the vesting period.

B.25. Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the reporting period, adjusted on a time-weighted basis from the acquisition date to reflect the number of own shares held by Sanofi. Diluted earnings per share is calculated on the basis of the weighted average number of ordinary shares, computed using the treasury stock method.

This method assumes that (a) all outstanding dilutive options and warrants are exercised, and (b) Sanofi acquires its own shares at the quoted market price for an amount equivalent to the cash received as consideration for the exercise of the options or warrants, plus the expense arising on unamortized stock options.

B.26. Segment information

In accordance with IFRS 8 (Operating Segments), the segment information reported by Sanofi is prepared on the basis of internal management data provided to the Chief Executive Officer, who is the chief operating decision maker. The performance of those segments is monitored individually using internal reports and common indicators.

Sanofi acquired the Consumer Healthcare operations of Boehringer Ingelheim (BI) on January 1, 2017, and during 2017 gradually integrated those operations into its Consumer Healthcare Global Business Unit (GBU); see Note A.5. Following completion of the integration process and with effect from December 31, 2017, Sanofi has identified our Consumer Healthcare business as an operating segment, the financial information for which is reported separately to, and reviewed separately by, the Chief Executive Officer. Until that date the results of the Consumer Healthcare business were included in the Pharmaceuticals segment, as described below.

Consequently, as of December 31, 2017 Sanofi has three operating segments: Pharmaceuticals, Consumer Healthcare and Human Vaccines (Vaccines).

The Pharmaceuticals segment comprises the commercial operations of the following global franchises: Specialty Care (Rare Diseases, Multiple Sclerosis, Oncology, Immunology), Diabetes & Cardiovascular, Established Prescription Products and Generics, together with research, development and production activities dedicated to our Pharmaceuticals segment. This segment also includes all associates whose activities are related to pharmaceuticals, in particular Regeneron.

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

The Vaccines segment comprises, for all geographical territories (including from January 1, 2017 certain European territories previously included in the Sanofi Pasteur MSD joint venture), the commercial operations of Sanofi Pasteur, together with research, development and production activities dedicated to vaccines.

Inter-segment transactions are not material.

In addition, during 2017 Sanofi finalized a complete realignment of its internal management reporting to match its organizational structure (see Note A.5.). As a result, the costs of Sanofi's global functions (Medical Affairs, External Affairs, Finance, Human Resources, Legal Affairs, Information Solutions & Technologies, Sanofi Business Services, etc.) are now managed centrally at group-wide level and are no longer allocated to operating segments for internal management reporting purposes. For the year ended December 31, 2017 and subsequent years, 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.

Operating segment disclosures as required under IFRS 8 are provided in Note D.35. to the consolidated financial statements.

B.27. Management of capital

In order to maintain or adjust the capital structure, Sanofi can adjust the amount of dividends paid to shareholders, repurchase its own shares, issue new shares, or issue securities giving access to its capital.

The following objectives are defined under the terms of Sanofi's share repurchase programs:

- the implementation of any stock option plan giving entitlement to purchase shares in the Sanofi parent company;
- the allotment or sale of shares to employees under statutory profit sharing schemes and employee savings plans;
- the consideration-free allotment of shares (i.e. restricted share plans);
- the cancellation of some or all of the repurchased shares;
- market-making in the secondary market by an investment services provider under a liquidity contract in compliance with the ethical code recognized by the *Autorité des marchés financiers* (AMF);
- the delivery of shares on the exercise of rights attached to securities giving access to the capital by redemption, conversion, exchange, presentation of a warrant or any other means;
- the delivery of shares (in exchange, as payment, or otherwise) in connection with mergers and acquisitions;

- the execution by an investment services provider of purchases, sales or transfers by any means, in particular via off-market trading; or
- any other purpose that is or may in the future be authorized under the applicable laws and regulations.

Sanofi is not subject to any constraints on equity capital imposed by third parties.

Total equity includes ***Equity attributable to equity holders of Sanofi*** and ***Equity attributable to non-controlling interests***, as shown in the consolidated balance sheet.

Sanofi defines "Debt, net of cash and cash equivalents" as (i) the sum of short-term debt, long-term debt and interest rate derivatives and currency derivatives used to hedge debt, minus (ii) the sum of cash and cash equivalents and interest rate derivatives and currency derivatives used to hedge cash and cash equivalents.

C/ Principal alliances

C.1. Alliance arrangements with Regeneron Pharmaceuticals Inc. (Regeneron)

Collaboration agreement on the discovery, development and commercialization of human therapeutic antibodies

In November 2007, Sanofi and Regeneron signed new agreements (amended in November 2009) for the discovery, development and commercialization of fully human therapeutic antibodies. Sanofi having decided not to extend the discovery agreement, that agreement expired on December 31, 2017. Under the 2009 amended agreements Sanofi committed to funding the discovery and pre-clinical development of fully human therapeutic antibodies by a maximum of $160 million per year through 2017. Sanofi had an option to develop and commercialize antibodies discovered by Regeneron pursuant to the collaboration. Following the signature in July 2015 of the immuno-oncology collaboration agreement described below, $75 million (spread over three years) was reallocated to that new agreement.

If the option was exercised, Sanofi co-develops the antibody with Regeneron and is responsible for funding. Sanofi and Regeneron share co-promotion rights and profits on sales of the co-developed antibodies. On receipt of the first positive Phase III trial results for any such antibody, the subsequent Phase III costs for that antibody are split 80% Sanofi, 20% Regeneron. Amounts received from Regeneron under those arrangements are recognized by Sanofi as a reduction in the line item ***Research and development expenses***. Once a product begins to be commercialized, and provided that the share of quarterly results under the agreement represents a profit, Sanofi is entitled to an additional profit-share (capped at 10% of Regeneron's share of quarterly profits) until Regeneron has paid 50% of the cumulative development costs incurred by the parties in the collaboration. In addition, Sanofi may be required to make milestone payments based on aggregate sales of all antibodies. As of December 31, 2017 the cumulative development costs incurred by the two parties were €5.2 billion (comprising €2.9 billion funded 100% by Sanofi, and €2.3 billion funded 80% by Sanofi and 20% by Regeneron, amounts translated into euros at the closing US dollar exchange rate). On the earlier of (i) 24 months before the scheduled launch date or (ii) the first positive Phase III trial results, Sanofi and Regeneron share the commercial expenses of the antibodies co-developed under the license agreement. Sanofi recognizes all the sales of those antibodies. Profits and losses arising from commercial operations in the United States are split 50/50. Outside the United States, Sanofi is entitled to between 55% and 65% of profits depending on sales of the antibodies, and bears 55% of any losses. The share of profits and losses attributable to Regeneron under the agreement is recognized in the line items ***Other operating income*** or ***Other operating expenses***, which are components of operating income. In addition, Regeneron is entitled to receive payments of up to $250 million contingent on the attainment of specified levels of sales outside the United States.

Praluent®, Dupixent®, Kevzara®, and REGN3500 (SAR 440340) will continue to be developed, and commercialized as applicable, with Regeneron under the Antibody License and Collaboration Agreement (LCA) following the expiry of the discovery agreement.

Immuno Oncology (IO) Discovery and Development Agreement and IO Licence and Collaboration Agreement (IO LCA)

On July 1, 2015, Sanofi and Regeneron entered into a new global collaboration to discover, develop and commercialize new antibody cancer treatments in the emerging field of immuno-oncology. As part of the agreements, the two companies are jointly developing a programmed cell death protein 1 (PD-1) inhibitor antibody currently in Phase IIb (for cutaneous squamous cell carcinoma) and Phase III (for non-small cell lung cancer), and expect to initiate clinical trials with new therapeutic candidates based on ongoing innovative preclinical programs. Sanofi made an upfront payment of $640 million to Regeneron. The two companies will then invest approximately $1 billion from discovery through proof of concept (POC) development (usually a Phase IIa study) of monotherapy and novel combinations of immuno-oncology antibody candidates to be funded 25% by Regeneron ($250 million) and 75% by Sanofi ($750 million). Under the terms of the IO Discovery and Development Agreement, Sanofi is entitled to an additional share of profits of up to 50% of the clinical development costs initially funded by Sanofi. That additional profit-share is capped at 10% of the share of Regeneron's quarterly profits arising under the IO LCA.

Under the terms of the IO LCA Sanofi and Regeneron also committed to provide additional funding of no more than $650 million on a 50/50 basis ($325 million per company) for the development of REGN2810, a PD-1 inhibitor antibody. In January 2018, Sanofi and Regeneron announced an agreement to increase the PD-1 development budget from the previously disclosed $650 million to $1.64 billion, which will continue to be shared 50/50. In addition, Sanofi will make a one-time milestone payment of $375 million to Regeneron in the event that sales of a PD-1 product and any other collaboration antibody sold for use in combination with a PD-1 product were to exceed, in the aggregate, $2 billion in any consecutive 12-month period. Finally, the two companies agreed to reallocate $75 million (spread over three years) to immuno-oncology antibody research and development from Sanofi's $160 million annual contribution to their existing antibody discovery collaboration. Beyond the committed funding, additional funding will be allocated as programs enter post-POC development.

Under the terms of the IO Discovery and Development Agreement, Sanofi can exercise its opt-in rights to further development and commercialization under the IO LCA for candidates derived from the discovery program.

Once Sanofi has exercised its opt-in rights for a candidate, future development of that candidate will be conducted either by Sanofi or Regeneron.

Where development is conducted by Sanofi, the entire cost of developing that candidate will be funded by Sanofi, and Regeneron will reimburse half of those costs, subject to a cap of 10% of Regeneron's quarterly profits.

Where development is conducted by Regeneron, the two parties will share the development costs equally.

Investor agreement

In January 2014, Sanofi and Regeneron amended the investor agreement that has existed between the two companies since 2007 (the "Amended Investor Agreement"). Under the terms of the amendment, Sanofi accepted various restrictions. Sanofi is bound by certain "standstill" provisions,

which contractually prohibit Sanofi from seeking to directly or indirectly exert control of Regeneron or acquiring more than 30% of Regeneron's capital stock (consisting of the outstanding shares of common stock and the shares of Class A stock). This prohibition will remain in place until the earlier of (i) the later of the fifth anniversaries of the expiration or earlier termination of the Zaltrap® collaboration agreement with Regeneron (related to the development and commercialization of Zaltrap®) or the collaboration agreement with Regeneron on monoclonal antibodies (see "Collaboration agreement on the discovery, development and commercialization of human therapeutics antibodies" above), each as amended and (ii) other specified events.

Sanofi has also agreed to vote as recommended by Regeneron's Board of Directors, except that it may elect to vote proportionally with the votes cast by all of Regeneron's other shareholders with respect to certain change-of-control transactions, and to vote in its sole discretion with respect to liquidation or dissolution, stock issuances equal to or exceeding 20% of the outstanding shares or voting rights of Regeneron's Class A Stock and Common Stock (taken together), and new equity compensation plans or amendments if not materially consistent with Regeneron's historical equity compensation practices.

As soon as it had passed the threshold of 20% ownership of the capital stock, Sanofi exercised its right under the Amended Investor Agreement to designate an independent director, who was appointed to the Board of Directors of Regeneron. The interest held by Sanofi in Regeneron has been consolidated by the equity method since April 2014.

On the conditions set out in the Amended Investor Agreement entered into in January 2014, Sanofi's right to designate a Regeneron board member was contingent on Sanofi maintaining its percentage share of Regeneron's outstanding capital stock (measured on a quarterly basis) at a level no lower than the highest percentage level previously achieved, with the maximum requirement capped at 25%. In addition, Sanofi's interest in Regeneron was subject to a lock-up clause. Those limitations have been amended by the letter agreement of January 2018 (see Note G/).

In November 2015, the Independent Designee (as defined in the Amended Investor Agreement) designated by Sanofi as an independent director resigned from the Regeneron Board of Directors. At Sanofi's request, pursuant to the Amended Investor Agreement, Regeneron appointed N. Anthony "Tony" Coles, M.D. to its Board of Directors in January 2017 as a successor Sanofi designee.

The Amended Investor Agreement also gives Sanofi the right to receive certain reasonable information as may be agreed upon by the parties and which will facilitate Sanofi's ability to account for its investment in Regeneron using the equity method of accounting under IFRS.

These three agreements were amended in January 2018 (see Note G/).

C.2. Alliance arrangements with Bristol-Myers Squibb (BMS)

Two of Sanofi's leading products were jointly developed with BMS: the anti-hypertensive agent irbesartan (Aprovel®/Avapro®/Karvea®) and the anti-atherothrombosis treatment clopidogrel bisulfate (Plavix®/Iscover®).

On September 27, 2012, Sanofi and BMS signed an agreement relating to their alliance following the loss of exclusivity of Plavix® and Avapro®/Avalide® in many major markets.

Under the terms of this agreement, which took effect on January 1, 2013, BMS returned to Sanofi its rights to Plavix® and Avapro®/Avalide® in all markets worldwide with the exception of Plavix® in the United States and Puerto Rico, giving Sanofi sole control and freedom to operate commercially in respect of those products. In exchange, BMS will receive royalty payments on Sanofi's sales of branded and unbranded Plavix® and Avapro®/Avalide® worldwide (except for Plavix® in the United States and Puerto Rico) until 2018, and will also receive a payment of $200 million from Sanofi in December 2018, part of which will be used to buy out the non-controlling interests (see Note D.18.). Rights to Plavix® in the United States and Puerto Rico remain unchanged and continue to be governed by the terms of the original agreement until December 2019.

In all of the territories managed by Sanofi (including the United States and Puerto Rico for Avapro®/Avalide®) as defined in the new agreement, Sanofi recognizes in its consolidated financial statements the revenue and expenses generated by its own operations. The share of profits reverting to BMS subsidiaries is presented within ***Net income attributable to non-controlling interests*** in the income statement.

In the territory managed by BMS (United States and Puerto Rico for Plavix®), Sanofi recognizes its share of profits and losses within the line item ***Share of profit/(loss) from investments accounted for using the equity method***.

D/ Presentation of the financial statements

D.1. Exchange of the Animal Health business

Further to the exclusivity agreement of December 2015 on a future exchange of Sanofi's Animal Health business (Merial) and Boehringer Ingelheim's Consumer Healthcare (CHC) business, the two groups announced on June 27, 2016 that they had successfully concluded the negotiations ongoing since the end of 2015 by signing contracts to secure the deal.

Consequently, and as required by IFRS 5 (see Note B.7.), all assets of the Animal Health business included in the exchange and all liabilities directly related to those assets were classified in the line items ***Assets held for sale or exchange*** and ***Liabilities related to assets held for sale or exchange***, respectively, in the consolidated balance sheets as of December 31, 2016 and 2015. In addition, because the Animal Health business qualifies as a discontinued operation under IFRS 5 (see Note B.7.), the net income or loss from that business was presented separately in the consolidated income statement within the line item ***Net income/(loss) of the exchanged/held-for-exchange Animal Health business***. This presentation in a separate line item in the income statement applied to operations for the year ended December 31, 2016 and for the comparative periods presented. Following the finalization of the exchange deal with Boehringer Ingelheim on January 1, 2017, the Animal Health business no longer qualified as an operating segment in 2016 and the comparatives for 2015 were amended accordingly.

For detailed information about the contribution of the Animal Health business to the consolidated financial statements refer to Note D.36., "Exchanged/Held-for-Exchange Animal Health business".

Finalization of the exchange of Sanofi's Animal Health business for Boehringer Ingelheim's CHC business

On January 1, 2017, Sanofi finalized the exchange of its Animal Health business for Boehringer Ingelheim's CHC business.

After final enterprise value adjustments, the exchange values of the two businesses effectively transferred during 2017 were determined at €10,557 million for Sanofi's Animal Health business and €6,239 million for Boehringer Ingelheim's CHC business.

Divestment of the Animal Health business

Sanofi has recognized a pre-tax gain of €6,343 million within the line item ***Net income of the exchanged/held-for-exchange Animal Health business***, and an after-tax gain of €4,643 million.

Acquisition of Boehringer Ingelheim's CHC business

The final purchase price allocation for the acquisition of Boehringer Ingelheim's CHC business is as follows (in € million):

(€ million)	**Fair value at acquisition date**
Property, plant and equipment	67
Other intangible assets	3,771
Other non-current assets and liabilities	(84)
Inventories	296
Other current assets and liabilities	46
Held-for-sale assets	77
Net deferred tax position	(156)
Net assets of Boehringer Ingelheim's CHC business as of January 1, 2017	**4,017**
Goodwill	2,222
Purchase price	**6,239**

Goodwill represents (i) the capacity to draw on a specialized structure to refresh the existing product portfolio; (ii) the competencies of the staff transferred to Sanofi; (iii) the benefits derived from the creation of new growth platforms; and (iv) the expected future synergies and other benefits from combining the CHC operations of Boehringer Ingelheim and Sanofi.

The tax-deductible portion of goodwill amounts to €1,876 million.

This business generated sales of €1,407 million in the year ended December 31, 2017.

D.2. Changes in the scope of consolidation due to acquisitions and divestments

D.2.1. Acquisition of Protein Sciences

On August 25, 2017, Sanofi acquired 100% of Protein Sciences, a biotechnology company headquartered in Meriden, Connecticut (United States). The principal product of Protein Sciences is Flublok®, the only recombinant protein-based influenza vaccine approved by the FDA in the United States.

The provisional purchase price allocation resulted in the recognition of goodwill amounting to €125 million, as indicated below:

(€ million)	Fair value at acquisition date
Other intangible assets	776
Inventories	4
Other assets and liabilities	(15)
Net deferred tax position	(259)
Net assets of Protein Sciences as of August 25, 2017	**506**
Goodwill	125
Purchase price	**631**

The acquisition price includes two contingent consideration milestones elements of €42 million each.

The impacts of this acquisition on Sanofi's business operating income and consolidated net income for the year ended December 31, 2017 are not material.

D.2.2. Regeneron Pharmaceuticals, Inc. (Regeneron)

Over the past three years, Sanofi acquired further shares in the biopharmaceutical company Regeneron at a cost of €184 million in 2017, €115 million in 2016 and €117 million in 2015. Sanofi's investment in Regeneron had a carrying amount of €2,512 million as of December 31, 2017, compared with €2,548 million as of December 31, 2016 and €2,245 million as of December 31, 2015 (see Note D.6.). This represents an equity interest of 22.2% as of December 31, 2017, compared with 22.1% as of December 31, 2016 and 2015.

D.2.3. Dissolution of the Sanofi Pasteur MSD joint venture

In December 2016, Sanofi finalized the dissolution of the Sanofi Pasteur MSD (SPMSD) joint venture.

The transaction was completed in two stages on December 30 and December 31, 2016.

Divestment by Sanofi of its interest in SPMSD

On December 30, 2016, Sanofi transferred its interest in SPMSD to MSD.

The consideration for the transfer was (i) a fixed sum of €127 million received on January 4, 2017 and (ii) contingent consideration based on a percentage of future MSD sales during the 2017-2024 period of specified products previously distributed by SPMSD, and receivable in annual installments over the same period. As of December 31, 2016, the fair value of this contingent consideration was measured at €458 million and recognized in the "available-for-sale financial assets" category (see Note D.7).

The pre-tax gain on the divestment, amounting to €211 million, is presented within the line item ***Other gains and losses, and litigation*** (see Note D.28) for the year ended December 31, 2016. A negative price adjustment of €31 million is presented within the same line item in 2017.

Acquisition of the European Vaccines business previously included in the Sanofi Pasteur MSD joint venture

This transaction was finalized on December 31, 2016. The final purchase price allocation resulted in the recognition of goodwill amounting to €21 million, as presented in the table below:

(€ million)	Fair value at acquisition date
Other intangible assets	465
Inventories	17
Other current assets	2
Other non-current liabilities	(5)
Net deferred tax position	(10)
Net assets of the European Vaccines business at the acquisition date	**469**
Goodwill	21
Purchase price	**490**

The purchase price essentially comprises (i) a fixed sum of €154 million paid on January 4, 2017 and (ii) contingent consideration of €354 million based on a percentage of future sales made by Sanofi Pasteur during the 2017-2024 period of specified former SPMSD products, to be paid in

annual installments over that period. In accordance with IFRS 3 (Business Combinations), that contingent consideration was recognized in ***Liabilities related to business combinations and to non-controlling interests*** as of December 31, 2016 (see Note D.18.). A negative price adjustment of €16 million was recognized in the year ended December 31, 2017.

D.2.4. Other acquisitions and divestments

The impacts of the other acquisitions made during 2017, 2016 and 2015 are not material for Sanofi.

D.3. Property, plant and equipment

Property, plant and equipment (including assets held under finance leases) comprise:

(€ million)	Land	Buildings	Machinery and equipment	Fixtures, fittings & other	Property, plant & equipment in process	Total
Gross value at January 1, 2015	**372**	**6,915**	**9,419**	**2,215**	**1,959**	**20,880**
Changes in scope of consolidation	(4)	1	(8)	1	(22)	(32)
Acquisitions and other increases	-	11	76	59	1,172	1,318
Disposals and other decreases	(3)	(4)	(17)	(126)	(23)	(173)
Currency translation differences	5	144	122	24	25	320
Transfers[(a)]	(1)	269	463	228	(1,083)	(124)
Reclassification of the Animal Health business[(b)]	(33)	(604)	(313)	(54)	(76)	(1,080)
Gross value at December 31, 2015	**336**	**6,732**	**9,742**	**2,347**	**1,952**	**21,109**
Acquisitions and other increases	-	9	48	51	1,232	1,340
Disposals and other decreases	(10)	(111)	(350)	(104)	(37)	(612)
Currency translation differences	1	81	36	(1)	15	132
Transfers[(a)]	-	247	558	128	(1,025)	(92)
Gross value at December 31, 2016	**327**	**6,958**	**10,034**	**2,421**	**2,137**	**21,877**
Changes in scope of consolidation	22	23	11	6	7	69
Acquisitions and other increases	-	10	63	54	1,267	1,394
Disposals and other decreases	(10)	(124)	(261)	(125)	(111)	(631)
Currency translation differences	(21)	(326)	(278)	(75)	(84)	(784)
Transfers[(a)]	-	227	576	169	(919)	53
Gross value at December 31, 2017	**318**	**6,768**	**10,145**	**2,450**	**2,297**	**21,978**
Accumulated depreciation & impairment at January 1, 2015	**(17)**	**(2,979)**	**(5,780)**	**(1,549)**	**(159)**	**(10,484)**
Changes in scope of consolidation	6	5	12	-	22	45
Depreciation expense	-	(376)	(607)	(208)	-	(1,191)
Impairment losses, net of reversals	-	(38)	(42)	(11)	(41)	(132)
Disposals and other decreases	-	3	15	122	13	153
Currency translation differences	-	(33)	(49)	(17)	-	(99)
Transfers[(a)]	-	34	90	(4)	(1)	119
Reclassification of the Animal Health business[(b)]	-	252	145	26	-	423
Accumulated depreciation & impairment at December 31, 2015	**(11)**	**(3,132)**	**(6,216)**	**(1,641)**	**(166)**	**(11,166)**
Depreciation expense	-	(356)	(595)	(190)	-	(1,141)
Impairment losses, net of reversals	(3)	(31)	(17)	(30)	(78)	(159)
Disposals and other decreases	3	107	348	100	33	591
Currency translation differences	-	(37)	(16)	(2)	(2)	(57)
Transfers[(a)]	4	22	16	6	26	74
Accumulated depreciation & impairment at December 31, 2016	**(7)**	**(3,427)**	**(6,480)**	**(1,757)**	**(187)**	**(11,858)**
Depreciation expense	-	(329)	(595)	(197)	-	(1,121)
Impairment losses, net of reversals	(11)	(45)	(177)	(6)	(15)	(254)
Disposals and other decreases	-	94	239	117	107	557
Currency translation differences	1	140	147	53	2	343
Transfers[(a)]	(3)	(45)	(19)	(14)	15	(66)
Accumulated depreciation & impairment at December 31, 2017	**(20)**	**(3,612)**	**(6,885)**	**(1,804)**	**(78)**	**(12,399)**
Carrying amount at December 31, 2015	325	3,600	3,526	706	1,786	9,943
Carrying amount at December 31, 2016	320	3,531	3,554	664	1,950	10,019
Carrying amount at December 31, 2017	**298**	**3,156**	**3,260**	**646**	**2,219**	**9,579**

(a) This line also includes the effect of the reclassification of assets to ***Assets held for sale or exchange****.*

(b) This line comprises the property, plant and equipment of the Animal Health business, reclassified to ***Assets held for sale or exchange*** *as of December 31, 2015 in accordance with IFRS 5 (see Notes D.1. and D.36.).*

Acquisitions during 2017 amounted to €1,394 million. Of this amount, €1,005 million related to the Pharmaceuticals segment, primarily investments in industrial facilities (€741 million in 2017, compared with €761 million in 2016 and €594 million in 2015 excluding Genzyme in each case) and in constructing and equipping research sites (€138 million in 2017, versus €164 million in 2016 and €82 million in 2015). Genzyme made a zero contribution to Pharmaceuticals segment acquisitions in 2017 (versus €8 million in 2016 and €80 million in 2015). The Vaccines segment made €379 million of acquisitions in 2017 (versus €271 million in 2016 and €260 million in 2015). The Consumer Healthcare segment accounted for €10 million of investments. Acquisitions of property, plant and equipment during the year included €20 million of capitalized interest costs (versus €17 million in 2016 and €15 million in 2015).

Firm orders of property, plant and equipment were €508 million as of December 31, 2017 (€545 million as of December 31, 2016 and €436 million as of December 31, 2015). Property, plant and equipment pledged as security for liabilities amounted to €128 million as of December 31, 2017 (versus €241 million as of December 31, 2016 and €249 million as of December 31, 2015).

During 2017 impairment tests of property, plant and equipment conducted using the method described in Note B.6. resulted in the recognition of net impairment losses of €254 million (including €87 million on property, plant and equipment associated with the dengue vaccine; see Note D.26.). In 2016, net impairment losses were €159 million. In 2015, net impairment losses totaled €132 million, primarily in the Pharmaceuticals segment.

The table below shows amounts for items of property, plant and equipment held under finance leases:

(€ million)	2017	2016	2015
Land	4	3	3
Buildings	102	102	101
Other	9	8	8
Total gross value	**115**	**113**	**112**
Accumulated depreciation and impairment	(87)	(79)	(69)
Carrying amount	**28**	**34**	**43**

Future minimum lease payments due under finance leases as of December 31, 2017 were €39 million (versus €66 million as of December 31, 2016 and €83 million as of December 31, 2015), including €7 million of interest (versus €13 million as of December 31, 2016 and €15 million as of December 31, 2015).

As of December 31, 2017, the payment schedule is as follows:

		Payments due by period			
(€ million)	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Finance lease obligations					
■ principal	32	11	6	6	9
■ interest	7	2	2	2	1
Total	**39**	**13**	**8**	**8**	**10**

D.4. Goodwill and other intangible assets

Movements in goodwill comprise:

(€ million)	Goodwill
Balance at January 1, 2015	**39,197**
Reclassification of the Animal Health business[(a)]	(1,510)
Currency translation differences	1,870
Balance at December 31, 2015	**39,557**
Acquisitions during the period	5
Currency translation differences	725
Balance at December 31, 2016	**40,287**
Acquisitions during the period	2,347
Other movements during the period	12
Currency translation differences	(2,382)
Balance at December 31, 2017	**40,264**

*(a) Comprises the goodwill on the Animal Health business, presented within **Assets held for sale or exchange** as of December 31, 2016 and 2015.*

Acquisition of Protein Sciences (2017)

The provisional purchase price allocation for Protein Sciences resulted in the recognition of intangible assets (other than goodwill) totaling €776 million as of the acquisition date (August 25, 2017). The principal asset recognized was the marketed vaccine Flublok®, at a fair value of €767 million.

The goodwill arising from the acquisition of Protein Sciences was provisionally measured at €125 million as of the acquisition date.

Acquisition of Boehringer Ingelheim's Consumer Healthcare business (2017)

The final purchase price allocation for Boehringer Ingelheim's Consumer Healthcare business resulted in the recognition of intangible assets (other than goodwill) totaling €3,771 million at the acquisition date (January 1, 2017). Those assets consist of a portfolio of marketed products in strategic therapeutic fields including Digestive Health (Dulcolax®, Zantac®), Pain Relief (Buscopan®, Eve®), Allergy, Cough and Cold (Mucosolvan®, Bisolvon®), and Vitamins, Minerals and Supplements (Pharmaton®).

The goodwill arising from the acquisition of Boehringer Ingelheim's Consumer Healthcare business amounted to €2,222 million as of the acquisition date.

Acquisition of the European Vaccines business previously included in the Sanofi Pasteur MSD joint venture (2016)

The final purchase price allocation for the European Vaccines business resulted in the recognition of intangible assets (other than goodwill) totaling €465 million at the acquisition date (December 31, 2016). Those assets consist of the vaccines portfolio previously held by the Sanofi Pasteur MSD joint venture comprising pediatric combination, adult booster and endemics vaccines, that reverted to Sanofi on December 31, 2016 (see Note D.2.3.).

Genzyme acquisition (2011)

The Genzyme final purchase price allocation resulted in the recognition of intangible assets (other than goodwill) totaling €10,059 million at the acquisition date. That figure included €7,727 million for marketed products in the fields of rare diseases (primarily Cerezyme®, Fabrazyme® and Myozyme®), renal endocrinology (primarily Renagel®), biosurgery (primarily Synvisc®), and oncology. It also included intangible assets valued at €2,148 million at the acquisition date relating to Genzyme's in-process research and development projects, primarily Lemtrada® (alemtuzumab) and eliglustat. The Genzyme brand was attributed a fair value of €146 million.

Goodwill arising from the acquisition of Genzyme amounted to €4,775 million as of December 31, 2017 (versus €5,031 million as of December 31, 2016 and €4,946 million as of December 31, 2015).

As of December 31, 2017 and December 31, 2016, the carrying amount of marketed products and the Genzyme brand represented more than 99% of the intangible assets of Genzyme (other than goodwill), and in-process research and development represented less than 1%.

None of the Genzyme acquired research and development came into commercial use during 2016 or 2017.

During 2015, some of the Genzyme acquired research and development (€474 million) came into commercial use, and started being amortized from the date of marketing approval. The main product involved was Cerdelga® (eliglustat) outside the United States.

Aventis acquisition (2004)

On August 20, 2004, Sanofi acquired Aventis, a global pharmaceutical group created in 1999 by the merger between Rhône-Poulenc and Hoechst.

The total purchase price was €52,908 million, of which €15,894 million was settled in cash.

Goodwill arising from the Aventis acquisition amounted to €29,284 million as of December 31, 2017 (versus €31,124 million as of December 31, 2016 and €30,587 million as of December 31, 2015).

Rights to marketed products and goodwill arising on the Aventis acquisition were allocated on the basis of the split of Sanofi's operations into business and geographical segments, and valued in the currency of the relevant geographical segment (mainly euros and US dollars) with assistance from an independent valuer.

Movements in other intangible assets comprise:

(€ million)	Acquired R&D	Products, trademarks and other rights	Software	Total other intangible assets
Gross value at January 1, 2015	**3,482**	**53,130**	**1,240**	**57,852**
Acquisitions and other increases	1,179	912	154	2,245
Disposals and other decreases	(204)	(1,321)	(27)	(1,552)
Currency translation differences	189	3,610	35	3,834
Transfers[(a)]	(741)	653	11	(77)
Reclassification of the Animal Health business[(b)]	(51)	(4,982)	(182)	(5,215)
Gross value at December 31, 2015	**3,854**	**52,002**	**1,231**	**57,087**
Changes in scope of consolidation	-	465	-	465
Acquisitions and other increases	142	127	148	417
Disposals and other decreases	(305)[(d)]	(687)	(73)	(1,065)
Currency translation differences	55	1,124	17	1,196
Transfers[(a)]	(97)	76	3	(18)
Gross value at December 31, 2016	**3,649**	**53,107**	**1,326**	**58,082**
Changes in scope of consolidation	-	4,546	1	4,547
Acquisitions and other increases	317	212	170	699
Disposals and other decreases	(39)	(450)	(62)	(551)
Currency translation differences	(200)	(3,814)	(51)	(4,065)
Transfers[(a)]	(48)	37	(16)	(27)
Gross value at December 31, 2017	**3,679**	**53,638**	**1,368**	**58,685**
Accumulated amortization & impairment at January 1, 2015	**(2,041)**	**(40,352)**	**(916)**	**(43,309)**
Amortization expense	-	(2,651)	(108)	(2,759)
Impairment losses, net of reversals[(c)]	(343)	(427)	(3)	(773)
Disposals and other decreases	204	1,257	27	1,488
Currency translation differences	(124)	(2,662)	(23)	(2,809)
Transfers[(a)]	-	39	(6)	33
Reclassification of the Animal Health business[(b)]	3	2,908	157	3,068
Accumulated amortization & impairment at December 31, 2015	**(2,301)**	**(41,888)**	**(872)**	**(45,061)**
Amortization expense	-	(1,712)	(104)	(1,816)
Impairment losses, net of reversals[(c)]	(60)	(137)	-	(197)
Disposals and other decreases	108	673	73	854
Currency translation differences	(41)	(931)	(12)	(984)
Transfers[(a)]	4	(2)	(1)	1
Accumulated amortization & impairment at December 31, 2016	**(2,290)**	**(43,997)**	**(916)**	**(47,203)**
Amortization expense	-	(1,886)	(112)	(1,998)
Impairment losses, net of reversals[(c)]	(95)	(215)	(3)	(313)
Disposals and other decreases	39	443	64	546
Currency translation differences	142	3,138	35	3,315
Transfers[(a)]	-	41	7	48
Accumulated amortization & impairment at December 31, 2017	**(2,204)**	**(42,476)**	**(925)**	**(45,605)**
Carrying amount at December 31, 2015	1,553	10,114	359	12,026
Carrying amount at December 31, 2016	1,359	9,110	410	10,879
Carrying amount at December 31, 2017	**1,475**	**11,162**	**443**	**13,080**

(a) The "Transfers" line mainly relates to acquired R&D that came into commercial use during the period and is being amortized from the date of marketing approval.
(b) Comprises the other intangible assets of the Animal Health business, now reclassified to ***Assets held for sale or exchange****.*
(c) See Note D.5.
(d) Includes the return of product rights to Hanmi Pharmaceutical Co. Ltd in 2016 (see Note D.21.1).

"Products, trademarks and other rights" (excluding items relating to the Animal Health business, reported within the line item ***Assets held for sale or exchange***, see Note D.36.), mainly comprise:

- marketed products, with a carrying amount of €10.6 billion as of December 31, 2017 (versus €8.4 billion as of December 31, 2016 and €9.4 billion as of December 31, 2015) and a weighted average amortization period of approximately 10 years;
- trademarks, with a carrying amount of €0.2 billion as of December 31, 2017 (compared with €0.2 billion as of December 31, 2016 and €0.3 billion as of December 31, 2015) and a weighted average amortization period of approximately 13 years.

The table below provides information about the principal marketed products, which were recognized in connection with business combinations and represented 85% of the carrying amount of that item as of December 31, 2017:

(€ million)	Gross value	Accumulated amortization & impairment	Carrying amount December 31, 2017	Amortization period (years) [(a)]	Residual amortization period (years)[(b)]	Carrying amount at December 31, 2016	Carrying amount at December 31, 2015
Genzyme	10,287	(6,453)	3,834	10	6	5,009	5,759
Boehringer Ingelheim Consumer Healthcare	3,683	(241)	3,442	16	16	-	-
Aventis	32,308	(31,724)	584	9	3	1,095	1,548
Chattem	1,217	(451)	766	23	16	930	956
Zentiva	961	(869)	92	9	4	128	187
Protein Sciences	765	(21)	744	13	13	-	-
Total: principal marketed products	**49,221**	**(39,759)**	**9,462**			**7,162**	**8,450**

(a) Weighted averages. The amortization periods for these products vary between 1 and 25 years.
(b) Weighted averages.

Acquisitions of other intangible assets (excluding software) during 2017 amounted to €529 million.

During 2017, €9 million of acquired research and development came into commercial use, and started being amortized from the date of marketing approval.

During 2016, some of the acquired research and development came into commercial use, and started being amortized from the date of marketing approval. The main such items were the diabetes treatments Lyxumia® and Soliqua™ 100/33 (€52 million).

During 2015, some of the acquired research and development came into commercial use, and started being amortized from the date of marketing approval. The main such item was the dengue fever vaccine (€230 million).

Amortization of other intangible assets is recognized in the income statement within the line item ***Amortization of intangible assets***, except for amortization of software and other rights of an industrial or operational nature which is recognized in the relevant classification of expense by function. An analysis of amortization of software is shown in the table below:

(€ million)	2017[(a)]	2016 [(a)]	2015[(a)]
Cost of sales	28	28	25
Research and development expenses	22	16	13
Selling and general expenses	53	56	52
Other operating expenses	9	5	4
Total	**112**	**105**	**94**

(a) The results of the Animal Health business are presented separately in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations); see Notes D.1. and D.36.

D.5. Impairment of intangible assets and property, plant and equipment

Goodwill

The recoverable amount of cash generating units (CGUs) is determined by reference to the value in use of each CGU, based on discounted estimates of the future cash flows from the CGU, in accordance with the policies described in Note B.6.1.

In light of changes to the operational structure of Sanofi during 2017, the goodwill previously allocated in full to the old Pharmaceuticals CGU was reallocated between the new Pharmaceuticals and Consumer Healthcare CGUs as of January 1, 2017, in accordance with the principles of IAS 36.

The reallocated goodwill was subject to impairment testing, which did not indicate any requirement to recognize impairment losses. Impairment testing was also carried out on the basis of the previous CGU structure, and this did not indicate any requirement to recognize impairment losses either.

The goodwill arising from the acquisition of Boehringer Ingelheim's Consumer Healthcare business (see note D.1.) was allocated in full to the Consumer Healthcare CGU.

Goodwill is monitored internally at the level of each of the three current CGUs (Pharmaceuticals, Consumer Healthcare and Vaccines). Each of those CGUs reflects on a global scale all the key organizational components involved in commercial, R&D and industrial decision-making for that CGU. Sanofi believes those decisions have a significant influence on the generation of cash flows for each CGU.

The allocation of goodwill as of December 31, 2017 is shown below:

(€ million)	Pharmaceuticals	Consumer Healthcare	Vaccines	Total Sanofi
Goodwill	**32,437**	**6,525**	**1,302**	**40,264**

The value in use of each CGU was determined by applying an after-tax discount rate to estimated future after-tax cash flows.

A separate discount rate is used for each CGU to reflect the specific economic conditions of the CGU.

The rates used for impairment testing in 2017 were 7.25% for the Pharmaceuticals CGU, 7.50% for the Consumer Healthcare CGU, and 7.25% for the Vaccines CGU; an identical value in use for Sanofi as a whole would be obtained by applying a uniform 7.3% rate to all three CGUs.

The pre-tax discount rates applied to estimated pre-tax cash flows are calculated by iteration from the previously-determined value in use. Those pre-tax discount rates were 10.5% for the Pharmaceuticals CGU, 10.1% for the Consumer Healthcare CGU and 10.8% for the Vaccines CGU, and equate to a uniform rate of 10.5% for Sanofi as a whole.

The assumptions used in testing goodwill for impairment are reviewed annually. Apart from the discount rate, the principal assumptions used in 2017 were as follows:

- the perpetual growth rates applied to future cash flows were zero for the Pharmaceuticals CGU, 2% for the Consumer Healthcare CGU, and 0.5% for the Vaccines CGU;
- Sanofi also applies assumptions on the probability of success of current research and development projects, and more generally on its ability to renew the product portfolio in the longer term.

Value in use (determined as described above) is compared with the carrying amount, and this comparison is then subjected to sensitivity analyses by reference to the principal parameters, including:

- changes in the discount rate;
- changes in the perpetual growth rate; and
- fluctuations in operating margin.

No impairment of goodwill would need to be recognized in the event of a reasonably possible change in the assumptions used in 2017.

A value in use calculation for each of the CGUs would not result in an impairment loss using:

- a discount rate up to 1.3 percentage points above the rates actually used; or
- a perpetual growth rate up to 2.7 percentage points below the rates actually used; or
- an operating margin up to 3.8 percentage points below the rates actually used.

No impairment losses were recognized against goodwill in the years ended December 31, 2017, 2016 or 2015.

Other intangible assets

When there is evidence that an asset may have become impaired, the asset's recoverable amount is calculated by applying an after-tax discount rate to the estimated future after-tax cash flows from that asset. This reflects the fact that in most instances, there are no market data that would enable fair value less costs to sell to be determined other than by means of a similar estimate based on future cash flows. For the purposes of impairment testing, the tax cash flows relating to the asset are determined using a notional tax rate incorporating the notional tax benefit that would result from amortizing the asset if its value in use were regarded as its depreciable amount for tax purposes. Applying after-tax discount rates to after-tax cash flows gives the same values in use as would be obtained by applying pre-tax discount rates to pre-tax cash flows.

The after-tax discount rates used in 2017 for impairment testing of other intangible assets in the Pharmaceuticals, Vaccines and Consumer Healthcare CGUs were obtained by adjusting Sanofi's weighted average cost of capital to reflect specific country and business risks, giving after-tax rates in a range from 7.0% to 12.1%.

In 2017, impairment testing of other intangible assets (excluding software) resulted in the recognition of a €310 million net impairment loss (of which €17 million in ***Cost of sales***), relating mainly to marketed products in the Vaccines segment (€190 million) and the Pharmaceuticals segment (€23 million), and to research and development projects in both those segments (€79 million). The impairment loss recognized for the Vaccines segment relates to intangible assets associated with the Dengue vaccine and arises from revisions to sales forecasts following results of long-term clinical trials and the resulting requirement to update the product label.

In 2016, impairment testing of other intangible assets (excluding software) resulted in the recognition of a €192 million net impairment loss, comprising €58 million on research and development projects in the Pharmaceuticals and Vaccines segments and €134 million on rights for a number of marketed products in the Pharmaceuticals segment.

In 2015, impairment testing of other intangible assets (excluding software) resulted in the recognition of a €767 million net impairment loss, comprising:

- €340 million on research and development projects in the Pharmaceuticals and Vaccines segments, in particular (i) Synvisc-One® in osteoarthritis of the hip and (ii) the rotavirus vaccine project (Shantha); and
- €427 million on rights for a number of marketed products in the Pharmaceuticals segment, in particular (i) Afrezza® in the United States following termination of the license and collaboration agreement with MannKind Corporation and (ii) Auvi-Q®/Allerject® in the United States and Canada following the voluntary recall of the product.

The amount of net impairment losses reclassified to ***Net income/(loss) of the exchanged/held-for-exchange Animal Health business*** in the year ended December 31, 2015 was €3 million.

Property, plant and equipment

Impairment losses taken against property, plant and equipment are disclosed in Note D.3.

D.6. Investments accounted for using the equity method

Investments accounted for using the equity method comprise associates and joint ventures (see Note B.1.).

The table below sets forth Sanofi's investments accounted for using the equity method:

(€ million)	% interest	2017	2016	2015
Regeneron Pharmaceuticals, Inc.[(a)]	22.2	2,512	2,548	2,245
Onduo LLC	50.0	141	181	-
Sanofi Pasteur MSD[(b)/(c)]	-	-	-	252
Infraserv GmbH & Co. Höchst KG[(b)]	31.2	73	79	85
Entities and companies managed by Bristol-Myers Squibb[(d)]	49.9	38	44	43
Other investments	-	99	38	51
Total		**2,863**	**2,890**	**2,676**

(a) See Note D.2.2.
(b) Joint ventures.
(c) See Notes B.1. and D.2.3.
(d) Under the terms of the agreements with BMS (see Note C.2.), Sanofi's share of the net assets of entities majority-owned by BMS is recorded in ***Investments accounted for using the equity method****.*

On March 8, 2016, Sanofi Pasteur and MSD (known as Merck in the United States and Canada) announced their intention to end their Sanofi Pasteur MSD (SPMSD) joint venture, in order to pursue their own distinct growth strategies in Europe. The transaction was finalized on December 31, 2016 (see Notes B.1. and D.2.3.). Following the announcement, Sanofi's interest in SPMSD was reclassified to the line item ***Assets held for sale or exchange****.*

The table below shows Sanofi's overall share of (i) profit or loss and (ii) other comprehensive income from investments accounted for using the equity method, showing the split between associates and joint ventures in accordance with IFRS 12 (the amounts for each individual associate or joint venture are not material):

	2017		2016		2015	
(€ million)	Joint ventures	Associates	Joint ventures	Associates	Joint ventures	Associates
Share of profit/(loss) from investments accounted for using the equity method[(a)]	20	84	20	114	31	(53)
Share of other comprehensive income from investments accounted for using the equity method	22	(303)	(3)	58	1	235
Total	**42**	**(219)**	**17**	**172**	**32**	**182**

(a) The Sanofi Pasteur MSD joint venture ceased to be accounted for by the equity method on March 8, 2016, the date on which it was announced that the joint venture was to be dissolved (see Notes B.1. and D.2.3.).

The financial statements include arm's length 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)	2017	2016	2015
Sales[(a)]	33	39	218
Royalties and other income[(a)]	100	156	91
Accounts receivable and other receivables	85	101	81
Purchases and other expenses (including research expenses)[(a)]	777	708	762
Accounts payable	197	161	196
Other liabilities	20	65	10

(a) For the year ended December 31, 2016, these items include transactions between Sanofi and SPMSD during the period from January 1, 2016 through March 8, 2016 (the date of the announcement that the joint venture was to be dissolved; see Notes B.1. and D.2.3.).

Funding commitments to associates and joint ventures amounted to €135 million as of December 31, 2017.

For off balance sheet commitments of an operational nature involving joint ventures, see Note D.21.1.

Regeneron

Key items from the consolidated financial statements of Regeneron, after adjustments to comply with IFRS but before fair value remeasurements, are set forth below:

(€ million)	2017	2016	2015
Net sales and other revenues	5,200	4,393	3,698
Net income/(loss) for the period	815	714	232
Other comprehensive income for the period, net of taxes	12	(19)	(39)
Comprehensive income/(loss)	827	695	193

(€ million)	December 31, 2017	December 31, 2016	December 31, 2015
Current assets	3,615	3,001	2,704
Non-current assets	3,947	4,304	4,529
Total assets	**7,562**	**7,305**	**7,233**
Current liabilities	947	1,178	745
Non-current liabilities	1,238	1,218	1,903
Total liabilities	**2,185**	**2,396**	**2,648**
Consolidated shareholders' equity of Regeneron	**5,377**	**4,909**	**4,585**

The table below shows a reconciliation to the carrying amount of the investment:

(€ million)	December 31, 2017	December 31, 2016	December 31, 2015
% interest	22%	22%	22%
Share of equity attributable to Sanofi	1,193	1,084	1,012
Goodwill	810	835	779
Fair value remeasurements of assets and liabilities at the acquisition date	938	1,065	1,039
Other items[(a)]	(429)	(436)	(585)
Carrying amount of the investment in Regeneron	2,512	2,548	2,245

(a) Mainly comprised of the difference arising from Sanofi's share of the accumulated profits and losses and other changes in the net assets of Regeneron for the periods prior to first-time application of the equity method, and thereafter (i) Sanofi's share of the stock option expense recognized against equity in the books of Regeneron, and of the deferred taxes recognized against equity in respect of that expense in accordance with IAS 12 paragraph 68C and (ii) the effects of the elimination of internal profits between Sanofi and Regeneron.

As of December 31, 2017, the market value of Sanofi's investment in Regeneron was €7,487 million (based on a quoted stock market price of $375.96 per share as of that date), compared with €8,159 million as of December 31, 2016 (based on a quoted stock market price of $367.09 per share) and €11,523 million as of December 31, 2015 (based on a quoted stock market price of $542.87 per share).

Under the terms of the investment agreement signed at the start of 2014, Sanofi is required to compute the level of its ownership interest in Regeneron on a quarterly basis, and to maintain that interest at a level no lower than the highest percentage previously achieved in order to retain a designee on the Regeneron Board of Directors. Once Sanofi's ownership interest passes 25%, the minimum interest requirement is fixed at 25%. An amendment to that agreement was signed on January 8, 2018 (see Note G/).

D.7. Other non-current assets

Other non-current assets comprise:

(€ million)	2017	2016	2015
Available-for-sale financial assets	2,182	1,583	1,609
Pre-funded pension obligations (Note D.19.1.)	53	30	49
Long-term loans and advances and other non-current receivables	730	776	671
Financial assets recognized under the fair value option	336	329	276
Derivative financial instruments (Note D.20.)	63	102	120
Total	**3,364**	**2,820**	**2,725**

Available-for-sale financial assets

Quoted equity securities

Equity interests classified as available-for-sale financial assets include the following publicly traded investments:

- An equity interest in Alnylam Pharmaceuticals, Inc. (Alnylam), acquired at the start of 2014. Based on the quoted market price, Sanofi's equity interest was valued at €1,118 million as of December 31, 2017 (versus €364 million as of December 31, 2016 and €869 million as of December 31, 2015). On October 5, 2016, Alnylam announced that it was terminating its revusiran development program, as a result of which its share price fell by 48% on October 6, 2016. Consequently, Sanofi recognized as of December 31, 2016 an impairment loss of €457 million, reflecting the difference between the historical acquisition cost of its shares in Alnylam and the market value of those shares at that date.
- An equity injection into Voyager Therapeutics, Inc. carried out under the February 2015 collaboration agreement with that company, valued at €34 million as of December 31, 2017 and representing an equity interest of approximately 8% as of that date (versus €30 million as of December 31, 2016).
- An equity injection into MyoKardia, Inc., initiated under a collaboration agreement signed with that company in September 2014, valued at €141 million as of December 31, 2017 and representing an equity interest of approximately 11% as of that date (€45 million as of December 31, 2016).
- An equity injection into JHL Biotech, Inc. carried out under a collaboration agreement signed with that company on December 5, 2016, valued at €49 million as of December 31, 2017, and representing an equity interest of approximately 13% as of that date (€58 million as of December 31, 2016);
- Financial assets held to meet obligations to employees under post-employment benefit plans, amounting to €207 million as of December 31, 2017 (versus €372 million as of December 31, 2016 and €353 million as of December 31, 2015). Those obligations, and the financial assets held to meet them, were partially outsourced during 2017 (see Note D.29.).

Sanofi's equity interest in Nichi-Iko Pharmaceuticals Co. Ltd. was divested in full during 2016. The carrying amount of that investment in the balance sheet was €63 million as of December 31, 2015.

Sanofi's equity interest in Merrimack Pharmaceuticals, Inc. was divested in full during 2015.

Unquoted equity investments

Available-for-sale financial assets also include equity investments not quoted in an active market. The carrying amount of those investments was €123 million as of December 31, 2017, €112 million as of December 31, 2016 and €102 million as of December 31, 2015.

Other available-for-sale financial assets

As of December 31, 2017, Sanofi held €199 million of listed senior bonds (versus €100 million as of December 31, 2016).

In connection with the dissolution of the Sanofi Pasteur MSD (SPMSD) joint venture, Sanofi recognized an available-for-sale financial asset for contingent consideration receivable by Sanofi based on a percentage of MSD's future sales during the 2017-2024 period of specified products previously distributed by SPMSD (see Notes B.1., D.2.3. and D.12.). The fair value of the MSD contingent consideration was determined by applying the royalty percentage stipulated in the contract to discounted sales projections. A reduction of one percentage point in the discount rate would increase the fair value of the MSD contingent consideration by approximately 3%.
Changes in the fair value of this contingent consideration are recognized in the income statement in the line item ***Fair value remeasurement of contingent consideration*** (See Note B.18.).

As of December 31, 2017, the contingent consideration asset amounted to €342 million (including a non-current portion of €292 million), versus €458 million as of December 31, 2016. The movement during 2017 is due primarily to an adjustment of €145 million to the fair value of the assets to reflect revisions of sales forecasts.

A 10% decline in stock prices of quoted equity investments classified as available-for-sale financial assets would have had the following impact as of December 31, 2017:

(€ million)	Sensitivity
Other comprehensive income before tax	(156)
Income before tax	(1)
Total	**(157)**

A 10% decline in the quoted market prices of Sanofi's other available-for-sale financial assets combined with a simultaneous 0.5% rise in the yield curve would have had the following impact as of December 31, 2017:

(€ million)	Sensitivity
Other comprehensive income before tax	(13)
Income before tax	-
Total[(a)]	**(13)**

(a) Represents approximately 3.8% of the value of the assets involved.

Other disclosures about available-for-sale financial assets

Other comprehensive income recognized in respect of available-for-sale financial assets represented unrealized gains (net of taxes) amounting to €851 million as of December 31, 2017 (primarily fair value remeasurements of the equity interest in Alnylam, recognized in ***Other comprehensive income)***; €158 million as of December 31, 2016 (including an immaterial amount relating to the Animal Health business); and €213 million as of December 31, 2015.

Long-term loans, advances and other non-current receivables

Long-term loans, advances and other non-current receivables include €105 million comprising the amortized cost of fixed-rate bonds held in a Professional Specialized Investment Fund dedicated to Sanofi, and tax receivables due after more than one year.

Financial assets recognized under the fair value option

Financial assets recognized under the fair value option represent a portfolio of financial investments held to fund a deferred compensation plan provided to certain employees.

D.8. Assets and liabilities held for sale or exchange

Assets held for sale or exchange, and liabilities related to assets held for sale or exchange, comprise:

(€ million)	Note	December 31, 2017	December 31, 2016	December 31, 2015
Animal Health business	D.36.	-	6,376	5,626
Other		34	45	126
Assets held for sale or exchange		**34**	**6,421**	**5,752**
Animal Health business	D.36.	-	1,165	983
Other		-	30	-
Liabilities related to assets held for sale or exchange		**-**	**1,195**	**983**

D.9. Inventories

Inventories comprise the following:

	2017			2016			2015		
(€ million)	Gross value	Write-down	Carrying amount	Gross value	Write-down	Carrying amount	Gross value	Write-down	Carrying amount
Raw materials	1,041	(79)	962	1,053	(104)	949	1,050	(90)	960
Work in process	4,348	(656)	3,692	4,512	(710)	3,802	4,043	(561)	3,482
Finished goods	2,340	(178)	2,162	2,341	(200)	2,141	2,282	(208)	2,074
Total	**7,729**	**(913)**	**6,816**	**7,906**	**(1,014)**	**6,892**	**7,375**	**(859)**	**6,516**

Write-downs include inventories of products on hand pending marketing approval.

Inventories pledged as security for liabilities amounted to €18 million as of December 31, 2017 (compared with €24 million as of December 31, 2016 and €25 million as of December 31, 2015).

D.10. Accounts receivable

An analysis of accounts receivable is set forth below:

(€ million)	December 31, 2017	December 31, 2016	December 31, 2015
Gross value	7,405	7,506	7,553
Allowances	(189)	(195)	(167)
Carrying amount	**7,216**	**7,311**	**7,386**

The impact of allowances against accounts receivable in 2017 was a net expense of €27 million (versus €32 million in 2016 and €53 million in 2015).

The gross value of overdue receivables was €644 million as of December 31, 2017, versus €597 million as of December 31, 2016 and €677 million as of December 31, 2015.

	Overdue accounts	Overdue by:				
(€ million)	Gross value	<1 month	1 to 3 months	3 to 6 months	6 to 12 months	> 12 months
December 31, 2017	**644**	**247**	**143**	**113**	**48**	**93**
December 31, 2016	597	133	103	121	42	198
December 31, 2015	677	171	147	117	83	159

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

Some Sanofi subsidiaries have assigned receivables to factoring companies or banks without recourse. The amount of receivables that met the conditions described in Note B.8.7. and were therefore derecognized was €437 million as of December 31, 2017 (€428 million as of December 31, 2016 and €414 million as of December 31, 2015). The amounts derecognized in 2017 relate mainly to the United States (€230 million) and Japan (€197 million). The residual guarantees relating to such transfers were immaterial as of December 31, 2017.

D.11. Other current assets

An analysis of other current assets is set forth below:

(€ million)	2017	2016	2015
Taxes recoverable	832	1,034	1,006
Other receivables[(a)]	627	705	461
Prepaid expenses	336	333	300
Interest rate derivatives measured at fair value (see Note D.20.)	-	3	39
Currency derivatives measured at fair value (see Note D.20.)	133	105	59
Other current financial assets	77	31	13
Total	**2,005**	**2,211**	**1,878**

(a) This line mainly comprises advance payments to suppliers. The 2016 figure also includes the impact of the transactions finalized in 2016 for which payments were received in January 2017.

D.12. Financial assets and liabilities measured at fair value

Under IFRS 7 (Financial Instruments: Disclosures), fair value measurements must be classified using a fair value hierarchy with the following levels:

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

The valuation techniques used are described in Note B.8.6.

The table below shows the balance sheet amounts of assets and liabilities measured at fair value.

		2017			2016			2015		
		Level in the fair value hierarchy			Level in the fair value hierarchy			Level in the fair value hierarchy		
(€ million)	Note	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at fair value										
Quoted equity investments	D.7.	1,568	-	-	900	-	-	1,451	-	-
Unquoted equity investments	D.7.	-	-	123	-	-	112	-	-	102
Quoted debt securities	D.7.	199	-	-	113	-	-	56	-	-
Contingent consideration relating to divestments	D.7.	-	-	342	-	-	458	-	-	-
Financial assets recognized under the fair value option	D.7.	336	-	-	329	-	-	276	-	-
Non-current derivatives	D.7.	-	63	-	-	102	-	-	120	-
Current derivatives	D.11.	-	133	-	-	108	-	-	98	-
Mutual fund investments	D.13.	7,207	-	-	6,210	-	-	5,042	-	-
Total financial assets measured at fair value		**9,310**	**196**	**465**	**7,552**	**210**	**570**	**6,825**	**218**	**102**
Financial liabilities measured at fair value										
CVRs issued in connection with the acquisition of Genzyme	D.18.	75	-	-	85	-	-	24	-	-
Bayer contingent purchase consideration arising from the acquisition of Genzyme	D.18.	-	-	701	-	-	1,013	-	-	1,040
MSD contingent consideration (European vaccines business)	D.18.	-	-	420	-	-	354	-	-	-
Other contingent consideration arising from business combinations	D.18.	-	-	81	-	-	1	-	-	6
Liabilities related to non-controlling interests	D.18.	-	-	92	-	-	123	-	-	181
Non-current derivatives		-	16	-	-	-	-	-	3	-
Current derivatives	D.19.5.	-	58	-	-	132	-	-	82	-
Total financial liabilities measured at fair value		**75**	**74**	**1,294**	**85**	**132**	**1,491**	**24**	**85**	**1,227**

No transfers between the different levels of the fair value hierarchy occurred during 2017.

In connection with the dissolution of the Sanofi Pasteur MSD (SPMSD) joint venture, which was finalized on December 31, 2016, Sanofi recognized contingent consideration receivable as an available-for-sale financial asset (see Notes D.2.3. and D.7.) and contingent consideration payable in ***Liabilities related to business combinations and non-controlling interests*** (see Notes D.2.3. and D.18.). As of December 31, 2017:

- The financial asset relating to contingent consideration receivable by Sanofi based on a percentage of MSD's future sales during the 2017-2024 period of specified products previously distributed by SPMSD amounted to €342 million.
- The financial liability relating to contingent consideration payable to MSD based on a percentage of future sales made by Sanofi Pasteur during the 2017-2024 period of specified products previously distributed by SPMSD amounted to €420 million.

D.13. Cash and cash equivalents

(€ million)	2017	2016	2015
Cash	472	1,077	1,361
Cash equivalents[(a)]	9,843	9,196	7,787
Cash and cash equivalents[(b)]	**10,315**	**10,273**	**9,148**

(a) As of December 31, 2017, cash equivalents mainly comprised (i) €7,207 million invested in euro and US dollar denominated money-market mutual funds (December 31, 2016: €6,210 million; December 31, 2015: €5,042 million); (ii) €1,346 million of term deposits (December 31, 2016: €1,469 million; December 31, 2015: €1,594 million); (iii) €505 million in commercial paper (December 31, 2016: €617 million; December 31, 2015: €461 million); and (iv) €556 million held by captive insurance and reinsurance companies in accordance with insurance regulations (December 31, 2016: €553 million; December 31, 2015: €385 million).

(b) Includes immaterial amounts held by Sanofi's Venezuelan subsidiaries as of December 31, 2017 and December 31, 2016 (versus €90 million as of December 31, 2015); see Note A.4.

D.14. Net deferred tax position

An analysis of the net deferred tax position is set forth below:

(€ million)	2017	2016	2015
Deferred taxes on:			
Consolidation adjustments (intragroup margin in inventory)	969	1,095	1,074
Provision for pensions and other employee benefits	1,263	1,538	1,522
Remeasurement of other acquired intangible assets[(a)]	(1,713)	(2,797)	(3,370)
Recognition of acquired property, plant and equipment at fair value	(36)	(44)	(48)
Equity interests in subsidiaries and investments in other entities[(b)]	(592)	(818)	(833)
Tax losses available for carry-forward	1,059	1,070	1,162
Stock options and other share-based payments	88	126	131
Accrued expenses and provisions deductible at the time of payment[(c)]	1,344	2,202	2,061
Other	303	5	120
Net deferred tax asset/(liability)	**2,685**	**2,377**	**1,819**

(a) Includes the following deferred tax liabilities as of December 31, 2017: €176 million relating to the remeasurement of the other intangible assets of Aventis, and €929 million relating to Genzyme.

(b) In some countries, Sanofi is liable for withholding taxes and other tax charges when dividends are distributed. Consequently, Sanofi recognizes a deferred tax liability on the reserves of French and foreign subsidiaries (approximately €51.0 billion) which it regards as likely to be distributed in the foreseeable future. In determining the amount of the deferred tax liability as of December 31, 2017, Sanofi took into account changes in the ownership structure of certain subsidiaries, and the effects of changes in the taxation of dividends in France following the ruling of the Court of Justice of the European Union in the Steria case and the resulting amendments to the 2015 Finance Act.

(c) Includes deferred tax assets related to restructuring provisions, amounting to €212 million as of December 31, 2017, €334 million as of December 31, 2016, and €394 million as of December 31, 2015.

The reserves of Sanofi subsidiaries that would be taxable if distributed but for which no distribution is planned, and for which no deferred tax liability has therefore been recognized, totaled €16.8 billion as of December 31, 2017, compared with €25.2 billion as of December 31, 2016 and €23.9 billion as of December 31, 2015.

Most of Sanofi's tax loss carry-forwards are available indefinitely. For a description of policies on the recognition of deferred tax assets, refer to Note B.22. The recognition of deferred tax assets is determined on the basis of profit forecasts for each tax consolidation, and of the tax consequences of the strategic opportunities available to Sanofi. Those forecasts are consistent with Sanofi's medium-term strategic plan, and are based on time horizons that take account of the period of availability of tax loss carry-forwards and the specific circumstances of each tax group. Deferred tax assets relating to tax loss carry-forwards as of December 31, 2017 amounted to €1,346 million, of which €287 million were not recognized. This compares with €1,502 million as of December 31, 2016 (of which €431 million were not recognized) and €1,721 million as of December 31, 2015 (of which €559 million were not recognized).

The table below shows when tax losses available for carry-forward are due to expire:

(€ million)	Tax losses available for carry-forward[(a)]
2018	33
2019	6
2020	24
2021	55
2022	43
2023 and later	5,003
Total as of December 31, 2017	**5,164**
Total as of December 31, 2016	**5,176**
Total as of December 31, 2015	**5,209**

(a) Excluding tax loss carry-forwards on asset disposals. Such carry-forwards amounted to €7 million as of December 31, 2017, €13 million as of December 31, 2016 and zero as of December 31, 2015.

Use of tax loss carry-forwards is limited to the entity in which they arose. In jurisdictions where tax consolidations are in place, tax losses can be netted against taxable income generated by entities in the same tax consolidation.

Deferred tax assets not recognized because their future recovery was not regarded as probable given the expected results of the entities in question amounted to €302 million in 2017, €561 million in 2016 and €666 million in 2015.

D.15. Consolidated shareholders' equity

D.15.1. Share capital

As of December 31, 2017, the share capital was €2,508,039,808, consisting of 1,254,019,904 shares with a par value of €2. Treasury shares held by Sanofi are as follows:

	Number of shares (million)	% of share capital for the period
December 31, 2017	**0.2**	**0.01%**
December 31, 2016	20.0	1.55%
December 31, 2015	4.0	0.30%
January 1, 2015	9.5	0.72%

Treasury shares are deducted from shareholders' equity. Gains and losses on disposals of treasury shares are recorded directly in equity and are not recognized in net income for the period.

Movements in the share capital of the Sanofi parent company over the last three years are set forth below:

Date	Transaction	Number of shares	Share capital[(a)]	Additional paid-in capital[(a)]	Reserves[(a)]
December 31, 2014		**1,319,367,445**	**2,639**	**5,614**	**-**
During 2015	Capital increase by exercise of stock subscription options[(b)]	9,000,127	18	555	-
During 2015	Capital increase by issuance of restricted shares[(c)]	3,071,173	6	(6)	-
Board meeting of April 29, 2015	Reduction in share capital by cancellation of treasury shares	(18,482,786)	(37)	(1,454)	-
Board meeting of October 28, 2015	Reduction in share capital by cancellation of treasury shares	(7,259,200)	(15)	(670)	-
December 31, 2015		**1,305,696,759**	**2,611**	**4,039**	**-**
During 2016	Capital increase by exercise of stock subscription options[(b)]	3,418,421	7	212	-
During 2016	Capital increase by issuance of restricted shares[(c)]	3,664,248	7	(7)	-
Board meeting of April 28, 2016	Reduction in share capital by cancellation of treasury shares	(22,561,090)	(45)	(1,655)	-
Board meeting of July 22, 2016	Capital increase reserved for employees	1,803,986	4	96	-
December 31, 2016		**1,292,022,324**	**2,584**	**2,685**	**-**
During 2017	Capital increase by exercise of stock subscription options[(b)]	3,764,646	8	215	-
During 2017	Capital increase by issuance of restricted shares[(c)]	3,394,574	7	(7)	-
Board meeting of April 27, 2017	Reduction in share capital by cancellation of treasury shares	(36,380,198)	(73)	(2,709)	-
Board meeting of July 28, 2017	Capital increase reserved for employees	1,621,098	3	103	-
Board meeting of December 14, 2017	Reduction in share capital by cancellation of treasury shares	(10,402,540)	(21)	(229)	(616)
December 31, 2017		**1,254,019,904**	**2,508**	**58**	**(616)**

(a) Amounts expressed in millions of euros.
(b) Shares issued on exercise of Sanofi stock subscription options.
(c) Shares vesting under restricted share plans and issued in the period.

For the disclosures about the management of capital required under IFRS 7, refer to Note B.27.

D.15.2. Restricted share plans

Restricted share plans are accounted for in accordance with the policies described in Note B.24.3. The principal characteristics of those plans are as follows:

	2017	2016	2015
Type of plan	**Performance share plan**	**Performance share plan**	**Performance share plan**
Date of Board meeting approving the plan	May 10, 2017	May 4, 2016	June 24, 2015
Total number of shares awarded	3,587,465	4,097,925	3,832,840
Of which plans subject to a 4-year service period	-	-	2,546,420
Fair value per share awarded[(a)]	-	-	79.52
Of which plans subject to a 3-year service period	3,587,465	4,097,925	1,286,420
Fair value per share awarded[(a)]	81.50	61.06	82.96
Fair value of plan at the date of grant (€ million)	**292**	**250**	**309**

(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 in the year ended December 31, 2017 was €238 million, compared with €219 million in the year ended December 31, 2016 and €187 million in the year ended December 31, 2015 (the 2016 and 2015 figures exclude the Animal Health business).

The number of restricted shares not yet fully vested as of December 31, 2017 was 12,867,519, comprising 3,468,576 under the 2017 plans; 3,798,073 under the 2016 plans; 3,438,420 under the 2015 plans; and 2,162,450 under the 2014 plans.

The number of restricted shares not yet fully vested was 13,543,254 as of December 31, 2016 and 14,076,259 as of December 31, 2015.

On March 5, 2014, the Board of Directors approved a performance share unit (PSU) plan, vesting at the end of a three-year service period and subject to performance conditions. That plan expired on March 5, 2017, resulting in a cash payment of €27 million based on attainment of the performance criteria. The corresponding expense was recognized on a straight line basis over the vesting period, in accordance with the policies described in Note B.24.3.

D.15.3. Capital increases

On March 2, 2017, the Sanofi Board of Directors approved an employee share ownership plan in the form of a capital increase reserved for employees. Employees were offered the opportunity to subscribe to the capital increase at a price of €70.01 per share, representing 80% of the average of the opening quoted market prices of Sanofi shares during the 20 trading days preceding June 14, 2017.

The subscription period was open from June 19 through June 30, 2017. The plan resulted in a total of 1,528,982 shares being subscribed for, and the immediate issuance of a further 92,116 shares as an employer's contribution under the terms of the plan.

An expense of €21 million was recognized for this plan in the year ended December 31, 2017, of which €8 million was related to the employer's contribution.

On March 3, 2016, the Sanofi Board of Directors approved an employee share ownership plan in the form of a capital increase reserved for employees. Employees were offered the opportunity to subscribe to the capital increase at a price of €57.25 per share, representing 80% of the average of the opening quoted market prices of Sanofi shares during the 20 trading days preceding June 8, 2016.

The subscription period was open from June 13 through June 24, 2016. The plan resulted in a total of 1,756,972 shares being subscribed for, and the immediate issuance of a further 47,014 shares as an employer's contribution under the terms of the plan.

An expense of €16 million (excluding Animal Health) was recognized for this plan in the year ended December 31, 2016, of which €3 million was related to the employer's contribution.

There were no capital increases reserved for employees in 2015.

D.15.4. Repurchase of Sanofi shares

On May 10, 2017, the Annual General Meeting of Sanofi shareholders approved a share repurchase program for a period of 18 months. Under that program (and that program alone), Sanofi repurchased 8,428,935 of its own shares during 2017 for a total amount of €702 million.

On May 4, 2016, the Annual General Meeting of Sanofi shareholders approved a share repurchase program for a period of 18 months. Under that program (and that program alone), Sanofi repurchased 18,426,601 of its own shares during 2017 for a total amount of €1,453 million, and 19,947,202 of its own shares during 2016 for a total amount of €1,503 million.

On May 4, 2015, the Annual General Meeting of Sanofi shareholders approved a share repurchase program for a period of 18 months. Under that program (and that program alone), Sanofi repurchased 18,764,233 of its own shares during 2016 for a total amount of €1,402 million, and 6,527,368 of its own shares during 2015 for a total amount of €551 million.

Transactions carried out under the liquidity contract in 2017 had a negative impact of €4 million on shareholders' equity.

D.15.5. Reductions in share capital

Reductions in share capital for the accounting periods presented are described in the table included at Note D.15.1 above.

Those reductions have no impact on shareholders' equity.

D.15.6. Currency translation differences

Currency translation differences comprise the following:

(€ million)	2017	2016	2015
Attributable to equity holders of Sanofi	(1,439)	1,787	701
Attributable to non-controlling interests	(32)	(18)	(22)
Total	**(1,471)**	**1,769**	**679**

The balance as of December 31, 2017 includes an after-tax amount of €66 million relating to hedges of net investments in foreign operations (refer to Note B.8.4. for a description of the relevant accounting policy), compared with €66 million as of December 31, 2016 and December 31, 2015.

That balance also includes €144 million of currency translation differences relating to the Animal Health business as of December 31, 2016 (€195 million as of December 31, 2015), presented in ***Assets held for sale or exchange*** and ***Liabilities related to assets held for sale or exchange*** for those periods.

The movement in ***Currency translation differences*** is mainly attributable to the US dollar.

D.15.7. Other comprehensive income

Movements within other comprehensive income are shown below:

(€ million)	2017	2016	2015
Balance, beginning of period	**973**	**45**	**(2,315)**
Attributable to equity holders of Sanofi	*992*	*67*	*(2,287)*
Attributable to non-controlling interests	*(19)*	*(22)*	*(28)*
Actuarial gains/(losses):			
■ Actuarial gains/(losses) excluding investments accounted for using the equity method (see Note D.19.1.)	(30)	(104)	650
■ Actuarial gains/(losses) from investments accounted for using the equity method, net of taxes	2	(2)	2
■ Tax effects[(a)]	(90)	(22)	(187)
Items not subsequently reclassifiable to profit or loss[(b)]	**(118)**	**(128)**	**465**
Available-for-sale financial assets:			
■ Change in fair value (excluding investments accounted for using the equity method)[(c)]	837	(104)	(29)
■ Change in fair value (investments accounted for using the equity method, net of taxes)	1	(1)	(8)
■ Tax effects	(145)	50	16
Cash flow hedges:			
■ Change in fair value (excluding investments accounted for using the equity method)[(d)]	(24)	30	(3)
■ Change in fair value (investments accounted for using the equity method, net of taxes)	-	1	-
■ Tax effects	8	(10)	1
Change in currency translation differences:			
■ Currency translation differences on foreign subsidiaries (excluding investments accounted for using the equity method)[(d)/(e)]	(2,956)	1,033	1,681
■ Currency translation differences (investments accounted for using the equity method)	(284)	57	243
■ Hedges of net investments in foreign operations	-	-	(9)
■ Tax effects	-	-	3
Items subsequently reclassifiable to profit or loss	**(2,563)**	**1,056**	**1,895**
Balance, end of period	**(1,708)**	**973**	**45**
Attributable to equity holders of Sanofi	*(1,674)*	*992*	*67*
Attributable to non-controlling interests	*(34)*	*(19)*	*(22)*

(a) Includes the impact of changes in corporate income tax rates: €(127) million in 2017, €(37) million in 2016.
(b) Items not subsequently reclassifiable to profit or loss and attributable to the Animal Health business divested on January 1, 2017: €(3) million in 2016, €(6) million in 2015.
(c) Includes reclassifications to profit or loss: €(89) million in 2017, €447 million in 2016 and €(35) million in 2015.
(d) Includes reclassifications to profit or loss: €(23) million in 2017, €2 million in 2016 and €(3) million in 2015.
(e) Items subsequently reclassifiable to profit or loss and attributable to the Animal Health business divested on January 1, 2017: €(170) million in 2017 on divestment (comprising €(147) million of currency translation differences and €(23) million of cash flow hedges), €(51) million in 2016 and €(92) million in 2015.

D.15.8. Stock options

Stock option plans awarded

On May 10, 2017, the Board of Directors granted 378,040 stock subscription options at an exercise price of €88.97 per share. The vesting period is four years and the plan expires on May 10, 2027.

On May 4, 2016, the Board of Directors granted 402,750 stock subscription options at an exercise price of €75.90 per share. The vesting period is four years and the plan expires on May 4, 2026.

On June 24, 2015, the Board of Directors granted 435,000 stock subscription options at an exercise price of €89.38 per share. The vesting period is four years and the plan expires on June 24, 2025.

Measurement of stock option plans

The fair value of the stock subscription option plan awarded in 2017 is €5 million. That amount is recognized as an expense over the vesting period, with the other side of the entry recognized directly in equity. On that basis, an expense of €0.7 million was recognized in the year ended December 31, 2017.

The fair value of the stock subscription option plan awarded in 2016 is €3 million.

Sanofi used the following assumptions in determining the fair value of the plans:

- dividend yield: 3.56% (2017 plan), 4.51% (2016 plan) and 3.64% (2015 plan);
- volatility of Sanofi shares, computed on a historical basis: 23.74% (2017 plan), 24.54% (2016 plan) and 27.52% (2015 plan);
- risk-free interest rate: 0.270% (2017 plan), 0.056% (2016 plan) and 0.65% (2015 plan); and
- plan maturity: 7 years (2017, 2016 and 2015 plans). The plan maturity is the average expected remaining life of the options, based on observations of historical employee behavior.

Fair values per option awarded are €12.21, €6.60 and €16.12 for the 2017, 2016 and 2015 plans, respectively.

The expense recognized for stock option plans (and the corresponding amounts recognized in equity) are €4 million for 2017, and €6 million for 2016 and 2015.

As of December 31, 2017, the total unrecognized cost of unvested stock options was €8 million (versus €9 million as of December 31, 2016 and €12 million as of December 31, 2015), to be recognized over a weighted average period of 2.5 years. The current tax benefit related to the exercise of stock options in 2017 was €6 million (versus €2 million in 2016 and €12 million in 2015).

Stock purchase option plans

The table shows all Sanofi stock purchase option plans still outstanding or under which options were exercised in the year ended December 31, 2017.

Source	Date of grant	Number of options granted	Start date of exercise period	Expiry date	Exercise price (€)	Number of options outstanding as of 12/31/2017
Synthélabo	03/30/1999	716,040	03/31/2004	03/30/2019	38.08	104,701
Total						**104,701**

Sanofi shares acquired to cover stock purchase option plans are deducted from shareholders' equity. The exercise of all outstanding stock purchase options would increase shareholders' equity by €4 million.

Stock subscription option plans

Details of the terms of exercise of stock subscription options granted under the various plans are presented below in Sanofi share equivalents. These plans were awarded to certain corporate officers and employees of Sanofi companies.

The table shows all Sanofi stock subscription option plans still outstanding or under which options were exercised in the year ended December 31, 2017.

Source	Date of grant	Number of options granted	Start date of exercise period	Expiry date	Exercise price (€)	Number of options outstanding as of 12/31/2017
Sanofi-aventis	12/13/2007	11,988,975	12/14/2011	12/13/2017	62.33	-
Sanofi-aventis	03/02/2009	7,736,480	03/04/2013	03/01/2019	45.09	1,679,020
Sanofi-aventis	03/01/2010	8,121,355	03/03/2014	02/28/2020	54.12	2,726,260
Sanofi-aventis	03/09/2011	874,500	03/10/2015	03/09/2021	50.48	242,578
Sanofi	03/05/2012	814,050	03/06/2016	03/05/2022	56.44	528,001
Sanofi	03/05/2013	788,725	03/06/2017	03/05/2023	72.19	531,605
Sanofi	03/05/2014	1,009,250	03/06/2018	03/05/2024	73.48	863,815
Sanofi	06/24/2015	435,000	06/25/2019	06/24/2025	89.38	433,500
Sanofi	05/04/2016	402,750	05/05/2020	05/04/2026	75.90	401,500
Sanofi	05/10/2017	378,040	05/11/2021	05/10/2027	88.97	378,040
Total						**7,784,319**

The exercise of all outstanding stock subscription options would increase shareholders' equity by approximately €470 million. The exercise of each option results in the issuance of one share.

Summary of stock option plans

A summary of stock options outstanding at each balance sheet date, and of movements during the relevant periods, is presented below:

	Number of options	Weighted average exercise price per share (€)	Total (€ million)
Options outstanding at January 1, 2015	**25,602,256**	**61.14**	**1,565**
Options exercisable	*22,225,731*	*60.79*	*1,351*
Options granted	435,000	89.38	39
Options exercised	(9,033,607)	63.50	(573)
Options cancelled[(a)]	(179,634)	60.04	(11)
Options forfeited	(956,400)	70.38	(67)
Options outstanding at December 31, 2015	**15,867,615**	**60.03**	**953**
Options exercisable	*13,028,045*	*57.56*	*750*
Options granted	402,750	75.90	31
Options exercised	(3,441,429)	63.83	(220)
Options cancelled[(a)]	(161,863)	68.09	(11)
Options forfeited	(601,271)	67.00	(40)
Options outstanding at December 31, 2016	**12,065,802**	**59.03**	**713**
Options exercisable	*9,646,903*	*54.67*	*527*
Options granted	378,040	88.97	33
Options exercised	(3,796,788)	58.92	(224)
Options cancelled[(a)]	(130,312)	69.06	(9)
Options forfeited	(627,722)	62.33	(39)
Options outstanding at December 31, 2017	**7,889,020**	**60.08**	**474**
Options exercisable	*5,812,165*	*52.93*	*308*

(a) Mainly due to the grantees leaving Sanofi.

The table below provides summary information about options outstanding and exercisable as of December 31, 2017:

	Outstanding			Exercisable	
Range of exercise prices per share	Number of options	Average residual life (years)	Weighted average exercise price per share (€)	Number of options	Weighted average exercise price per share (€)
From €30.00 to €40.00 per share	104,701	1.24	38.08	104,701	38.08
From €40.00 to €50.00 per share	1,679,020	1.16	45.09	1,679,020	45.09
From €50.00 to €60.00 per share	3,496,839	2.54	54.22	3,496,839	54.22
From €70.00 to €80.00 per share	1,796,920	6.37	73.64	531,605	72.19
From €80.00 to €90.00 per share	811,540	8.36	89.19	-	-
Total	**7,889,020**			**5,812,165**	

D.15.9. 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)	2017	2016	2015
Average number of shares outstanding	1,256.9	1,286.6	1,306.2
Adjustment for stock options with dilutive effect	2.7	2.6	6.0
Adjustment for restricted shares	7.2	6.8	8.5
Average number of shares used to compute diluted earnings per share	**1,266.8**	**1,296.0**	**1,320.7**

In 2017, 0.8 million stock options were not taken into account in computing diluted earnings per share because they had no dilutive effect, compared with 2.4 million in 2016 and 0.4 million in 2015.

D.16. Non-controlling interests

Non-controlling interests did not represent a material component of Sanofi's consolidated financial statements in the years ended December 31, 2017, 2016 and 2015.

D.17. Debt, cash and cash equivalents

Changes in financial position during the period were as follows:

(€ million)	2017	2016	2015
Long-term debt	14,326	16,815	13,118
Short-term debt and current portion of long-term debt	1,275	1,764	3,436
Interest rate and currency derivatives used to hedge debt	(57)	(100)	(156)
Total debt	**15,544**	**18,479**	**16,398**
Cash and cash equivalents	(10,315)	(10,273)	(9,148)
Interest rate and currency derivatives used to hedge cash and cash equivalents	-	-	4
Debt, net of cash and cash equivalents	**5,229**	**8,206**	**7,254**

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

Reconciliation of carrying amount to value on redemption

				Value on redemption		
(€ million)	Carrying amount at December 31, 2017	Amortized cost	Adjustment to debt measured at fair value	December 31, 2017	December 31, 2016	December 31, 2015
Long-term debt	14,326	64	(81)	14,309	16,765	13,023
Short-term debt and current portion of long-term debt	1,275	-	-	1,275	1,764	3,422
Interest rate and currency derivatives used to hedge debt	(57)	-	50	(7)	(10)	(35)
Total debt	**15,544**	**64**	**(31)**	**15,577**	**18,519**	**16,410**
Cash and cash equivalents	(10,315)	-	-	(10,315)	(10,273)	(9,148)
Interest rate and currency derivatives used to hedge cash and cash equivalents	-	-	-	-	-	4
Debt, net of cash and cash equivalents	**5,229**	**64**	**(31)**	**5,262**	**8,246**	**7,266**

a) Principal financing transactions during the year

The table below shows the movement in total debt during the period:

		Cash flows from financing activities		Other cash flows	Non-cash items			
(€ million)	December 31, 2016	Repayments	New borrowings		Currency translation differences	Reclassification from non-current to current	Other items[(a)]	December 31, 2017
Long-term debt	16,815	(8)	41	-	(300)	(2,187)	(35)	14,326
Short-term debt and current portion of long-term debt	1,764	(2,360)	-	30	(337)	2,187	(9)	1,275
Interest rate and currency derivatives used to hedge debt	(100)	-	-	-	-	-	43	(57)
Total debt	**18,479**	**(2,368)**	**41**	**30**	**(637)**	**-**	**(1)**	**15,544**

(a) Includes fair value remeasurements.

Sanofi did not carry out any bond issues in 2017.

Three borrowings were repaid:

- an April 2013 bond issue of $1.5 billion, which was due to mature on April 10, 2018 but was prepaid on September 5, 2017;
- a €428 million bank loan contracted on June 28, 2012, which was due to mature on December 15, 2017 but was prepaid on November 7, 2017; and
- a November 2012 fixed-rate bond issue of €750 million, which matured November 14, 2017.

Sanofi also had two syndicated credit facilities of €4 billion each in place as of December 31, 2017 in order to manage its liquidity in connection with current operations. Sanofi has no further extension options for those credit facilities.

b) Debt, net of cash and cash equivalents by type, at value on redemption

	2017			2016			2015		
(€ million)	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Bond issues	14,195	820	15,015	16,657	823	17,480	12,484	2,991	15,475
Other bank borrowings	81	203	284	61	715	776	477	176	653
Finance lease obligations	20	11	31	34	19	53	49	18	67
Other borrowings	13	4	17	13	4	17	13	9	22
Bank credit balances	-	237	237	-	203	203	-	228	228
Interest rate and currency derivatives used to hedge debt	(7)	-	(7)	(9)	(1)	(10)	(11)	(24)	(35)
Total debt	**14,302**	**1,275**	**15,577**	**16,756**	**1,763**	**18,519**	**13,012**	**3,398**	**16,410**
Cash and cash equivalents	-	(10,315)	(10,315)	-	(10,273)	(10,273)	-	(9,148)	(9,148)
Interest rate and currency derivatives used to hedge cash and cash equivalents	-	-	-	-	-	-	-	4	4
Debt, net of cash and cash equivalents	**14,302**	**(9,040)**	**5,262**	**16,756**	**(8,510)**	**8,246**	**13,012**	**(5,746)**	**7,266**

Bond issues carried out by Sanofi under the Euro Medium Term Note (EMTN) program comprise:

- October 2009 issue [ISIN: XS0456451771] of €800 million, maturing October 2019, bearing annual interest at 4.125%;
- September 2013 issue [ISIN: FR0011560333] of €1 billion, maturing September 2020, bearing annual interest at 1.875%;
- November 2013 issue [ISIN: FR0011625433] of €1 billion, maturing November 2023, bearing annual interest at 2.5%;
- September 2014 issue [ISIN: FR0012146751] of €750 million, maturing September 2018, bearing annual interest at 3-month Euribor +0.23%;
- September 2014 issue [ISIN: FR0012146777] of €1 billion, maturing March 2022, bearing annual interest at 1.125%;

- September 2014 issue [ISIN: FR0012146801] of €1.51 billion (including €260 million issued in November 2015), maturing September 2026, bearing annual interest at 1.75%;
- September 2015 issue [ISIN: FR0012969012] of €750 million, maturing March 2019, bearing annual interest at 3-month Euribor +0.30%;
- September 2015 issue [ISIN: FR0012969020] of €500 million, maturing September 2021, bearing annual interest at 0.875%;
- September 2015 issue [ISIN: FR0012969038] of €750 million, maturing September 2025, bearing annual interest at 1.5%;
- April 2016 issue [ISIN: FR0013143989] of €500 million, maturing April 2019, bearing annual interest at 0%;
- April 2016 issue [ISIN: FR0013143997] of €600 million, maturing April 2024, bearing annual interest at 0.625%;
- April 2016 issue [ISIN: FR0013144003] of €700 million, maturing April 2028, bearing annual interest at 1.125%;
- September 2016 issue [ISIN: FR0013201613] of €1,000 million, maturing January 2020, bearing annual interest at 0%;
- September 2016 issue [ISIN: FR0013201621] of €850 million, maturing September 2022, bearing annual interest at 0%;
- September 2016 issue [ISIN: FR0013201639] of €1,150 million, maturing January 2027, bearing annual interest at 0.5%.

Bond issues carried out by Sanofi under the public bond issue program (shelf registration statement) registered with the US Securities and Exchange Commission (SEC) comprise:

- March 2011 issue [ISIN: US80105NAG07] of $2 billion, maturing March 2021, bearing annual interest at 4%.

The US dollar issues have been retained in that currency and have not been swapped into euros.

The only outstanding bond issue carried out by Genzyme Corp. is the June 2010 issue [ISIN: US372917AS37] of $500 million, maturing June 2020, bearing annual interest at 5%.

The line “Other borrowings” mainly comprises:

- participating shares issued between 1983 and 1987, of which 82,698 remain outstanding, with a nominal amount of €13 million;
- Series A participating shares issued in 1989, of which 3,271 remain outstanding, with a nominal amount of €0.2 million.

In order to manage its liquidity needs for current operations, Sanofi has:

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

Sanofi also has two commercial paper programs: a €6 billion Negotiable European Commercial Paper program in France, and a $10 billion program in the United States. During 2017 only the US program was used, with an average drawdown of $1.9 billion and a maximum drawdown of $4 billion. As of December 31, 2017, neither of those programs was being utilized.

The financing in place as of December 31, 2017 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.

c) Debt by maturity, at value on redemption

December 31, 2017		Current	Non-current				
(€ million)	Total	2018	2019	2020	2021	2022	2023 and later
Bond issues	15,015	820	2,050	2,417	2,168	1,850	5,710
Other bank borrowings	284	203	8	25	4	4	40
Finance lease obligations	31	11	3	2	3	3	9
Other borrowings	17	4	-	-	-	-	13
Bank credit balances	237	237	-	-	-	-	-
Interest rate and currency derivatives used to hedge debt	(7)	-	(6)	(1)		-	-
Total debt	**15,577**	**1,275**	**2,055**	**2,443**	**2,175**	**1,857**	**5,772**
Cash and cash equivalents	(10,315)	(10,315)	-	-	-	-	-
Interest rate and currency derivatives used to hedge cash and cash equivalents	-	-	-	-	-	-	-
Debt, net of cash and cash equivalents	**5,262**	**(9,040)**	**2,055**	**2,443**	**2,175**	**1,857**	**5,772**

December 31, 2016		Current	Non-current				
(€ million)	Total	2017	2018	2019	2020	2021	2022 and later
Bond issues	17,480	823	2,174	2,050	2,475	2,398	7,560
Other bank borrowings	776	715	16	8	14	-	23
Finance lease obligations	53	19	13	2	2	3	14
Other borrowings	17	4	-	-	-	-	13
Bank credit balances	203	203	-	-	-	-	-
Interest rate and currency derivatives used to hedge debt	(10)	(1)	(6)	(3)	-	-	-
Total debt	**18,519**	**1,763**	**2,197**	**2,057**	**2,491**	**2,401**	**7,610**
Cash and cash equivalents	(10,273)	(10,273)	-	-	-	-	-
Interest rate and currency derivatives used to hedge cash and cash equivalents	-	-	-	-	-	-	-
Debt, net of cash and cash equivalents	**8,246**	**(8,510)**	**2,197**	**2,057**	**2,491**	**2,401**	**7,610**

December 31, 2015		Current	Non-current				
(€ million)	Total	2016	2017	2018	2019	2020	2021 and later
Bond issues	15,475	2,991	750	2,128	1,550	1,459	6,597
Other bank borrowings	653	176	438	8	12	14	5
Finance lease obligations	67	18	17	14	7	2	9
Other borrowings	22	9	-	-	-	-	13
Bank credit balances	228	228	-	-	-	-	-
Interest rate and currency derivatives used to hedge debt	(35)	(24)	(1)	(1)	(6)	(3)	-
Total debt	**16,410**	**3,398**	**1,204**	**2,149**	**1,563**	**1,472**	**6,624**
Cash and cash equivalents	(9,148)	(9,148)	-	-	-	-	-
Interest rate and currency derivatives used to hedge cash and cash equivalents	4	4	-	-	-	-	-
Debt, net of cash and cash equivalents	**7,266**	**(5,746)**	**1,204**	**2,149**	**1,563**	**1,472**	**6,624**

As of December 31, 2017, the main undrawn confirmed general-purpose credit facilities at holding company level amounted to €8 billion, of which half expires in 2020 and half in 2021.

As of December 31, 2017, no single counterparty represented more than 7% of the Sanofi's undrawn confirmed credit facilities.

d) Debt by interest rate, at value on redemption

The tables below split debt, net of cash and cash equivalents between fixed and floating rate, and by maturity or contractual repricing date, as of December 31, 2017. The figures shown are values on redemption, before the effects of derivative instruments:

(€ million)	Total	2018	2019	2020	2021	2022	2023 and later
Fixed-rate debt	13,513	75	1,294	2,416	2,168	1,850	5,710
of which euro	11,418						
of which US dollar	2,095						
% fixed-rate	**87%**						
Floating-rate debt (maturity based on contractual repricing date)	2,064	2,064	-	-	-	-	-
of which euro	1,550						
of which US dollar	45						
% floating-rate	**13%**						
Debt	**15,577**	**2,139**	**1,294**	**2,416**	**2,168**	**1,850**	**5,710**
Cash and cash equivalents	(10,315)	(10,315)					
of which euro	(8,205)						
of which US dollar	(1,653)						
% floating-rate	**100%**						
Debt, net of cash and cash equivalents	**5,262**	**(8,176)**	**1,294**	**2,416**	**2,168**	**1,850**	**5,710**

Sanofi manages its net debt in two currencies: the euro and the US dollar. The floating-rate portion of this debt exposes Sanofi to increases in interest rates, primarily in the Eonia and Euribor benchmark rates (for the euro) and in the US Libor and Federal Fund Effective rates (for the US dollar).

To optimize the cost of debt and/or reduce the volatility of debt, Sanofi uses derivative instruments (interest rate swaps, cross currency swaps and interest rate options) that alter the fixed/floating rate split of debt and the maturity based on contractual repricing dates, as shown below:

(€ million)	Total	2018	2019	2020	2021	2022	2023 and later
Fixed-rate debt	9,746	75	(256)	1,999	2,168	50	5,710
of which euro	8,068						
of which US dollar	1,678						
% fixed-rate	**63%**						
Floating-rate debt (maturity based on contractual repricing date)	5,831	5,831	-	-	-	-	-
of which euro	4,900						
of which US dollar	462						
% floating-rate	**37%**						
Debt	**15,577**	**5,906**	**(256)**	**1,999**	**2,168**	**50**	**5,710**
Cash and cash equivalents	(10,315)	(10,315)					
of which euro	(8,205)						
of which US dollar	(1,653)						
% floating-rate	**100%**						
Debt, net of cash and cash equivalents	**5,262**	**(4,409)**	**(256)**	**1,999**	**2,168**	**50**	**5,710**

The table below shows the fixed/floating rate split of debt, net of cash and cash equivalents at value on redemption after taking account of derivative instruments as of December 31, 2016 and 2015:

(€ million)	2016	%	2015%	
Fixed-rate debt	13,651	74%	10,435	64%
Floating-rate debt	4,868	26%	5,975	36%
Debt	**18,519**	**100%**	**16,410**	**100%**
Cash and cash equivalents	(10,273)		(9,144)	
Debt, net of cash and cash equivalents	**8,246**		**7,266**	

The weighted average interest rate on debt as of December 31, 2017 was 1.7% before derivative instruments and 1.4% after derivative instruments. All cash and cash equivalents were invested at an average rate of 0.3% as of December 31, 2017.

The projected full-year sensitivity of debt, net of cash and cash equivalents to interest rate fluctuations for 2018 is as follows:

Change in euro and US dollar short-term interest rates	Impact on pre-tax net income (€ million)	Impact on pre-tax income/(expense) recognized directly in equity (€ million)
+100 bp	45	-
+25 bp	11	-
-25 bp	(11)	-
-100 bp	(45)	-

e) Debt by currency, at value on redemption

The table below shows debt, net of cash and cash equivalents by currency at December 31, 2017, before and after derivative instruments contracted to convert third party debt into the functional currency of the borrowing entity:

(€ million)	Before derivative instruments	After derivative instruments
Euro	4,763	4,763
US dollar	487	487
Indian rupee	(150)	(150)
Saudi riyal	102	102
Algerian dinar	138	138
Other currencies	(78)	(78)
Debt, net of cash and cash equivalents	**5,262**	**5,262**

The table below shows debt, net of cash and cash equivalents by currency at December 31, 2016 and 2015, after derivative instruments contracted to convert third party debt into the functional currency of the borrowing entity:

(€ million)	2016	2015
Euro	6,460	3,356
US dollar	2,565	4,221
Other currencies	(779)	(311)
Debt, net of cash and cash equivalents	**8,246**	**7,266**

f) Market value of debt

The market value of debt, net of cash and cash equivalents and of derivatives and excluding accrued interest, was €5,718 million as of December 31, 2017 (versus €8,663 million as of December 31, 2016 and €7,633 million as of December 31, 2015). This compares with a value on redemption of €5,262 million as of December 31, 2017 (versus €8,246 million as of December 31, 2016 and €7,266 million as of December 31, 2015).

The fair value of debt is determined by reference to quoted market prices at the balance sheet date in the case of quoted instruments (level 1 in the IFRS 7 hierarchy, see Note D.12.), and by reference to the fair value of interest rate and currency derivatives used to hedge debt (level 2 in the IFRS 7 hierarchy, see Note D.12.).

g) Future contractual cash flows relating to debt and debt hedging instruments

The table below shows the amount of future undiscounted contractual cash flows (principal and interest) relating to debt and to derivative instruments designated as hedges of debt:

December 31, 2017

		Payments due by period					
(€ million)	**Total**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023 and later**
Debt	**16,682**	**1,441**	**2,301**	**2,650**	**2,307**	**1,950**	**6,033**
principal	15,509	1,201	2,062	2,444	2,175	1,857	5,770
interest[(a)]	1,173	240	239	206	132	93	263
Net cash flows related to derivative instruments	**(51)**	**(38)**	**(32)**	**1**	**8**	**10**	**-**
Total	**16,631**	**1,403**	**2,269**	**2,651**	**2,315**	**1,960**	**6,033**

(a) Interest flows are estimated on the basis of forward interest rates applicable as of December 31, 2017.

Future contractual cash flows are shown on the basis of the carrying amount in the balance sheet at the reporting date, without reference to any subsequent management decision that might materially alter the structure of Sanofi's debt or its hedging policy.

The tables below show the amount of future undiscounted contractual cash flows (principal and interest) relating to debt and to derivative instruments designated as hedges of debt as of December 31, 2016 and 2015:

December 31, 2016

		Payments due by period					
(€ million)	**Total**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 and later**
Debt	**19,937**	**1,951**	**2,477**	**2,304**	**2,708**	**2,537**	**7,960**
Principal	18,451	1,678	2,217	2,054	2,491	2,401	7,610
Interest[(a)]	1,486	273	260	250	217	136	350
Net cash flows related to derivative instruments	**(104)**	**(42)**	**(33)**	**(29)**	**(2)**	**1**	**1**
Total	**19,833**	**1,909**	**2,444**	**2,275**	**2,706**	**2,538**	**7,961**

(a) Interest flows are estimated on the basis of forward interest rates applicable as of December 31, 2016.

December 31, 2015

		Payments due by period					
(€ million)	**Total**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 and later**
Debt	**17,960**	**3,653**	**1,471**	**2,389**	**1,794**	**1,668**	**6,985**
Principal	16,325	3,308	1,215	2,146	1,564	1,472	6,620
Interest[(a)]	1,635	345	256	243	230	196	365
Net cash flows related to derivative instruments	**(165)**	**(78)**	**(38)**	**(26)**	**(21)**	**(2)**	**-**
Total	**17,795**	**3,575**	**1,433**	**2,363**	**1,773**	**1,666**	**6,985**

(a) Interest flows are estimated on the basis of forward interest rates applicable as of December 31, 2015.

D.18. 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.8.5. The principal acquisitions are described in Note D.2.

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 D.12.) except for the CVRs issued in connection with the acquisition of Genzyme, which are level 1 instruments.

Movements in liabilities related to business combinations and to non-controlling interests are shown below:

(€ million)	Liabilities related to non-controlling interests[(a)]	CVRs issued in connection with the acquisition of Genzyme[(b)]	Bayer contingent consideration arising from the acquisition of Genzyme	MSD contingent consideration (European vaccines business)	Other	Total[(d)]
Balance at January 1, 2015	**178**	**154**	**896**	**-**	**36**	**1,264**
Payments made	-	-	(63)	-	(7)	(70)
Fair value remeasurements through profit or loss: (gain)/loss (including unwinding of discount)[(c)]	-	(143)	104	-	(14)	(53)
Other movements	(5)	-	-	-	(11)	(16)
Currency translation differences	8	13	103	-	2	126
Balance at December 31, 2015	**181**	**24**	**1,040**	**-**	**6**	**1,251**
New business combinations	-	-	-	354	-	354
Payments made	-	-	(137)	-	(3)	(140)
Fair value remeasurements through profit or loss: (gain)/loss (including unwinding of discount)[(c)]	-	58	78	-	(1)	135
Other movements	(58)	-	-	-	-	(58)
Currency translation differences	-	3	32	-	(1)	34
Balance at December 31, 2016	**123**	**85**	**1,013**	**354**	**1**	**1,576**
New business combinations[(e)]	-	-	-	-	85	85
Payments made	-	-	(165)	-	(61)	(226)
Fair value remeasurements through profit or loss: (gain)/loss (including unwinding of discount)[(c)]	-	1	(28)	71	(1)	43
Other movements	(28)	-	-	-	57	29
Currency translation differences	(3)	(11)	(119)	(5)	-	(138)
Balance at December 31, 2017	**92**	**75**	**701**	**420**	**81**	**1,369**

(a) Includes put options granted to non-controlling interests and commitment to future buyout of non-controlling interests held by BMS.
(b) Based on the quoted market price per CVR of $0.38 as of December 31, 2017 and 2016, and $0.11 as of December 31, 2015.
*(c) Amounts reported within the income statement line item **Fair value remeasurement of contingent consideration**, and mainly comprising unrealized gains and losses.*
(d) Portion due after more than one year: €1,026 million as of December 31, 2017 (€1,378 million as of December 31, 2016 and €1,121 million as of December 31, 2015); portion due within less than one year: €343 million as of December 31, 2017 (€198 million as of December 31, 2016 and €130 million as of December 31, 2015).
(e) Two potential payments of €42 million each relating to the acquisition of Protein Sciences, which are contingent on the attainment of specified performance criteria subsequent to the acquisition date.

As of December 31, 2017, ***Liabilities related to business combinations and to non-controlling interests*** mainly comprised:

The Bayer contingent consideration liability arising from the acquisition of Genzyme in 2011. As of December 31, 2017, Bayer was still entitled to receive the following potential payments:

- a percentage of sales of alemtuzumab up to a maximum of $1,250 million or over a maximum period of ten years, whichever is achieved first; and
- 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 €701 million as of December 31, 2017, compared with €1,013 million as of December 31, 2016. 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 1 percentage point, the fair value of the Bayer liability would increase by approximately 3%.

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 €420 million as of December 31, 2017 (see Notes D.2.3. and D.12.). The fair value of the contingent consideration was determined by applying the royalty percentage stipulated in the contract to discounted sales projections.

The table below sets forth the maximum amount of contingent consideration payable and firm commitments to buy out non-controlling interests:

December 31, 2017		Payments due by period			
(€ million)	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Commitments relating to contingent consideration in connection with business combinations[(a)] and buyouts of non-controlling interests[(b)]	4,293	354	2,630	1,069	240

(a) Includes €1.4 billion for the Bayer contingent consideration (versus €1.8 billion as of December 31, 2016 and €1.9 billion as of December 31, 2015) and €2.2 billion for the CVRs issued in connection with the acquisition of Genzyme (versus €2.5 billion as of December 31, 2016 and €2.6 billion as of December 31, 2015).
(b) This line does not include put options granted to non-controlling interests.

Total commitments relating to contingent consideration in connection with business combinations and buyouts of non-controlling interests were €4,832 million as of December 31, 2016 and €5,073 million as of December 31, 2015. The reduction in those commitments during 2017 was mainly

attributable to commitments related to the Genzyme acquisition (i.e. annual payments of the Bayer contingent consideration) and in particular to currency translation effects on such commitments recognized in US dollars.

D.19. Provisions and other liabilities

Non-current provisions and other non-current liabilities break down as follows:

(€ million)	Provisions for pensions & other post-employment benefits (D.19.1.)	Provisions for other long-term benefits	Restructuring provisions (D.19.2.)	Other provisions (D.19.3.)	Other non-current liabilities (D.19.4.)	Total
Balance at January 1, 2015	**4,873**	**650**	**835**	**3,076**	**144**	**9,578**
Changes in scope of consolidation	-	-	-	13	-	13
Increases in provisions and other liabilities	290 [(a)]	108	265	475 [(b)]	114	1,252
Provisions utilized	(366) [(a)]	(73)	(16)	(130)	-	(585)
Reversals of unutilized provisions	(39) [(a)]	(7)	(12)	(256) [(c)]	(1)	(315)
Transfers	43	3	(317)	(57)	-	(328)
Reclassification of the Animal Health business [(e)]	(76)	(34)	(3)	(34)	(2)	(149)
Net interest related to employee benefits, and unwinding of discount	109	5	5	37	2	158
Unrealized gains and losses	-	-	-	-	5	5
Currency translation differences	124	26	5	22	13	190
Actuarial gains and losses on defined-benefit plans [(d)]	(650)	-	-	-	-	(650)
Balance at December 31, 2015	**4,308**	**678**	**762**	**3,146**	**275**	**9,169**
Increases in provisions and other liabilities	220 [(a)]	130	475	402 [(b)]	-	1,227
Provisions utilized	(294) [(a)]	(86)	(7)	(195)	(2)	(584)
Reversals of unutilized provisions	1 [(a)]	(11)	(39)	(458) [(c)]	-	(507)
Transfers	(85)	(6)	(450)	(182)	(67)	(790)
Net interest related to employee benefits, and unwinding of discount	108	6	4	29	2	149
Currency translation differences	10	9	(1)	35	8	61
Actuarial gains and losses on defined-benefit plans [(d)]	109	-	-	-	-	109
Balance at December 31, 2016	**4,377**	**720**	**744**	**2,777**	**216**	**8,834**
Changes in scope of consolidation	86	3	-	13	3	105
Increases in provisions and other liabilities	269 [(a)]	163	105	680 [(b)]	866	2,083
Provisions utilized	(732) [(a)]	(97)	(7)	(137)	(8)	(981)
Reversals of unutilized provisions	(18) [(a)]	(5)	(42)	(308) [(c)]	-	(373)
Transfers	16	1	(282)	(58)	(7)	(330)
Net interest related to employee benefits, and unwinding of discount	87	4	3	27	4	125
Unrealized gains and losses	-	-	-	1	5	6
Currency translation differences	(156)	(39)	(7)	(114)	(29)	(345)
Actuarial gains and losses on defined-benefit plans [(d)]	30	-	-	-	-	30
Balance at December 31, 2017	**3,959**	**750**	**514**	**2,881**	**1,050**	**9,154**

(a) In the case of "Provisions for pensions and other post-employment benefits", the "Increases in provisions and other liabilities" line corresponds to rights vesting in employees during the period, and past service cost; the "Provisions utilized" line corresponds to contributions paid into pension funds, and plan settlements; and the "Reversals of unutilized provisions" line corresponds to plan curtailments.

(b) Amounts charged during the period mainly comprise provisions to cover tax exposures in various countries, and changes to estimates of future expenditures on environmental risks.

(c) These reversals relate mainly to provisions for tax exposures, reversed either because (i) the statute of limitations deadline was reached during the reporting period or (ii) proceedings with tax authorities in various countries were resolved during the period with a more favorable outcome than initially anticipated.

*(d) Amounts recognized in **Other comprehensive income** (see Note D.15.7.).*

*(e) This line comprises the relevant liabilities of the Animal Health business, reclassified as of December 31, 2015 to **Liabilities related to assets held for sale or exchange**, in accordance with IFRS 5 (see Notes D.1. and D.36.).*

Other current liabilities are described in Note D.19.5.

D.19.1. Provisions for pensions and other post-employment benefits

Sanofi offers its employees pension plans and other post-employment benefit plans. The specific features of the plans (benefit formulas, fund investment policy and fund assets held) vary depending on the applicable laws and regulations in each country where the employees work. These employee benefits are accounted for in accordance with the revised IAS 19 (see Note B.23.).

Sanofi's pension obligations in four major countries represented nearly 90% of the total value of the defined-benefit obligation and nearly 89% of the total value of plan assets as of December 31, 2017. The features of the principal defined-benefit plans in each of those four countries are described below.

France

Lump-sum retirement benefit plans

All employees working for Sanofi in France are entitled on retirement to a lump-sum payment, the amount of which depends both on their length of service and on the rights guaranteed by collective and internal agreements. The employee's final salary is used in calculating the amount of these lump-sum retirement benefits. These plans represent approximately 34% of the Group's total obligation in France.

Defined-benefit pension plans

These plans provide benefits from the date of retirement. Employees must fulfil a number of criteria to be eligible for these benefits. All but one of the plans are closed to new entrants. These plans represent approximately 66% of the Group's total obligations in France.

Germany

Top-up defined-benefit pension plan

The benefits offered under this pension plan are wholly funded by the employer (there are no employee contributions) via a Contractual Trust Agreement (CTA), under which benefits are estimated on the basis of an average career salary. Employees are entitled to receive an annuity under this plan if their salary exceeds the social security ceiling. The amount of the pension is calculated by reference to a range of vesting rates corresponding to salary bands. The plan also includes disability and death benefits. This plan represents approximately 69% of Sanofi's total obligation in Germany.

Sanofi-Aventis plus (SAV plus)

Starting April 2015, a new top-up pension plan (SAV plus) replaced the previous top-up defined-benefit plan. New entrants joining the plan after April 1, 2015 contribute to a defined-contribution plan that is partially funded via the company's CTA.

All employees whose salary exceeds the social security ceiling are automatically covered by the plan. The employer's contribution is 15% of the amount by which the employee's salary exceeds the social security ceiling.

Multi-employer plan (*Pensionskasse*)

This is a defined-benefit plan that is treated as a defined-contribution plan, in accordance with the accounting policies described in Note B.23. Currently, contributions cover the level of annuities. Only the portion relating to the future revaluation of the annuities is included in the defined-benefit pension obligation. The obligation relating to this revaluation amounted to €699 million as of December 31, 2017, versus €663 million as of December 31, 2016 and €670 million as of December 31, 2015. This plan represents approximately 19% of Sanofi's total defined-benefit obligation in Germany.

United States

Defined-benefit pension plans

In the United States, there are two types of defined-benefit plan:

- "Qualified" plans within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA), which provide guaranteed benefits to eligible employees during retirement, and in the event of death or disability. Employees can elect to receive a reduced annuity, in exchange for an annuity to be paid in the event of their death to a person designated by them. An annuity is also granted under the plan if the employee dies before retirement age. Eligible employees do not pay any contributions. These plans are closed to new entrants, and the vesting of rights for future service periods is partially frozen. They represent around 65% of Sanofi's total obligation in the United States.
- "Non-qualified" plans within the meaning of ERISA provide top-up retirement benefits to some eligible employees depending on the employee's level of responsibility and subject to a salary cap. These plans represent approximately 9% of Sanofi's total obligation in the United States.

Healthcare cover and life insurance

Sanofi companies provide some eligible employees with healthcare cover and life insurance during the retirement period (the company's contributions are capped at a specified level). This plan represents approximately 26% of Sanofi's total obligation in the United States.

United Kingdom

Defined-benefit pension plans

Sanofi operates a number of pension plans in the United Kingdom that reflect past acquisitions. The two most significant arrangements are the Sanofi plan and the Genzyme Limited plan; both are defined-benefit plans, and both have been closed since October 1, 2015. With effect from that date, employees can no longer pay into these plans. The Genzyme Limited plan was merged with the Sanofi plan effective January 1, 2017.

Under these defined-benefit plans, an annuity is paid from the retirement date. This annuity is calculated on the basis of the employee's length of service as of September 30, 2015, and of the employee's final salary (or salary on the date he or she leaves Sanofi).

The rates used for the vesting of rights vary from member to member. For most members, rights vest at the rate of 1.25% or 1.50% of final salary for each qualifying year of service giving entitlement. The notional retirement age varies according to the category to which the member belongs, but in most cases retirement is at age 65. Members may choose to retire before or after the notional retirement age (60 years), in which case the amount of the annual pension is adjusted to reflect the revised estimate of the length of the retirement phase. Pensions are usually indexed to the Retail Price Index (RPI). Members paid a fixed-percentage contribution into their pension plan (the percentage varied according to the employee category), and the employer topped up the contribution to the required amount. These plans represent approximately 99% of Sanofi's total obligation in the United Kingdom.

For service periods subsequent to October 1, 2015, employees belong to a new defined-contribution plan.

Actuarial assumptions used to measure Sanofi's obligations

Actuarial valuations of Sanofi's benefit obligations were computed by management with assistance from external actuaries as of December 31, 2017, 2016 and 2015.

Those calculations were based on the following financial and demographic assumptions:

	2017				2016				2015			
	France	Germany	USA	UK	France	Germany	USA	UK	France	Germany	USA	UK
Discount rate[a][b]	0.75% or 1.25%	0.75% or 1.25%	3.50%	2.50%	1.00% or 1.50%	1.00% or 1.50%	4.00%	2.75%	1.50% or 2.25%	1.50% or 2.25%	4.00%	4.00%
General inflation rate[c]	1.50%	1.50%	2.00%	3.10%	1.50%	1.50%	2.00%	3.15%	1.75%	1.75%	2.25%	3.15%
Pension benefit indexation	1.25% to 2.25%	1.50%	-	3.10%	1.25% to 2.25%	1.75%	-	3.15%	1.25% to 2.25%	1.75%	-	3.15%
Healthcare cost inflation rate	2.00%	-[d]	5.81%	1.50%	2.00%	-[d]	5.96%	1.50%	2.00%	-[d]	6.10%	1.50%
Retirement age	62 to 67	62	55 to 70	60	62 to 67	62	55 to 70	60	62 to 67	62	55 to 70	60
Mortality table	TGH/ TGF 05	Heubeck RT 2005 G	RP2014 G. Scale MP2017	SAPS S2	TGH/ TGF 05	Heubeck RT 2005 G	RP2014 G. Scale MP2016	SAPS S2	TGH/ TGF 05	Heubeck RT 2005 G	RP2014 G. Scale MP2015	SAPS S2

(a) The discount rates used were based on market rates for high quality corporate bonds with a duration close to that of the expected benefit payments under the plans. The benchmarks used to determine discount rates were the same in 2017, 2016 and 2015.
(b) The rate depends on the duration of the plan (7 to 10 years and more than 10 years, respectively).
(c) Inflation for the euro zone is determined using the average break-even inflation rate of French and German government bonds, by reference to the duration of the principal plans.
(d) No post-employment healthcare benefits are provided in Germany.

Weighted average duration of obligation for pensions and other long-term benefits in principal countries

The table below shows the duration of Sanofi's obligations in the principal countries:

	2017				2016				2015			
(years)	France	Germany	USA	UK	France	Germany	USA	UK	France	Germany	USA	UK
Weighted average duration	13	15	14	17	13	14	13	17	13	14	14	17

Sensitivity analysis

The table below shows the sensitivity of Sanofi's obligations for pensions and other post-employment benefits to changes in key actuarial assumptions:

(€ million)		Pensions and other post-employment benefits, by principal country			
Measurement of defined-benefit obligation	Change in assumption	France	Germany	USA	UK
Discount rate	-0.50%	+156	+254	+190	+266
General inflation rate	+0.50%	+34	+343	+2	+206
Pension benefits indexation	+0.50%	+88	+332	+2	+147
Healthcare cost inflation rate	+0.50%	-	-	+35	-
Mortality table	+1 year	+59	+93	+71	+115

The table below reconciles the net obligation in respect of Sanofi's pension and other post-employment benefit plans with the amounts recognized in the consolidated financial statements:

	Pensions and other post-employment benefits		
(€ million)	**2017**	**2016**	**2015**
Measurement of the obligation:			
Beginning of period	13,088	12,825	13,302
Reclassification of the Animal Health business[(a)]	-	-	(266)
Service cost	233	216	262
Interest cost	293	359	362
Actuarial losses/(gains) due to changes in demographic assumptions	(74)	(71)	(37)
Actuarial losses/(gains) due to changes in financial assumptions	543	928	(679)
Actuarial losses/(gains) due to experience adjustments	61	(18)	(13)
Plan amendments	33	(2)	18
Plan curtailments	2	(52)	(39)
Plan settlements specified in the terms of the plan	(108)	(49)	(61)
Plan settlements not specified in the terms of the plan	(90)	(254)	(6)
Benefits paid	(574)	(531)	(556)
Changes in scope of consolidation and transfers	145	71	36
Currency translation differences	(540)	(334)	502
Obligation at end of period	**13,012**	**13,088**	**12,825**
Fair value of plan assets:			
Beginning of period	8,741	8,566	8,488
Reclassification of the Animal Health business[(a)]	-	-	(208)
Interest income on plan assets	206	251	254
Difference between actual return and interest income on plan assets	501	730	(79)
Administration costs	(9)	(9)	(13)
Plan settlements specified in the terms of the plan	(109)	(49)	(61)
Plan settlements not specified in the terms of the plan	(70)	(256)	(6)
Contributions from plan members	6	3	4
Employer's contributions	582	168	225
Benefits paid	(424)	(405)	(415)
Changes in scope of consolidation and transfers	66	86	-
Currency translation differences	(384)	(344)	377
Fair value of plan assets at end of period	**9,106**	**8,741**	**8,566**
Net amount shown in the balance sheet:			
Net obligation	3,906	4,347	4,259
Net amount shown in the balance sheet at end of period	**3,906**	**4,347**	**4,259**

(€ million)	Pensions and other post-employment benefits 2017	2016	2015
Amounts recognized in the balance sheet:			
Pre-funded obligations (see Note D.7.)	(53)	(30)	(49)
Obligations provided for	3,959	4,377	4,308
Net amount recognized at end of period	**3,906**	**4,347**	**4,259**
Benefit cost for the period:			
Service cost	233	216	262
Past service cost	33	(2)	18
Net interest (income)/cost	87	108	108
(Gains)/losses on plan settlements not specified in the terms of the plan	(20)	2	-
Actuarial (gains)/losses on plan curtailments	2	(52)	(39)
Contributions from plan members	(6)	(3)	(4)
Administration costs and taxes paid during the period	9	9	13
Expense recognized directly in profit or loss	338	278	358
Remeasurement of net defined-benefit (asset)/liability (actuarial gains and losses)	30	109	(650)
Expense/(gain) for the period	**368**	**387**	**(292)**

*(a) This line comprises the relevant assets and liabilities of the Animal Health business, reclassified as of December 31, 2015 to **Assets held for sale or exchange** and **Liabilities related to assets held for sale or exchange**, respectively, in accordance with IFRS 5 (see Notes D.1. and D.36.).*

The tables below show Sanofi's net liability in respect of pension plans and other post-employment benefits by geographical region:

December 31, 2017	Pensions and other post-employment benefits by geographical region					
(€ million)	France	Germany	USA	UK	Other	Total
Measurement of obligation	2,363	3,611	2,699	3,032	1,307	13,012
Fair value of plan assets	991	2,390	1,775	2,926	1,024	9,106
Net amount shown in the balance sheet at end of period	**1,372**	**1,221**	**924**	**106**	**283**	**3,906**

December 31, 2016	Pensions and other post-employment benefits by geographical region					
(€ million)	France	Germany	USA	UK	Other	Total
Measurement of obligation	2,361	3,535	2,874	3,065	1,253	13,088
Fair value of plan assets	857	2,304	1,760	2,866	954	8,741
Net amount shown in the balance sheet at end of period	**1,504**	**1,231**	**1,114**	**199**	**299**	**4,347**

December 31, 2015	Pensions and other post-employment benefits by geographical region					
(€ million)	France	Germany	USA	UK	Other	Total
Measurement of obligation	2,270	3,502	2,986	2,948	1,119	12,825
Fair value of plan assets	841	2,216	1,806	2,852	851	8,566
Net amount shown in the balance sheet at end of period	**1,429**	**1,286**	**1,180**	**96**	**268**	**4,259**

The table below shows the fair value of plan assets relating to Sanofi's pension and other post-employment plans, split by asset category:

	2017	2016	2015
Securities quoted in an active market	**98.0%**	**98.2%**	**97.0%**
Cash and cash equivalents	2.2%	2.4%	2.7%
Equity instruments	25.2%	35.2%	35.6%
Bonds and similar instruments	64.1%	54.3%	52.8%
Real estate	3.3%	3.8%	3.5%
Derivatives	0.1%	(0.1)%	0.3%
Commodities	0.8%	1.3%	1.0%
Other	2.3%	1.3%	1.1%
Other securities	**2.0%**	**1.8%**	**3.0%**
Hedge funds	0.1%	-	1.5%
Insurance policies	1.9%	1.8%	1.5%
Total	**100.0%**	**100.0%**	**100.0%**

Sanofi has a long-term objective of maintaining or increasing the extent to which its pension obligations are covered by assets. To this end, Sanofi uses an asset-liability management strategy, matching plan assets to its pension obligations. This policy aims to ensure the best fit between the assets held on the one hand, and the associated liabilities and expected future payments to plan members on the other. To meet this aim, Sanofi operates a risk monitoring and management strategy (mainly focused on interest rate risk and inflation risk), while investing a growing proportion of assets in high-quality bonds with comparable maturities to those of the underlying obligations.

The tables below show the service cost for Sanofi's pension and other post-employment benefit plans, by geographical region:

(€ million)	Pensions and other post-employment benefits by geographical region					
Service cost for 2017	**France**	**Germany**	**USA**	**UK**	**Other**	**Total**
Current service cost	74	50	53	-	56	233
Past service cost	-	-	36	-	(3)	33
Net interest cost/(income) including administration costs and taxes paid during the period	22	16	40	8	10	96
(Gains)/losses on plan settlements not specified in the terms of the plan	(17)	-	-	-	(3)	(20)
Actuarial (gains)/losses on plan curtailments	(6)	7	8	-	(7)	2
Contributions from plan members	-	-	-	-	(6)	(6)
Expense recognized directly in profit or loss	**73**	**73**	**137**	**8**	**47**	**338**
Remeasurement of net defined-benefit (asset)/liability (actuarial gains and losses)	35	(33)	77	(48)	(1)	30
Expense/(gain) for the period	**108**	**40**	**214**	**(40)**	**46**	**368**

(€ million)	Pensions and other post-employment benefits by geographical region					
Service cost for 2016	**France**	**Germany**	**USA**	**UK**	**Other**	**Total**
Current service cost	70	42	62	-	42	216
Past service cost	-	-	-	-	(2)	(2)
Net interest cost/(income) including administration costs and taxes paid during the period	30	23	48	6	10	117
(Gains)/losses on plan settlements not specified in the terms of the plan	-	-	(2)	-	4	2
Actuarial (gains)/losses on plan curtailments	(51)	2	-	-	(3)	(52)
Contributions from plan members	-	-	-	-	(3)	(3)
Expense recognized directly in profit or loss	**49**	**67**	**108**	**6**	**48**	**278**
Remeasurement of net defined-benefit (asset)/liability (actuarial gains and losses)	70	1	(161)	165	34	109
Expense/(gain) for the period	**119**	**68**	**(53)**	**171**	**82**	**387**

(€ million)	Pensions and other post-employment benefits by geographical region					
Service cost for 2015	**France**	**Germany**	**USA**	**UK**	**Other**	**Total**
Current service cost	78	47	74	14	49	262
Past service cost	16	1	-	-	1	18
Net interest cost/(income) including administration costs and taxes paid during the period	28	23	44	13	13	121
(Gains)/losses on plan settlements not specified in the terms of the plan	-	-	-	-	-	-
Actuarial (gains)/losses on plan curtailments	(38)	-	-	-	(1)	(39)
Contributions from plan members	-	-	-	(1)	(3)	(4)
Expense recognized directly in profit or loss	**84**	**71**	**118**	**26**	**59**	**358**

(€ million)	Pensions and other post-employment benefits by geographical region					
Service cost for 2015	**France**	**Germany**	**USA**	**UK**	**Other**	**Total**
Remeasurement of net defined-benefit (asset)/liability (actuarial gains and losses)	(235)	(211)	(30)	(144)	(30)	(650)
Expense/(gain) for the period	**(151)**	**(140)**	**88**	**(118)**	**29**	**(292)**

There were no significant events affecting Sanofi's pension and other post-employment benefit plans during 2017.

An analysis of the "Remeasurement of net defined-benefit (asset)/liability (actuarial gains and losses)" line in the preceding tables is set forth below:

	2017				2016				2015			
(€ million)	**France**	**Germany**	**USA**	**UK**	**France**	**Germany**	**USA**	**UK**	**France**	**Germany**	**USA**	**UK**
Actuarial gains/(losses) arising during the period[(a)]	(35)	33	(77)	48	(70)	(1)	161	(165)	235	210	30	144
Comprising:												
Gains/(losses) on experience adjustments[(b)]	35	159	76	114	58	149	77	442	26	16	(116)	9
Gains/(losses) on demographic assumptions	-	-	20	53	(6)	-	79	-	10	-	46	(21)
Gains/(losses) on financial assumptions	(70)	(126)	(173)	(119)	(122)	(150)	5	(607)	199	194	100	156

(a) Gains and losses arising from changes in assumptions are due primarily to changes in the discount rate.
(b) Experience adjustments are mainly due to the effect of trends in the financial markets on plan assets.

The net pre-tax actuarial loss (excluding investments accounted for using the equity method) recognized directly in equity for the year ended December 31, 2017 was €3,035 million, compared with €3,006 million for the year ended December 31, 2016 and €2,898 million for the year ended December 31, 2015.

The present value of Sanofi's wholly or partially funded obligations in respect of pension and other post-employment benefit plans as of December 31, 2017 was €11,915 million, compared with €11,713 million as of December 31, 2016 and €11,473 million as of December 31, 2015. The present value of Sanofi's unfunded obligations was €1,097 million as of December 31, 2017, versus €1,375 million as of December 31, 2016 and €1,352 million as of December 31, 2015.

The total expense for pensions and other post-employment benefits is allocated between income statement line items as follows:

(€ million)	**2017**	**2016**	**2015**
Cost of sales	63	60	73
Research and development expenses	48	48	58
Selling and general expenses	95	113	132
Restructuring costs	45	(51)	(13)
Financial expenses	87	108	108
Total	**338**	**278**	**358**

The estimated amounts of employer's contributions to plan assets in 2018 are as follows:

(€ million)	**France**	**Germany**	**USA**	**UK**	**Other**	**Total**
Employer's contributions in 2018 (estimate):						
2018	5	36	-	45	50	136

The table below shows the expected timing of benefit payments under pension and other post-employment benefit plans for the next ten years:

(€ million)	**France**	**Germany**	**USA**	**UK**	**Other**	**Total**
Estimated future benefit payments:						
2018	108	202	181	127	58	676
2019	90	208	134	131	54	617
2020	111	213	137	135	58	654
2021	118	217	140	139	59	673
2022	91	223	135	143	60	652
2023 to 2027	661	1,128	690	784	357	3,620

The table below shows estimates as of December 31, 2017 for the timing of future payments in respect of unfunded pension and other post-employment benefit plans:

		Payments due by period			
(€ million)	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Estimated payments	**1,097**	**56**	**108**	**116**	**817**

D.19.2. Restructuring provisions

The table below shows movements in restructuring provisions classified in non-current and current liabilities:

(€ million)	**2017**	**2016**	**2015**
Balance, beginning of period	**1,420**	**1,343**	**1,399**
of which:			
■ Classified in non-current liabilities	744	762	835
■ Classified in current liabilities	676	581	564
Change in provisions recognized in profit or loss for the period	297	667	508
Provisions utilized	(616)	(641)	(570)
Transfers	7	38	-
Reclassification of the Animal Health business[(a)]	-	-	(12)
Unwinding of discount	3	4	6
Currency translation differences	(25)	9	12
Balance, end of period	**1,086**	**1,420**	**1,343**
Including:			
■ Classified in non-current liabilities	514	744	762
■ Classified in current liabilities	572	676	581

*(a) This line comprises the restructuring provisions of the Animal Health business, reclassified to **Liabilities related to assets held for sale or exchange** as of December 31, 2015 (see Notes D.1. and D.36.).*

Provisions for employee termination benefits as of December 31, 2017 amounted to €862 million (versus €1,159 million as of December 31, 2016 and €1,030 million as of December 31, 2015). The provision relating to France was €588 million as of December 31, 2017 (versus €933 million as of December 31, 2016 and €772 million as of December 31, 2015).

The provision for France includes the present value of gross self-funded annuities under various early retirement plans (including ongoing plans, and a new plan implemented at the end of 2016), plus social security charges and levies associated with those annuities and with annuities funded by external bodies.

The average residual holding periods under these plans were 2.12 years, 2.51 years and 2.64 years as of December 31, 2017, 2016 and 2015, respectively. As in 2016, no premiums were paid during 2017 in respect of externally-funded annuities; the impact of reforms on existing externally-funded plans ended in 2015, and all plans implemented since 2011 have been self-funded. This compares with €4.4 million in the year ended December 31, 2015.

The timing of future termination benefit payments is as follows:

December 31, 2017

		Benefit payments by period			
(€ million)	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Employee termination benefits					
■ France	588	257	281	49	1
■ Other countries	274	197	70	5	2
Total	**862**	**454**	**351**	**54**	**3**

December 31, 2016

		Benefit payments by period			
(€ million)	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Employee termination benefits					
■ France	933	374	413	142	4
■ Other countries	226	182	35	4	5
Total	**1,159**	**556**	**448**	**146**	**9**

December 31, 2015

		Benefit payments by period			
(€ million)	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Employee termination benefits					

December 31, 2015		Benefit payments by period			
(€ million)	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
■ France	772	286	351	120	15
■ Other countries	258	197	56	2	3
Total	**1,030**	**483**	**407**	**122**	**18**

Restructuring provisions as of December 31, 2017 also include €104 million (versus €163 million as of December 31, 2016) relating to a five-year commitment to Evotec regarding the Toulouse R&D site in France.

D.19.3. Other provisions

Other provisions include provisions for risks and litigation relating to environmental, tax, commercial and product liability matters.

(€ million)	2017	2016	2015
Tax exposures	1,031	1,077	1,530
Environmental risks and remediation	686	732	708
Product liability risks, litigation and other	1,164	968	908
Total	**2,881**	**2,777**	**3,146**

Provisions for tax exposures are recorded when Sanofi is exposed to a probable risk resulting from a tax position adopted by the company or a subsidiary, and the risk has been quantified at the end of the reporting period, in accordance with the principles described in Note B.22.

Provisions for environmental risks and remediation mainly relate to contingencies arising from business divestitures.

Identified environmental risks are covered by provisions estimated on the basis of the costs Sanofi believes it will be obliged to meet over a period not exceeding (other than in exceptional cases) 30 years. Sanofi expects that €139 million of those provisions will be utilized in 2018, and €333 million over the period from 2019 through 2022.

"Product liability risks, litigation and other" mainly comprises provisions for risks relating to product liability (including IBNR provisions as described in Note B.12.), government investigations, regulatory or antitrust law claims, or contingencies arising from business divestitures (other than environmental risks).

The main pending legal and arbitral proceedings and government investigations are described in Note D.22.

A full risk and litigation assessment is performed with the assistance of Sanofi's legal advisers, and provisions are recorded as required by circumstances in accordance with the principles described in Note B.12.

D.19.4. Other non-current liabilities

Other non-current liabilities amounted to €1,050 million as of December 31, 2017 (versus €216 million as of December 31, 2016 and €275 million as of December 31, 2015).

As of December 31, 2017, a liability of €1,069 million was recognized, representing the estimated tax charge on deemed repatriation attributable to the accumulated earnings of non-US operations payable over 8 years. Of this, €708 million falls due after more than one year and is presented within "other non-current liabilities", and €361 million falls due within less than one year and is presented within "Other current liabilities" (see Note D.19.5). In accordance with Sanofi accounting policies, the amount falling due after more than one year has not been discounted.

D.19.5. Current provisions and other current liabilities

Current provisions and other current liabilities comprise the following:

(€ million)	2017	2016	2015
Taxes payable	1,180 [(a)]	1,134	1,044
Employee-related liabilities	1,922	1,967	1,920
Restructuring provisions (see Note D.19.2.)	572	676	581
Interest rate derivatives (see Note D.20.)	-	2	4
Currency derivatives (see Note D.20.)	58	130	78
Amounts payable for acquisitions of non-current assets	387	451	684
Other current liabilities	5,087	5,815	5,131
Total	**9,206**	**10,175**	**9,442**

(a) See note D.19.4.

"Other current liabilities" includes in particular the current portion of provisions for litigation, sales returns and other risks; amounts due to investments accounted for using the equity method (see Note D.6.); and amounts due to governmental agencies and healthcare authorities (see Note D.23.).

D.20. Derivative financial instruments and market risks

The table below shows the fair value of derivative instruments as of December 31, 2017, 2016 and 2015:

(€ million)	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Fair value at Dec. 31, 2017 (net)	Fair value at Dec. 31, 2016 (net)	Fair value at Dec. 31, 2015 (net)
Currency derivatives	-	133	**133**	(4)	(58)	**(62)**	71	(22)	(19)
operating	-	*28*	**28**	-	*(25)*	**(25)**	*3*	*(25)*	*16*
financial	-	*105*	**105**	*(4)*	*(33)*	**(37)**	*68*	*3*	*(35)*
Interest rate derivatives	63	-	**63**	(12)	-	**(12)**	51	100	152
Total	**63**	**133**	**196**	**(16)**	**(58)**	**(74)**	**122**	**78**	**133**

Objectives of the use of derivative financial instruments

Sanofi uses derivative instruments to manage operating exposure to movements in exchange rates, and financial exposure to movements in interest rates and exchange rates (where the debt or receivable is not contracted in the functional currency of the borrower or lender entity). On occasion, Sanofi uses equity derivatives in connection with the management of its portfolio of equity investments.

Sanofi performs periodic reviews of its transactions and contractual agreements in order to identify any embedded derivatives, which are accounted for separately from the host contract in accordance with IAS 39. Sanofi had no material embedded derivatives as of December 31, 2017, 2016 or 2015.

Counterparty risk

As of December 31, 2017, all currency and interest rate hedges were contracted with leading banks, and no single counterparty accounted for more than 16% of the notional amount of Sanofi's overall currency and interest rate positions.

a) Currency derivatives used to manage operating risk exposures

Sanofi operates a foreign exchange risk hedging policy to reduce the exposure of operating income to exchange rate movements. This policy involves regular assessments of Sanofi's worldwide foreign currency exposure, based on foreign currency transactions carried out by the parent company and its subsidiaries. Those transactions mainly comprise sales, purchases, research costs, co-marketing and co-promotion expenses, and royalties. To reduce the exposure of those transactions to exchange rate movements, Sanofi contracts hedges using liquid derivative instruments, mainly forward currency purchases and sales, and also currency swaps.

The table below shows operating currency hedging instruments in place as of December 31, 2017, with the notional amount translated into euros at the relevant closing exchange rate:

December 31, 2017			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	**3,592**	**11**	**-**	**-**	**-**	**3,592**	**11**
of which US dollar	*1,043*	*15*	-	-	-	*1,043*	*15*
of which Singapore dollar	*870*	*1*	-	-	-	*870*	*1*
of which Chinese yuan renminbi	*327*	*(1)*	-	-	-	*327*	*(1)*
of which Japanese yen	*248*	*1*	-	-	-	*248*	*1*
of which Saudi riyal	*144*	*2*	-	-	-	*144*	*2*
Forward currency purchases	**1,649**	**(8)**	**-**	**-**	**-**	**1,649**	**(8)**
of which Japanese yen	*373*	*(3)*	-	-	-	*373*	*(3)*
of which Singapore dollar	*360*	*(4)*	-	-	-	*360*	*(4)*
of which US dollar	*205*	*(2)*	-	-	-	*205*	*(2)*
of which Chinese yuan renminbi	*196*	*-*	-	-	-	*196*	*-*
of which Hungarian forint	*81*	*1*	-	-	-	*81*	*1*
Total	**5,241**	**3**	**-**	**-**	**-**	**5,241**	**3**

The above positions mainly hedge future material foreign-currency cash flows arising after the end of the reporting period in relation to transactions carried out during the year ended December 31, 2017 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 profit or loss on these items (hedging instruments and hedged transactions) will be immaterial in 2018.

The table below shows operating currency hedging instruments in place as of December 31, 2016, with the notional amount translated into euros at the relevant closing exchange rate:

December 31, 2016			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	**3,963**	**(25)**	**-**	**-**	**-**	**3,963**	**(25)**
of which US dollar	*1,850*	*(17)*	-	-	-	*1,850*	*(17)*
of which Chinese yuan renminbi	*453*	*(2)*	-	-	-	*453*	*(2)*
of which Swiss franc	*253*	*(1)*	-	-	-	*253*	*(1)*
of which Japanese yen	*206*	*5*	-	-	-	*206*	*5*
of which Singapore dollar	*156*	*1*	-	-	-	*156*	*1*
Forward currency purchases	**1,517**	**-**	**-**	**-**	**-**	**1,517**	**-**
of which US dollar	*400*	*1*	-	-	-	*400*	*1*
of which Japanese yen	*283*	*(2)*	-	-	-	*283*	*(2)*
of which Singapore dollar	*233*	*1*	-	-	-	*233*	*1*
of which Swiss franc	*84*	-	-	-	-	*84*	-
of which Hungarian forint	*82*	-	-	-	-	*82*	-
Total	**5,480**	**(25)**	**-**	**-**	**-**	**5,480**	**(25)**

The table below shows operating currency hedging instruments in place as of December 31, 2015, with the notional amount translated into euros at the relevant closing exchange rate:

December 31, 2015			Of which derivatives designated as cash flow hedges			Of which derivatives not eligible for hedge accounting	
(€ million)	Notional amount	Fair value	Notional amount	Fair value	Of which recognized in equity	Notional amount	Fair value
Forward currency sales	**2,142**	**27**	**-**	**-**	**-**	**2,142**	**27**
of which US dollar	*672*	*(2)*	-	-	-	*672*	*(2)*
of which Chinese yuan renminbi	*339*	*1*	-	-	-	*339*	*1*
of which Japanese yen	*159*	*(1)*	-	-	-	*159*	*(1)*
of which Russian rouble	*130*	*22*	-	-	-	*130*	*22*
of which Singapore dollar	*114*	-	-	-	-	*114*	-
Forward currency purchases	**905**	**(11)**	**-**	**-**	**-**	**905**	**(11)**
of which US dollar	*204*	-	-	-	-	*204*	-
of which Russian rouble	*109*	*(9)*	-	-	-	*109*	*(9)*
of which Singapore dollar	*104*	*(1)*	-	-	-	*104*	*(1)*
of which Hungarian forint	*90*	*(1)*	-	-	-	*90*	*(1)*
of which Chinese yuan renminbi	*86*	*2*	-	-	-	*86*	*2*
Total	**3,047**	**16**	**-**	**-**	**-**	**3,047**	**16**

b) 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 borrowings and loans denominated in a currency other than the functional currency of the borrower or lender). That foreign exchange exposure is hedged by Sanofi using firm financial instruments (currency swaps or forward contracts).

The table below shows financial currency hedging instruments in place, with the notional amount translated into euros at the relevant closing exchange rate:

	2017			2016			2015		
(€ million)	Notional amount	Fair value	Expiry	Notional amount	Fair value	Expiry	Notional amount	Fair value	Expiry
Forward currency sales	**5,074**	**86**		**5,298**	**(28)**		**3,472**	**(44)**	
of which US dollar	*3,542*	*50*	*2018*	*3,356*	*(37)*	*2017*	*2,171*	*(30)*	*2016*
of which Japanese yen	*867*	*34*	*2018*	*1,036*	*-*	*2017*	*612*	*(9)*	*2016*
of which Australian dollar	*281*	*1*	*2018*	*254*	*5*	*2017*	*266*	*(4)*	*2016*
Forward currency purchases	**4,657**	**(18)**		**5,980**	**31**		**2,623**	**9**	
of which Singapore dollar	*2,281*	*(23)*	*2018*	*878*	*5*	*2017*	*310*	*-*	*2016*
of which Canadian dollar	*907*	*6*	*2018*	*-*	*-*		*145*	*(1)*	*2016*
of which Czech koruna	*431*	*6*	*2018*	*332*	*(1)*	*2017*	*245*	*(1)*	*2016*
Total	**9,731**	**68**		**11,278**	**3**		**6,095**	**(35)**	

These forward currency contracts generate a net financial foreign exchange gain or loss arising from the interest rate differential between the hedged currency and the euro, given that the foreign exchange gain or loss on the foreign-currency borrowings and loans is offset by the change in the intrinsic value of the hedging instruments. Sanofi may also hedge some future foreign-currency investment or divestment cash flows.

Sanofi manages its net debt in two currencies: the euro and the US dollar (see Note D.17.). The floating-rate portion of this debt exposes Sanofi to rises in interest rates, primarily in the Eonia and Euribor benchmark rates (for the euro) and in the US Libor and Federal Fund Effective rates (for the US dollar). To optimize the cost of debt or reduce the volatility of debt, Sanofi uses interest rate swaps, cross currency swaps and interest rate options to alter the fixed/floating rate split of debt. Such derivative instruments are predominantly denominated in euros and US dollars.

The table below shows instruments of this type in place as of December 31, 2017:

	Notional amounts by expiry date as of December 31, 2017								Of which designated as fair value hedges		Of which designated as cash flow hedges		
(€ million)	2018	2019	2020	2021	2022	2023	Total	Fair value	Notional amount	Fair value	Notional amount	Fair value	Of which recognized in equity
Interest rate swaps													
pay capitalized Eonia / receive 1.58%	-	1,550	-	-	-	-	1,550	58	1,550	58	-	-	-
pay capitalized Eonia / receive 0.06%	-	-	-	-	1,800	-	1,800	(6)	1,800	(6)	-	-	-
pay 1.81% / receive 3-month US dollar Libor	-	-	417	-	-	-	417	2	-	-	417	2	-
pay 3-month US dollar Libor / receive 2.22%	-	-	417	-	-	-	417	3	417	3	-	-	-
pay capitalized Eonia / receive 1.48%[(a)]	-	-	-	-	42	57	99	(6)	-	-	-	-	-
Total	**-**	**1,550**	**834**	**-**	**1,842**	**57**	**4,283**	**51**	**3,767**	**55**	**417**	**2**	**-**

(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" (see Note D.7.).

The table below shows instruments of this type in place as of December 31, 2016:

	Notional amounts by expiry date as of December 31, 2016								Of which designated as fair value hedges		Of which designated as cash flow hedges		
(€ million)	2017	2019	2020	2021	2022	2023	Total	Fair value	Notional amount	Fair value	Notional amount	Fair value	Of which recognized in equity
Interest rate swaps													
pay capitalized Eonia / receive 1.58%	-	1,550	-	-	-	-	1,550	88	1,550	88	-	-	-
pay 3-month Euribor / receive 1.15%	428	-	-	-	-	-	428	3	428	3	-	-	-
pay 3-month US dollar Libor / receive 2.22%	-	-	475	-	-	-	475	10	475	10	-	-	-
pay 1.22% / receive 3-month & 6-month US dollar Libor	475	-	-	-	-	-	475	(2)	-	-	475	(2)	-
pay capitalized Eonia / receive -0.01%	-	-	-	-	300	-	300	1	300	1	-	-	-
Total	**903**	**1,550**	**475**	**-**	**300**	**-**	**3,228**	**100**	**2,753**	**102**	**475**	**(2)**	**-**

The table below shows instruments of this type in place as of December 31, 2015:

	Notional amounts by expiry date as of December 31, 2015								Of which designated as fair value hedges		Of which designated as cash flow hedges		
(€ million)	2016	2017	2019	2020	2021	2022	Total	Fair value	Notional amount	Fair value	Notional amount	Fair value	Of which recognized in equity
Interest rate swaps													
pay 1-month Euribor 0.26% / receive 2.73%	500	-	-	-	-	-	500	14	500	14	-	-	-
pay capitalized Eonia / receive 1.90%	1,000	-	1,550	-	-	-	2,550	128	2,550	128	-	-	-
pay 3-month Euribor / receive 1.15%	-	428	-	-	-	-	428	3	-	-	-	-	-
pay 3-month US dollar Libor / receive 2.22%	-	-	-	459	-	-	459	14	459	14	-	-	-
pay 1.22% / receive 3-month & 6-month US dollar Libor	-	459	-	-	-	-	459	(2)	-	-	459	(2)	(1)
Currency swaps hedging investments													
pay JPY / receive €	175	-	-	-	-	-	175	(4)	-	-	-	-	-
pay USD / receive €	92	-	-	-	-	-	92	(1)	-	-	-	-	
Total	**1,767**	**887**	**1,550**	**459**	**-**	**-**	**4,663**	**152**	**3,509**	**156**	**459**	**(2)**	**(1)**

c) Actual or potential effects of netting arrangements

The table below is prepared in accordance with the accounting policies described in Note B.8.3.:

	2017		2016		2015	
(€ million)	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Gross carrying amounts before offset (a)	196	(74)	210	(132)	218	(85)
Gross amounts offset (in accordance with IAS 32) (b)	-	-	-	-	-	-
Net amounts as reported in the balance sheet (a) – (b) = (c)	**196**	**(74)**	**210**	**(132)**	**218**	**(85)**
Effects of other netting arrangements (not fulfilling the IAS 32 criteria for offsetting) (d)						
Financial instruments	(67)	67	(97)	97	(66)	66
Fair value of financial collateral	N/A	N/A	N/A	N/A	N/A	N/A
Net exposure (c) + (d)	**129**	**(7)**	**113**	**(35)**	**152**	**(19)**

D.21. Off-balance sheet commitments

The off balance sheet commitments presented below are shown at their nominal value.

D.21.1. Off balance sheet commitments relating to operating activities

Off balance sheet commitments relating to Sanofi's operating activities comprise the following:

December 31, 2017		Payments due by period			
(€ million)	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Operating leases[(a)]	1,452	294	407	284	467
Irrevocable purchase commitments[(b)]					
■ given[(c)]	5,500	3,101	1,021	483	895
■ received	(181)	(87)	(56)	(10)	(28)
Research and development license agreements					
■ commitments related to R&D and other commitments[(d)]	951	577	342	10	22
■ potential milestone payments[(e)]	1,907	84	246	941	636
Firm commitments under the agreement with BMS[(f)]	97	97	-	-	-
Total	**9,726**	**4,066**	**1,960**	**1,708**	**1,992**

(a) Operating leases as of December 31, 2017 include €127 million of commitments given to joint ventures.
(b) These comprise irrevocable commitments to suppliers of (i) property, plant and equipment, net of down-payments (see Note D.3.) and (ii) goods and services. As of December 31, 2016, irrevocable commitments amounted to €4,192 million given and €(229) million received (excluding the Animal Health business).
(c) Irrevocable purchase commitments given as of December 31, 2017 include €1,207 million of commitments to joint ventures.
(d) Commitments related to R&D, and other commitments, amounted to €1,572 million as of December 31, 2016 (excluding the Animal Health business).
(e) This line includes only potential milestone payments on projects regarded as reasonably possible, i.e. on projects in the development phase. Potential milestone payments as of December 31, 2016 amounted to €2,072 million (excluding the Animal Health business).
(f) See Note C.2.

Operating leases

Sanofi leases some of the property and equipment used in the ordinary course of business under operating leases. The majority of future operating lease rental commitments relate to real estate assets; the remainder relate to vehicles and other leased assets. Future minimum lease payments due under non-cancelable operating leases as of December 31, 2017 were €1,452 million (versus €1,507 million as of December 31, 2016 and €1,567 million as of December 31, 2015).

Total rental expense recognized in the year ended December 31, 2017 was €291 million (versus €309 million in the year ended December 31, 2016 and €340 million in the year ended December 31, 2015).

Research and development license agreements

In pursuance of its strategy, Sanofi may acquire technologies and rights to products. Such acquisitions may be made in various contractual forms: acquisitions of shares, loans, license agreements, joint development, and co-marketing. These arrangements generally involve upfront payments on signature of the agreement, development milestone payments, and royalties. Some of these complex agreements include undertakings to fund research programs in future years and payments contingent upon achieving specified development milestones, the granting of approvals or licenses, or the attainment of sales targets once a product is commercialized.

The “Research and development license agreements” line comprises future service commitments to fund research and development or technology, and potential milestone payments regarded as reasonably possible (i.e. all potential milestone payments relating to projects in the development phase, for which the future financial consequences are known and considered as probable and for which there is a sufficiently reliable estimate). It excludes commitments relating to projects in the research phase (€7.2 billion in 2017, €6.2 billion in 2016, €4.7 billion in 2015), and payments contingent upon the attainment of sales targets once a product is commercialized (€10.1 billion in 2017, €8.2 billion in 2016, €8.0 billion in 2015).

Major agreements entered into during 2017 were as follows:

- On January 9, 2017, Sanofi and Immunext announced an agreement to develop a novel antibody to treat auto-immune diseases such as multiple sclerosis and lupus. Under the agreement, Sanofi acquired an exclusive worldwide license to INX-021, a monoclonal CD40L antibody currently in preclinical development. A second parallel agreement was signed to support clinical trials.
- On March 3, 2017, Sanofi Pasteur and MedImmune (a division of AstraZeneca) announced an agreement to develop and commercialize a monoclonal antibody (MEDI8897) for the prevention of Respiratory Syncytial Virus (RSV) associated illness in newborns and infants.
- On May 30, 2017, ImmunoGen and Sanofi finalized an amendment to the license and collaboration agreement signed in 2003. ImmunoGen has granted Sanofi a fully paid and exclusive license to develop, manufacture and commercialize the full series of compounds developed by Sanofi using ImmunoGen technology.
- On July 20, 2017, Sanofi and Ablynx announced an alliance to reinforce treatments of inflammatory and auto-immune diseases under which Sanofi could pay Ablynx up to €2.4 billion. On January 29, 2018, Sanofi announced that it had entered into a definitive agreement to acquire all of the outstanding ordinary shares, warrants and convertible bonds of Ablynx (see Note G/).
- On September 28, 2017, Sanofi and Thermalin, Inc. announced a worldwide collaboration to discover and develop novel, engineered insulin analogues. The collaboration builds on Thermalin’s pioneering science, which alters the insulin molecule to achieve greater therapeutic performance.
- On November 9, 2017, Sanofi and Principia Biopharma, Inc. signed a license agreement to develop Principia’s Bruton’s tyrosine kinase (BTK) inhibitor (PRN2246), in the treatment of multiple sclerosis and, potentially, other central nervous system diseases. Sanofi will pay an upfront payment of $40 million to Principia, future milestone payments of up to $765 million, and royalties on sales of the product.

Other major agreements entered into by Sanofi in prior years are described below:

- Hanmi Pharmaceutical Co., Ltd. (2016): amendment to the license agreement originally signed on November 5, 2015. Under the terms of the amendment, Sanofi returned to Hanmi the rights for a weekly-administered insulin, and Hanmi re-assumed at its own expense responsibility for developing the weekly-administered efpeglenatide/insulin combination for a specified period of time, with other contractual terms relating to the combination remaining unchanged. The financial terms of the efpeglenatide collaboration as regards development and registration milestone payments, Hanmi’s entitlement to royalties and Hanmi’s contribution to the development costs of efpeglenatide were also amended. In return, Hanmi committed to pay €196 million to Sanofi, of which €98 million was paid in 2017.
- JHL Biotech, Inc. (2016): collaboration to develop and commercialize biological therapeutic treatments in China, with the potential for international expansion. JHL retains responsibility for development, registration and production, while Sanofi is responsible for commercialization.
- DiCE Molecules (2016): five-year global collaboration to discover potential new therapeutics for up to 12 targets that encompass all disease areas of strategic interest to Sanofi.
- Innate Pharma (2016): collaboration and licensing agreement to apply Innate Pharma’s new proprietary technology to the development of innovative bispecific antibody formats engaging natural killer (NK) cells to kill tumor cells through the activating receptor NKp46.
- Lexicon Pharmaceuticals, Inc. (2015): collaboration and license agreement to develop and commercialize sotagliflozine, an investigational dual inhibitor of sodium-glucose cotransporters 1 and 2 (SGLT-1 and SGLT-2).
- BioNTech A.G. (2015): exclusive collaboration and license agreement to discover and develop up to five cancer immunotherapies.
- Evotec AG and Apeiron Biologics AG (2015): collaboration and license agreement to discover and develop first-in-class small molecule-based immuno-oncology therapies to treat solid and hematological cancers.
- Evotec International GmbH (2015): strategic research collaboration to develop beta cell-modulating diabetes treatments, which may reduce or eliminate the need for insulin injections.
- Regeneron (2015): collaboration agreement on the discovery, development and commercialization of antibodies in the field of immuno-oncology (see Note C.1.). An amendment to that agreement was signed on January 8, 2018 (see Note G/).
- Regeneron (2015): amendment to the September 2003 collaboration agreement on the development and commercialization of Zaltrap® (aflibercept) (see Note C.1.).
- Lead Pharma (2015): research collaboration and license agreement for the discovery, development and commercialization of small-molecule therapies directed against “ROR gamma t” nuclear hormone receptors to treat auto-immune diseases.
- Voyager Therapeutics (2015): collaboration agreement for the discovery, development and commercialization of new gene therapies to treat serious disorders of the central nervous system.
- Immune Design (2014): license agreement for the use of Immune Design’s GLAAS® research platform to develop therapeutic agents capable of treating an identified food allergy.
- Eli Lilly and Company (2014): agreement to pursue regulatory approval for non-prescription Cialis® (tadalafil).
- Alnylam Pharmaceuticals, Inc. (2014): extension of the strategic agreement to develop and commercialize treatments for rare genetic diseases. An amendment to that agreement was signed on January 7, 2018 (see Note G/).
- UCB (2014): scientific and strategic collaboration for the discovery and development of innovative anti-inflammatory small molecules, which have the potential to treat a wide range of immune-mediated diseases in areas such as gastroenterology and arthritis.

- Ascendis (2010): licensing and patent transfer agreement on Transcon Linker and Hydrogel Carrier technology. The agreement enables Sanofi to develop, manufacture and commercialize products combining this technology with active molecules for the treatment of diabetes and related disorders.
- Avila Therapeutics, Inc. (acquired by Celgene Corporation in 2012): 2010 alliance to discover target covalent drugs for the treatment of cancers, directed towards six signaling proteins that are critical in tumor cells.
- Regulus Therapeutics, Inc. (2010): discovery, development and commercialization of novel micro-RNA therapeutics in fibrosis.
- Exelixis, Inc. (2009): global license agreement for XL765.

Sanofi and its alliance partners have decided to terminate the following agreements (the related commitments are no longer disclosed as of December 31, 2017):

- Sanofi and Vivus, Inc. have discontinued their agreement to develop, manufacture and commercialize avanafil.
- Sanofi and Warp Drive have decided to end the collaboration initiated in January 2016 relating to two key programs (ABC and non ABC) to develop novel anti-cancer and antibiotic agents derived from proprietary platforms.

Other agreements

Sanofi has entered into two agreements, with Royalty Pharma (December 2014) and NovaQuest (December 2015), which have similar characteristics in that the partners jointly bear a portion of the remaining development cost of the project on a quarterly basis in return for a share of future sales. These transactions are co-investments, whereby the partner acquires an interest in the jointly-developed product by providing funding towards the development program. Consequently, the amounts received by Sanofi will be recorded as a reduction in development costs, to the extent that the development costs incurred by Sanofi are recognized in profit or loss in accordance with the policies described in Note B.4.1. The commitments under these two agreements were altered by the following events that occurred in 2017:

- The products being developed under the December 2014 agreement with Royalty Pharma were launched in the United States and Europe, marking the end of the joint development programs.
- Sanofi announced the discontinuation of development on the *Clostridium Difficile* program on December 1, 2017, thereby cancelling any future commitments under the December 2015 joint development agreement with NovaQuest.

On February 27, 2017, Sanofi and Lonza announced a strategic partnership in the form of a joint venture to build and operate a large-scale mammalian cell culture facility for monoclonal antibody production in Visp, Switzerland. An initial investment of approximately €0.3 billion to finance construction of the facility will be made 50/50 by the two partners. In addition, Sanofi could pay Lonza in the region of €0.8 billion over the next fifteen years partly as its share of operating expenses and the cost of producing future batches, and partly to reserve capacity in the new facility.

In February 2014, pursuant to the “Pandemic Influenza Preparedness Framework for the sharing of influenza viruses and access to vaccines and other benefits” (still effective as of December 31, 2017), Sanofi Pasteur and the World Health Organization (WHO) signed a bilateral “Standard Material Transfer Agreement” (SMTA 2). This agreement stipulates that Sanofi Pasteur will, during declared pandemic periods, (i) donate 7.5% of its real-time production of pandemic vaccines against any strain with potential to cause a pandemic, and (ii) reserve a further 7.5% of such production on affordable terms. The agreement cancels and replaces all preceding commitments to donate pandemic vaccines to the WHO.

D.21.2. Off balance sheet commitments relating to financing activities

Credit facilities

Undrawn credit facilities are as follows:

December 31, 2017		**Expiry**			
(€ million)	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
General-purpose credit facilities	8,010	7	8,003	-	-

As of December 31, 2017, total credit facilities amounted to €8,010 million (versus €8,000 million as of December 31, 2016 and 2015, excluding the Animal Health business).

Guarantees

The table below shows the amount of guarantees given and received:

(€ million)	2017	2016	2015
Guarantees given:	**2,986**	**3,946**	**3,972**
■ Guarantees provided to banks in connection with credit facilities	1,318	2,189	2,260
■ Other guarantees given	1,668	1,757	1,712
Guarantees received	**(181)**	**(211)**	**(187)**

D.21.3. Off balance sheet commitments relating to Sanofi entities and business combinations

Funding commitments to associates and joint ventures are disclosed in Note D.6.

The maximum amount of contingent consideration relating to business combinations is disclosed in Note D.18.

D.22. Legal and arbitral proceedings

Sanofi and its affiliates are involved in litigation, arbitration and other legal proceedings. These proceedings typically are related to product liability claims, intellectual property rights (particularly claims against generic companies seeking to limit the patent protection of Sanofi products), competition law and trade practices, commercial claims, employment and wrongful discharge claims, tax assessment claims, waste disposal and pollution claims, and claims under warranties or indemnification arrangements relating to business divestitures. Provisions related to legal and arbitral proceedings are recorded in accordance with the principles described in Note B.12.

Most of the issues raised by these claims are highly complex and subject to substantial uncertainties; therefore, the probability of loss and an estimation of damages are difficult to ascertain. Contingent liabilities are cases for which either we are unable to make a reasonable estimate of the expected financial effect that will result from ultimate resolution of the proceeding, or a cash outflow is not probable. In either case, a brief description of the nature of the contingent liability is disclosed and, where practicable, an estimate of its financial effect, an indication of the uncertainties relating to the amount and timing of any outflow, and the possibility of any reimbursement are provided in application of paragraph 86 of IAS 37.

In the cases that have been settled or adjudicated, or where quantifiable fines and penalties have been assessed, we have indicated our losses or the amount of provision accrued that is the estimate of the probable loss.

In a limited number of ongoing cases, while we are able to make a reasonable estimate of the expected loss or range of the possible loss and have accrued a provision for such loss, we believe that publication of this information on a case-by-case basis or by class would seriously prejudice the Company's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in those cases, we have disclosed information with respect to the nature of the contingency but have not disclosed our estimate of the range of potential loss, in accordance with paragraph 92 of IAS 37.

These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. Our assessments are based on estimates and assumptions that have been deemed reasonable by management. We believe that the aggregate provisions recorded for the above matters are adequate based upon currently available information. However, given the inherent uncertainties related to these cases and involved in estimating contingent liabilities, we could in the future incur judgments that could have a material adverse effect on our net income in any particular period.

Long term provisions are disclosed in Note D.19. They include:

- Provisions for product liability risks, litigation and other amount to €1,164 million in 2017. These provisions are mainly related to product liabilities, government investigations, competition law, regulatory claims, warranties in connection with certain contingent liabilities arising from business divestitures other than environmental matters and other claims.
- Provisions for environmental risks and remediation amount to €686 million in 2017, the majority of which are related to contingencies that have arisen from business divestitures.

a) Products

Sanofi Pasteur Hepatitis B Vaccine Product Litigation

Since 1996, more than 180 lawsuits have been filed in various French civil courts against Sanofi Pasteur and/or Sanofi Pasteur MSD S.N.C., the former a French subsidiary of Sanofi, and the latter a joint venture company with Merck & Co., Inc. now terminated, for which past ongoing litigation is now managed by the originating party. In such lawsuits, the plaintiffs allege that they suffer from a variety of neurological disorders and autoimmune diseases, including multiple sclerosis and Guillain-Barré syndrome as a result of receiving the hepatitis B vaccine. To date, only one claim decided against the Company has been upheld by the French Supreme Court (*Cour de cassation*).

In January 2008, both the legal entity Sanofi Pasteur MSD S.N.C., and a corporate officer of this company, as well as, a former corporate officer of Sanofi Pasteur, were placed under investigation in an ongoing criminal inquiry in France relating to alleged side effects caused by the hepatitis B vaccine. In March 2012, Sanofi Pasteur and the former pharmacist in charge, deputy Chief Executive Officer of Sanofi Pasteur were placed under an "advised witness" status.

In October 2017, the French Supreme Court (*Cour de cassation*) dismissed two appeals filed by the plaintiffs against two decisions of the Appeal Court of Paris (*Cour d'appel*).

Plavix® Product Litigation in the US

As of December 31, 2017, around 759 lawsuits, involving approximately 1,395 claimants (but 1,134 ingesting plaintiffs) have been filed against affiliates of Sanofi and Bristol-Myers Squibb seeking recovery under US state law for personal injuries allegedly sustained in connection with the use of Plavix®. The actions are held in several jurisdictions, including the federal and/or state courts of New Jersey, New York, California, and Delaware. It is not possible, at this stage, to assess reliably the outcome of these lawsuits or the potential financial impact on the Company.

Taxotere® Product Litigation in the US

As of December 31, 2017, around 7,123 lawsuits, involving approximately 8,208 claimants (but 7,580 ingesting plaintiffs and 629 loss of consortium plaintiffs) have been filed against affiliates of Sanofi under US state law for personal injuries allegedly sustained in connection with the use of Taxotere®. The actions are held in several jurisdictions, including the federal and/or state courts of Louisiana, New Jersey, California, Delaware and Illinois. It is not possible, at this stage, to assess reliably the outcome of these lawsuits or the potential financial impact on the Company.

Depakine® Product Litigation in France

As of December 31, 2017, 56 individual claims, involving approximately 90 claimants, and a class action based on 14 claims have been filed against a French affiliate of Sanofi seeking indemnification under French law for personal injuries allegedly sustained by children in connection with the use of Depakine®, a sodium valproate antiepileptic treatment, by the mothers during pregnancy. These actions are held in several jurisdictions in France. An investigation is ongoing in relation to a criminal complaint against person unknown filed in May 2015.

In November 2017, court decisions were rendered in relation to certain individual cases and the class action: (i) the Court of Appeals of Orléans confirmed the Tours Court decision which ordered the French affiliate to pay approximately €2 million to the plaintiff and €1 million to the CPAM (*Caisse Primaire d'Assurance Maladie*). The French affiliate has filed a motion to the French Supreme Court; (ii) the Paris Court denied an individual plaintiff's motion for interim measures and plaintiff has lodged an appeal, and (iii) in the class action lawsuit filed by the APESAC (*Association des Parents d'Enfants souffrant du Syndrome de l'Anti-Convulsivant)*, the judge also rejected claimant's motion on interim measures. APESAC has lodged an appeal.

The French government has, through the 2017 Finance law adopted on December 29, 2016, set up a public fund which is meant to compensate loss or injury actually suffered in relation to the prescription of sodium valproate and its derivatives. The fund entered into force on June 1, 2017. The French affiliate has raised issue of conflict of interest of certain appointed experts and it has seized the Administrative Court on the unresolved conflict situation of one expert.

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

b) Patents

Ramipril Canada Patent Litigation

Sanofi has been involved in a number of legal proceedings involving companies which market generic Altace® (ramipril) in Canada. Notwithstanding proceedings initiated by Sanofi, eight manufacturers obtained marketing authorizations from the Canadian Minister of Health for generic versions of ramipril in Canada. Following the marketing of these products, Sanofi filed patent infringement actions against all those companies. In a patent infringement action, the Federal Court of Canada ruled on June 29, 2009 that the patent asserted by Sanofi was invalid. Sanofi's leave to appeal the judgment was denied in 2012. Each of Teva, Apotex and Riva initiated Section 8 damages claims against Sanofi, seeking compensation for their alleged inability to market a generic ramipril during the time taken to resolve the proceedings against the Canadian Ministry of Health. Sanofi and Teva reached an agreement in June 2012 on a confidential amount to satisfy Teva's claim and in November 2012, Apotex was awarded CAD221 million.

Sanofi appealed both rulings. In March 2014, the Federal Court of Appeal dismissed Sanofi's appeal with respect to Teva and issued a decision in the appeal with respect to Apotex increasing Apotex's damages award, and costs of all appeals (not including costs associated with underlying trial). In May 2014, Sanofi and Apotex executed a settlement agreement in satisfaction of the Federal Court of Appeal's increased damages judgment. On April 20, 2015, the Supreme Court of Canada dismissed Sanofi's appeal of the Court of Appeal decision with respect to Apotex, thereby affirming the decision of the Court of Appeal. The Riva Section 8 case, which had been stayed pending resolution of the Supreme Court Appeal, was settled following court-sponsored mediation in September 2015.

In June 2011, while the Section 8 damages action was proceeding in Federal Court, Apotex commenced an action in the Ontario Superior Court of Justice asserting damages pursuant to, inter alia, the Ontario Statute of Monopolies, the UK Statute of Monopolies, and the Trade-marks Act (the "Ontario Action"). The Ontario Action was stayed pending exhaustion of appeals in the Section 8 damages action and, despite having received full compensation in the Section 8 action, was reinitiated by Apotex after the conclusion of the appeals.

Praluent® (alirocumab)-related Amgen Patent Litigation in the US

Amgen filed four separate complaints against Sanofi in the US asserting patent infringement on October 17, October 28, November 11, and November 18, 2014 based on Sanofi and Regeneron plans to submit a US Biologic License Application for alirocumab. Together these complaints allege that Sanofi's alirocumab product infringes seven patents and seek injunctive relief and unspecified damages. These cases were consolidated into one case in December 2014. Sanofi and Regeneron asserted, among other defenses, invalidity and non-infringement defenses. In January 2016, Sanofi and Regeneron informed the District Court that they stipulated to infringement. In March 2016, the District Court granted Judgment as a Matter of Law (JMOL) of obviousness in favor of Amgen and JMOL on an aspect of willful infringement in favor of Sanofi and Regeneron, and those issues are presently not in the case. In addition, in March 2016, a jury verdict upheld the validity of Amgen's asserted claims of two patents for antibodies targeting PCSK9. Further, in March 2016, Sanofi, Regeneron and Amgen resolved part of the proceedings related to certain past damages that is contingent on the outcome of our appeal. In January 2017, the District Court denied Sanofi's and Regeneron's motion for a new trial and their motion for JMOL and granted an injunction preventing the marketing, selling or manufacturing of Praluent® in the US during the term of the two Amgen patents starting from February 21, 2017.

In February 2017, the US Court of Appeals for the Federal Circuit ("Federal Circuit") stayed (suspended) the permanent injunction for Praluent® injection during Sanofi's and Regeneron's appeal of the validity judgment and injunction ruling in the Federal Circuit. In October 2017, the Federal Circuit granted a new trial on certain issues, vacated (lifted) the lower court's judgment and found that the trial court improperly granted a permanent injunction. Amgen filed a petition for rehearing by the full Federal Circuit in December 2017.

Praluent® (alirocumab)-related Amgen Patent Litigation in Europe

Amgen has filed three separate patent infringement lawsuits against Sanofi and Regeneron in Europe based on Amgen's European patent EP2215124. On July 25, 2016, Amgen filed a lawsuit in the UK High Court of Justice, Chancery Division Patents Court against five Sanofi entities and Regeneron alleging that alirocumab infringes its '124 (UK) patent, seeking injunctive relief and unspecified damages; Sanofi has counterclaimed invalidity. In February 2017, the UK action was stayed (suspended) on terms agreed by the parties.

Also on July 25, 2016, Amgen filed a lawsuit in Germany in the Regional Court, Dusseldorf against three Sanofi entities and Regeneron alleging that alirocumab infringes its '124 (DE) patent, seeking injunctive relief and unspecified damages.

On September 26, 2016, Amgen filed a lawsuit in France in the *Tribunal de Grande Instance* of Paris against two Sanofi entities and Regeneron alleging that alirocumab infringes its '124 (FR) patent, seeking injunctive relief and unspecified damages. In April 2017, in France, Sanofi and Regeneron filed a response to the complaint and a separate nullity action, which is now consolidated into the infringement action. A hearing date has been set for June 2018.

Praluent® (alirocumab)-related EPO Patent Oppositions

The European Patent Office (EPO) granted Amgen's European Patent EP2215124 on February 24, 2016. Also on February 24, 2016, Sanofi filed an opposition with the EPO requesting the revocation of Amgen's '124 patent in its entirety for all contracting states on the grounds that the subject-matter of the opposed patent is not patentable. On November 24, 2016, Sanofi filed a second opposition (in the name of three Sanofi affiliates named as defendants in the German infringement action – see above), and Regeneron filed a separate opposition, requesting revocation of Amgen's '124 patent. The parties have filed several sets of further submissions. The EPO has set a hearing date for November 2018.

Praluent® (alirocumab)-related Amgen Opposition and Patent Litigation in Japan

In May 2017, Amgen filed a lawsuit in the Tokyo District Court, against Sanofi K.K. for patent infringement of two of its Japanese Patents, JP5705288 and JP5906333. Amgen seeks injunctive relief to prevent the infringing manufacture, use and sale of alirocumab, as well as destruction of Praluent and alirocumab, and attorneys' fees; Sanofi has counterclaimed invalidity. The validity of these two Japanese patents was challenged by Sanofi in the Japanese Patent Office (JPO) by filing invalidation actions in 2016. The JPO issued a Trial Decision in March 2017, indicating their intent to maintain some claims of each patent, and invalidate others. Amgen filed corrected claims in the JPO in May 2017, canceling the claims the JPO indicated were invalid. In August 2017, the JPO issued their decision to maintain the amended claims valid. In December 2017, Sanofi filed an appeal to the Intellectual Property High Court demanding revocation of the JPO decision.

Dupixent® (dupilumab)-related Amgen Patent Opposition and Revocation in Europe

Immunex Corporation, an Amgen affiliate, is the registered proprietor of European Patent EP2292665. The claims of this patent relate to, among other things, human monoclonal antibodies that are capable of inhibiting IL-4 induced biological activity and which compete with one of four reference antibodies for binding to a cell that expresses human IL-4R. In April 2016, Sanofi and Regeneron each filed an opposition in the European Patent Office (EPO) against EP2292665, seeking its revocation on the basis that, inter alia, the claims are overly broad. In September 2016, Sanofi also filed a civil action in the UK High Court (Chancery Division/Patents Court) seeking revocation of the UK designation of EP2292665 on similar grounds. In January 2017, at the joint request of Sanofi and Immunex, the UK High Court ordered that the revocation action be stayed pending the final determination of the pending EPO opposition proceedings.

The EPO rendered its decision in November 2017 and revoked the patent in its entirety. The decision revoking the patent was issued in January 2018. Immunex is entitled to appeal the decision of the EPO, and the deadline to file the formal appeal is March 14, 2018.

Dupixent® (dupilumab)-related Amgen Inter Partes Review Petition and Patent Litigation in the US

In March and July 2017, Sanofi and Regeneron filed collectively three petitions for *Inter Partes* Review (IPR) for US patent 8,679,487 with the United States Patent and Trademark Office (USPTO). In these petitions, Sanofi and Regeneron collectively attack the validity of all the claims of this patent. The USPTO declined to institute an IPR on the first petition.

In April 2017, Immunex filed a complaint in the US District Court for the Central District of California against Sanofi and Regeneron for patent infringement and declaratory judgment of patent infringement of US patent 8,679,487 with respect to Dupixent®. In response, among other challenges, Sanofi and Regeneron asserted non-infringement, invalidity, and enforceability challenges.

Plavix® Litigation (Commonwealth) in Australia

In August 2007, GenRX (a subsidiary of Apotex) obtained registration of a generic clopidogrel bisulfate product on the Australian Register of Therapeutic Goods. At the same time, GenRX filed a patent invalidation action with the Federal Court of Australia, seeking revocation of Sanofi's Australian enantiomer patent claiming clopidogrel salts (a "nullity action"). In September 2007, Sanofi obtained a preliminary injunction from the Federal Court preventing commercial launch of this generic clopidogrel bisulfate product until judgment on the substantive issues of patent validity and infringement. In February 2008, Spirit Pharmaceuticals
Pty. Ltd. also filed a nullity action against Sanofi's Australian enantiomer patent. The Spirit proceeding was consolidated with the Apotex proceeding.

In August 2008, the Australian Federal Court confirmed that the claim in Sanofi's Australian enantiomer patent directed to clopidogrel bisulfate (the salt form in Plavix®) was valid and the patent infringed. On appeal, the Full Federal Court of Australia held in September 2009 that all claims in the patent are invalid. Sanofi's appeal to the Australia High Court was denied in March 2010. The security bond posted by Sanofi in connection with the preliminary injunction obtained in 2007 was subsequently increased from AUD40 million to AUD204 million (€26 million to €133 million as of December 31, 2017). Apotex sought damages in the range of AUD20 million to AUD236 million (€13 million to €154 million as of December 31, 2017), plus interest for having been subject to an injunction.

On April 8, 2013, the Australian Department of Health and Ageing filed an application before the Federal Court of Australia seeking payment of damages from Sanofi related to the Apotex preliminary injunction of up to AUD449 million (€293 million as of December 31, 2017), plus interest.

Sanofi and BMS settled the patent litigation with Apotex in November 2014. In light of the Apotex settlement, the Commonwealth has requested that the Court consider a set of legal issues separate from trial that could simplify the trial. In December 2015, the Court held that the relevant statute

does not preclude the Commonwealth from seeking damages in cases such as this. Sanofi and BMS have applied for special leave to appeal against this decision.

Sanofi's special appeal to the High Court on the issue of the invalidity of the patent was denied in November 2015. In May 2016, Sanofi's and BMS's application for special leave to appeal to the High Court of Australia was denied. Consequently, the substantive claim on damages sought by the Commonwealth has continued to trial. A decision is expected in late 2018.

c) Other litigation and arbitration

CVR Trustee Claim

In November 2015, American Stock Transfer & Trust Company LLC ("AST"), the Trustee of the CVR Agreement between AST and Sanofi-Aventis, dated March 30, 2011, filed a complaint against Sanofi in the US District Court for the Southern District of New York, alleging that Sanofi breached the CVR Agreement and the implied covenant of good faith and fair dealing, including by allegedly failing to use "Diligent Efforts," as defined in the CVR Agreement, with respect to the regulatory approval and sale of Lemtrada®.

On January 29, 2016, Sanofi moved to dismiss Counts II (breach of contract relating to the Product Sales Milestones) and III (breach of the implied covenant of good faith and fair dealing) of the complaint. In May 2016, AST submitted a notice of resignation as Trustee. Before the resignation became effective, AST filed a Supplemental Complaint seeking the entry of a declaratory judgment that it is entitled to, among other things, reimbursement for legal fees and expenses incurred by its outside counsel for the investigation and prosecution of the claims in the case under the CVR Agreement. In June 2016, a new Trustee, UMB Bank, N.A. ("UMB") was appointed. In July 2016, UMB moved for partial summary judgment on its declaratory judgment claim seeking, among other things, the reimbursement of legal fees and expenses incurred by its outside counsel for the investigation and prosecution of the claims in the case. In September 2016, the Court issued an order denying (in part) Sanofi's motion to dismiss Count II of the complaint, granting Sanofi's motion to dismiss Count III of the complaint in its entirety, and denying UMB's motion for partial summary judgment relating to its request for the payment of the fees and expenses incurred by its outside counsel. In October 2016, UMB appealed the portion of the order denying its motion for partial summary judgment to the US Court of Appeals for the Second Circuit. In December 2016, the US Court of Appeals for the Second Circuit granted Sanofi's motion to dismiss the appeal for lack of appellate jurisdiction.

In February 2017, the Trustee amended the complaint to assert breach of contract claims with respect to its requests for books and records, as well as its request for an audit. On March 24, 2017, the Trustee sought leave to amend its complaint for a second time to assert a breach of contract claim with respect to the Production Milestone, which request was granted on August 23, 2017. Discovery is ongoing with respect to the claims relating to the FDA approval milestone, Product Sales Milestone #1 and the Production Milestone. On October 6, 2017, the Trustee filed a motion for summary judgment with respect to its request for an audit pursuant to Section 7.6(a) of the CVR Agreement.

d) Contingencies arising from certain Business Divestitures

Sanofi and its subsidiaries, Hoechst and Aventis Agriculture, divested a variety of mostly chemical, including agro-chemical, businesses as well as certain health product businesses in previous years. As a result of these divestitures, the Company is subject to a number of ongoing contractual and legal obligations regarding the state of the sold businesses, their assets, and their liabilities.

Aventis Behring Retained Liabilities

The divestment of Aventis Behring and related protein therapies assets became effective on March 31, 2004. The purchase agreement contained customary representations and warranties running from Sanofi as seller to CSL Limited as purchaser. Sanofi has indemnification obligations that generally expired on March 31, 2006 (the second anniversary of the closing date). However, some indemnification obligations, having a longer duration, remain in effect. For example, indemnification obligations relating to the due organization, capital stock and ownership of Aventis Behring Companies ran through March 31, 2014, and product liability indemnification runs through March 31, 2019, subject to an extension for claims related to certain types of product liability notified before such date. Furthermore, for tax-related issues, the indemnification obligation of Sanofi covers all taxable periods that end on or before the closing date and expires thirty days after the expiration of the applicable statute of limitations. In addition, the indemnification obligations relating to certain specified liabilities, including HIV liability, survive indefinitely.

Under the indemnification agreement, Sanofi is generally obligated to indemnify CSL Limited, only to the extent indemnifiable, losses exceeding $10 million and up to a maximum aggregate amount of $300 million. For environmental claims, the indemnification due by Sanofi equals 90% of the indemnifiable losses. Product liability claims are generally treated separately, and the aggregate indemnification is capped at $500 million. Certain indemnification obligations, including those related to HIV liability, as well as tax claims, are not capped in amount.

Aventis CropScience Retained Liabilities

The sale by Aventis Agriculture S.A. and Hoechst GmbH (both legacy companies of Sanofi) of their aggregate 76% participation in Aventis CropScience Holding (ACS) to Bayer and Bayer CropScience AG (BCS), the wholly owned subsidiary of Bayer which holds the ACS shares, was effective on June 3, 2002. The Stock Purchase Agreement (SPA) dated October 2, 2001, contained customary representations and warranties with respect to the sold business, as well as a number of indemnifications, in particular with respect to: environmental liabilities (the representations and warranties and the indemnification are subject to a cap of €836 million, except for certain legal representations and warranties and specific environmental liabilities); taxes; certain legal proceedings; claims related to StarLink® corn; and certain pre-closing liabilities, in particular, product liability cases (which are subject to a cap of €418 million within the above global cap of €836 million). There are various periods of limitation depending upon the nature or subject of the indemnification claim. Further, Bayer and BCS are subject to a number of obligations regarding mitigation and cooperation.

Since December 2005, Aventis Agriculture and Hoechst GmbH have concluded several settlement agreements to resolve a substantial number of disputes with Bayer and BCS, including the termination of arbitration proceedings initiated in August 2003 for an alleged breach of a financial statement-related representation contained in the SPA, and numerous other warranty and indemnification claims, including certain environmental and product liabilities claims. A number of other outstanding claims remain unresolved.

LLRICE601 and LLRICE604 – Arbitration

On December 19, 2014, BCS initiated a claim for arbitration against Aventis Agriculture S.A. and Hoechst GmbH seeking indemnification under various provisions of the SPA, with a demand for €787.5 million. Bayer is seeking indemnification for damages allegedly suffered in several hundred

individual complaints and lawsuits by rice growers, millers and distributors arising in US state and federal courts against a number of CropScience companies, formerly part of ACS before its divestiture, following the detection in 2006 of trace amounts of genetically-modified rice (the Liberty Link® Rice 601 and 604) in samples of commercial long grain rice. Bayer alleges that it has incurred losses in excess of $1.2 billion in judgments, settlements and litigation costs. The claimed amount corresponds to the residual portion of the indemnification available under the SPA.

Sanofi does not consider that these claims constitute indemnifiable losses under the SPA and is currently opposing Bayer's request to indemnification in the ongoing arbitration proceeding before DIS (German Arbitral Tribunal). The hearings are scheduled to take place in May 2018.

Aventis Animal Nutrition Retained Liabilities

Aventis Animal Nutrition S.A. and Aventis (both legacy companies of Sanofi) signed an agreement for the sale to Drakkar Holdings S.A. of the Aventis Animal Nutrition business effective in April 2002. The sale agreement contained customary representations and warranties. Sanofi's indemnification obligations ran through April 2004, except for environmental indemnification obligations (which ran through April 2012), tax indemnification obligations (which run through the expiration of the applicable statutory limitation period), and antitrust indemnification obligations (which extend indefinitely). The indemnification undertakings are subject to an overall cap of €223 million, with a lower cap for certain environmental claims. Indemnification obligations for antitrust and tax claims are not capped.

Celanese AG Retained Liabilities

The demerger of the specialty chemicals business from Hoechst to Celanese AG (now trading as "Celanese GmbH") became effective on October 22, 1999. Under the demerger agreement between Hoechst and Celanese, Hoechst expressly excluded any representations and warranties regarding the shares and assets demerged to Celanese. Celanese subsequently contributed rights and obligations relating to environmental liabilities resulting from the demerger agreement to a subsidiary CCC Environmental Management and Solutions GmbH & Co. KG ("CCC"). The following obligations of Hoechst are ongoing:

- While all obligations of Hoechst (i) resulting from public law or (ii) pursuant to current or future environmental laws or (iii) vis-à-vis third parties pursuant to private or public law related to contamination (as defined) were transferred to Celanese under the demerger agreement in full, after the subsequent contribution CCC can request indemnification from Hoechst for two thirds of any such cost incurred under these obligations.
- To the extent Hoechst is liable to purchasers of certain of its divested businesses (as listed in the demerger agreement), CCC is liable to indemnify Hoechst, as far as environmental damages are concerned, for aggregate liabilities up to €250 million, liabilities exceeding such amount will be borne by Hoechst alone up to €750 million, and amounts exceeding €750 million will be borne $^{2}/_{3}$ by Hoechst and $^{1}/_{3}$ by CCC without any further caps. Subsequent to the contribution of rights and obligations relating to environmental liabilities by Celanese, Celanese was jointly liable with CCC until November 2016. Thereafter, Celanese remains liable for known environmental claims specified in 2013.

Rhodia Shareholder Litigation

In January 2004, two minority shareholders of Rhodia and their respective investment vehicles filed two claims before the Commercial Court of Paris (*Tribunal de Commerce de Paris*) against Aventis, to which Sanofi is successor in interest, together with other defendants including former directors and statutory auditors of Rhodia from the time of the alleged events. The claimants seek a judgment holding the defendants collectively liable for alleged management errors and for alleged publication of misstatements between 1999 and 2002, and inter alia regarding Rhodia's acquisition of the companies Albright & Wilson and ChiRex. These shareholders seek a finding of joint and several liability for damages to be awarded to Rhodia in an amount of €925 million for alleged harm to it (a derivative action), as well as personal claims of €4.3 million and €125.4 million for their own alleged individual losses. Sanofi contests both the substance and the admissibility of these claims.

Sanofi is also aware of three criminal complaints filed in France by the same plaintiffs and of a criminal investigation order issued by the Paris public prosecutor following the submission of the report issued by the AMF regarding Rhodia's financial communications. In 2006, the Commercial Court of Paris accepted Sanofi's and the other defendants' motion to stay the civil litigation pending the conclusion of the criminal proceedings.

In December 2016, the Court of Appeals of Paris dismissed the appeal lodged by the same plaintiffs against the order of the investigating judge dated October 2015, dismissing all criminal charges in this case. The plaintiffs appealed the December 2016 decision before the French Supreme Court (*Cour de cassation*). Following this decision, the plaintiffs may also petition the Commercial Court of Paris and seek the reopening of the commercial cases mentioned above on the basis that the criminal proceedings have now concluded.

Clariant Retained Liabilities – Specialty Chemicals Business

Hoechst conveyed its specialty chemicals business to Clariant AG (Clariant) pursuant to a 1997 agreement. Clariant has undertaken to indemnify Hoechst for all costs incurred for environmental matters relating to purchased sites. However, certain indemnification obligations of Hoechst for environmental matters in favor of Clariant remain with Hoechst.

Hoechst must indemnify Clariant indefinitely (i) with respect to sites taken over by Clariant, for costs which relate to environmental pollutions attributable to certain activities of Hoechst or of third parties, (ii) for costs attributable to four defined waste deposit sites in Germany which are located outside the sites taken over by Clariant (to the extent exceeding an indexed amount of approximately €20.5 million), (iii) for costs from certain locally concentrated pollutions in the sites taken over by Clariant but not caused by specialty chemicals activities in the past, and (iv) for 75% of the costs relating to a specific waste deposit site in Frankfurt, Germany.

Infraserv Höchst Retained Liabilities

By the Asset Contribution Agreement dated December 19/20, 1996, as amended in 1997, Hoechst contributed all lands, buildings, and related assets of the Hoechst site at Frankfurt Höchst to Infraserv GmbH & Co. Höchst KG. Infraserv Höchst undertook to indemnify Hoechst against environmental liabilities at the Höchst site and with respect to certain landfills. As consideration for the indemnification undertaking, Hoechst transferred to Infraserv Höchst approximately €57 million to fund reserves. In 1997, Hoechst also agreed it would reimburse current and future Infraserv Höchst environmental expenses up to €143 million. As a former owner of the land and as a former user of the landfills, Hoechst may ultimately be liable for costs of remedial action in excess of this amount.

D.23. Provisions for discounts, rebates and sales returns

Adjustments between gross sales and net sales, as described in Note B.13.1., are recognized either as provisions or as reductions in accounts receivable, depending on their nature.

The table below shows movements in these items:

(€ million)	Government and State programs[a]	Government and GPO programs[b]	Chargeback incentives	Rebates and discounts	Sales returns	Other deductions	Total
Balance at January 1, 2015	**1,439**	**312**	**221**	**876**	**393**	**6**	**3,247**
Provision related to current period sales	4,912	1,954	4,131	5,913	585	31	17,526
Net change in provision related to prior period sales	(35)	-	(20)	(45)	35	-	(65)
Payments made	(4,295)	(1,636)	(4,001)	(5,672)	(541)	(31)	(16,176)
Currency translation differences	152	42	18	11	29	-	252
Reclassification of the Animal Health business[c]	-	-	-	(139)	(21)	(1)	(161)
Balance at December 31, 2015[d]	**2,173**	**672**	**349**	**944**	**480**	**5**	**4,623**
Provision related to current period sales	5,240	1,869	4,132	5,394	547	14	17,196
Net change in provision related to prior period sales	(6)	-	(8)	(20)	18	(1)	(17)
Payments made	(5,078)	(1,796)	(4,204)	(5,230)	(509)	(15)	(16,832)
Currency translation differences	69	26	11	23	14	-	143
Balance at December 31, 2016[d]	**2,398**	**771**	**280**	**1,111**	**550**	**3**	**5,113**
Provision related to current period sales	5,131	2,027	4,069	5,897	537	29	17,690
Net change in provision related to prior period sales	(46)	(11)	(8)	30	(11)	-	(46)
Payments made	(5,129)	(2,031)	(3,925)	(5,897)	(466)	(26)	(17,474)
Currency translation differences	(268)	(93)	(39)	(74)	(63)	-	(537)
Balance at December 31, 2017[d]	**2,086**	**663**	**377**	**1,067**	**547**	**6**	**4,746**

(a) Primarily the US government's Medicare and Medicaid programs.
(b) Mainly rebates and other price reductions granted to healthcare authorities in the United States.
*(c) This line comprises the provisions for discounts, rebates and sales returns of the Animal Health business, reclassified to **Liabilities related to assets held for sale or exchange** as of December 31 2015 in accordance with IFRS 5 (see Notes D.1. and D.36.).*
(d) Provisions related to US net sales amount to €3,487 million as of December 31, 2017, €3,818 million as of December 31, 2016 and €3,584 million as of December 31, 2015.

D.24. Personnel costs

Total personnel costs include the following items:

(€ million)	2017	2016	2015
Salaries	6,592	6,424	6,473
Social security charges (including defined-contribution pension plans)	1,977	1,948	1,951
Stock options and other share-based payment expense	258	250	206
Defined-benefit pension plans	275	273	280
Other employee benefits	219	224	224
Total[a]	**9,321**	**9,119**	**9,134**

(a) Excludes personnel costs for the Animal Health business: immaterial in 2017, €0.6 billion for 2016 and 2015.

The total number of registered employees (excluding those of the Animal Health business) was 106,566 as of December 31, 2017, compared with 106,859 as of December 31, 2016 and 109,089 as of December 31, 2015.

Employee numbers by function as of December 31 are shown below:

	2017	2016	2015
Production	40,417	41,867	42,754
Research and development	14,764	15,148	15,384
Sales force	30,284	30,815	32,771
Marketing and support functions	21,101	19,029	18,180
Total[a]	**106,566**	**106,859**	**109,089**

(a) Excluding employees of the Animal Health business: 4 employees in 2017, 6,957 in 2016 and 6,542 in 2015.

D.25. Other operating income

Other operating income totaled €237 million in 2017, versus €355 million in 2016 and €254 million in 2015.

This line item includes income arising under alliance agreements in the Pharmaceuticals segment (€7 million in 2017, versus €191 million in 2016 and €59 million in 2015). In particular, it includes amounts arising under the agreement with Regeneron, which represented a loss of €12 million in 2017 versus a gain of €141 million in 2016. This reflects Regeneron's share of profits/losses from the commercialization of antibodies, amounting to €385 million in 2017 (€419 million in 2016), net of the commercialization-related expenses incurred by Regeneron of €397 million in 2017 (€278 million in 2016).

Other operating income also includes net operating foreign exchange gains and losses (see Note B.16.1.), which represented net losses of €80 million in 2017, €146 million in 2016 and €98 million in 2015; gains from disposals relating to ongoing operations (€90 million in 2017, €40 million in 2016 and €146 million in 2015); and (in 2017) payments received on an out-of-court settlement of litigation and (in 2016) €192 million received under arbitration settlements of contractual disputes.

D.26. Other operating expenses

Other operating expenses totaled €233 million in 2017, compared with €482 million in 2016 and €462 million in 2015. The 2017 figures includes an impairment loss of €87 million taken against property, plant and equipment associated with the dengue vaccine project. In 2016, Sanofi recorded a foreign exchange loss of €102 million on the operations of its Venezuelan subsidiaries (see Note A.4.). This line item also includes shares of profits due to alliance partners (other than BMS and the alliance partner under the Actonel® agreement) under product marketing agreements (€36 million in 2017, versus €96 million in 2016 and €52 million in 2015).

D.27. Restructuring costs and similar items

Restructuring costs and similar items amounted to €731 million in 2017, €879 million in 2016 and €795 million in 2015, and comprise the following items:

(€ million)	2017[(a)]	2016[(a)]	2015[(a)]
Employee-related expenses	336	650	307
Expenses related to property, plant and equipment and to inventories	221	139	132
Compensation for early termination of contracts (other than contracts of employment)	61	31	7
Decontamination costs	(4)	3	1
Other restructuring costs	117	56	348
Total	**731**	**879**	**795**

(a) The results of the Animal Health business are presented separately in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations); see Notes D.1. and D.36.

In 2017, restructuring costs mainly comprised employee-related expenses arising from headcount adjustment plans in the United States and Europe, and asset write-downs.

Costs relating to Sanofi transformation programs included within the "Other restructuring costs" line, as defined in Note B.19., amounted to €110 million in 2017 and €45 million in 2016. No costs of a comparable nature were recognized in 2015.

The restructuring costs recognized in 2016 related mainly to the implementation of an organizational transformation program in France and in the rest of the world as part of the 2020 strategic roadmap.

In 2015, restructuring costs related mainly to (i) employee-related expenses arising from headcount adjustment plans in the United States, Japan, and the rest of the world and (ii) the reorganization of R&D activities, especially in France following signature of the agreement with Evotec. Expenses related to property, plant and equipment mainly reflect impairment losses taken against industrial assets in Europe.

D.28. Other gains and losses, and litigation

In 2017, the line item ***Other gains and losses, and litigation*** showed a net expense of €215 million, including an additional charge to provisions for vendor's liability guarantees on past divestments and a negative price adjustment of €31 million on the 2016 divestment of Sanofi's interest in the Sanofi Pasteur joint venture.

On December 30, 2016 Sanofi divested its interest in the Sanofi Pasteur MSD joint venture to MSD, generating a pre-tax gain of €211 million (see Note D.1.2. to the consolidated financial statements for the year ended December 31, 2016).

There were no other material transactions of this nature in 2015, and no costs incurred as a result of major litigation.

D.29. Financial expenses and income

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

(€ million)	2017[a]	2016[a]	2015[a]
Cost of debt[b]	(277)	(274)	(331)
Interest income	56	56	57
Cost of debt, net of cash and cash equivalents	**(221)**	**(218)**	**(274)**
Non-operating foreign exchange gains/(losses)	(21)	(21)	-
Unwinding of discounting of provisions[c]	(33)	(33)	(44)
Net interest cost related to employee benefits	(92)	(114)	(114)
Gains/(losses) on disposals of financial assets	96	36	46
Impairment losses on financial assets, net of reversals	(7)	(487)[d]	(50)
Other	5	(19)	55
Net financial income/(expenses)	**(273)**	**(856)**	**(381)**
comprising: Financial expenses	**(420)**	**(924)**	**(559)**
Financial income	**147**	**68**	**178**

(a) The results of the Animal Health business are presented separately in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations); see Notes D.1. and D.36.

(b) Includes net gain on interest rate derivatives used to hedge debt: €69 million in 2017, €86 million in 2016 and €85 million in 2015.

(c) Primarily on provisions for environmental risks, restructuring provisions, and provisions for product-related risks (see Note D.19.).

(d) On October 5, 2016, Alnylam Pharmaceuticals, Inc. announced that it was terminating its revusiran development program, as a result of which its share price fell by 48% on October 6, 2016. Consequently, Sanofi recognized an impairment loss reflecting the difference between the historical acquisition cost of its shares in Alnylam and their market value. That impairment loss, which amounted to €457 million as of December 31, 2016, is included within the line "Impairment losses on financial assets, net of reversals".

In 2017, 2016 and 2015, the impact of the ineffective portion of hedging relationships was not material.

D.30. 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)	2017[a]	2016[a]	2015[a]
Current taxes	(2,631)	(1,869)	(1,978)
Deferred taxes	909	543	1,269
Total	**(1,722)**	**(1,326)**	**(709)**
Income before tax and investments accounted for using the equity method	**5,530**	**5,678**	**5,243**

(a) The results of the Animal Health business, and the gain on the divestment of that business, are presented separately in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations); see Notes D.1. and D.36.

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

(as a percentage)	2017[a]	2016[a]	2015[a]
Standard tax rate applicable in France	34.4	34.4	34.4
Difference between the standard French tax rate and the rates applicable to Sanofi[b]	(19.2)	(10.1)	(17.7)
Tax rate differential on intragroup margin in inventory[c]	(0.0)	(0.6)	1.7
Tax effects of the share of profits reverting to BMS (see Note D.32.)	(0.5)	(0.5)	(0.6)
Contribution on distributed income (3%) and associated changes[d]	(8.2)	2.0	2.1
CVAE tax in France[e]	1.3	1.1	1.3
Revisions to tax exposures and settlements of tax disputes	2.2	(4.8)	0.3
Fair value remeasurement of contingent consideration	1.1	0.4	(1.1)
Impact of US tax reform[f]	21.6	-	-
Other items[g]	(1.6)	1.5	(6.9)
Effective tax rate	**31.1**	**23.4**	**13.5**

(a) The results of the Animal Health business, and the gain on the divestment of that business, are presented separately in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations); see Notes D.1. and D.36.

(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.

(c) When internal margin included in inventory is eliminated, a deferred tax asset is recognized on the basis of the tax rate applicable to the subsidiary that holds the inventory, which may differ from the tax rate of the subsidiary that generated the eliminated intragroup margin.

(d) In 2017, this line includes the consequences of the French Constitutional Council ruling of October 6, 2017 on the additional 3% contribution on dividends paid out in cash. In 2016 and 2015, entities liable to corporate income tax in France were liable to pay an additional tax contribution in respect of amounts distributed by the entity.

(e) Net impact on the effective tax rate (current taxes, impact of the tax deduction, and deferred taxes).

(f) For 2017, this line includes an expense of €1,193 million for the consequences of US tax reform, comprising the estimated tax charge on deemed repatriation attributable to the accumulated earnings of non-US operations payable over 8 years (€1,084 million) and a further expense of €109 million representing (i) the remeasurement of deferred taxes following the reduction in the corporate income tax rate and (ii) an adjustment to deferred taxes on the fair value of the reserves of Sanofi subsidiaries.

(g) For 2017, the "Other items" line includes the impact of changes to tax rates in France, Belgium and the Netherlands. For 2016, it includes the effects of changes in tax rates in various countries, particularly in France, Hungary, Italy, Japan and the United States. For 2015, it includes the impact (€161 million) of changes in the taxation of dividends in France following the ruling of the Court of Justice of the European Union in the Steria case and the resulting amendments to the 2015 Finance Act. This line also includes the net tax effect of taxable temporary differences associated with holdings in Sanofi subsidiaries. In determining the amount of the deferred tax liability for 2017, 2016 and 2015, Sanofi took into account changes in the ownership structure of certain subsidiaries.

For the periods presented, the amount of deferred tax assets recognized in profit or loss that were initially subject to impairment losses on a business combination is immaterial.

The contribution on distributed income, for which the triggering event is the decision by the Annual General Meeting to approve the distribution, is not taken into account in the determination of deferred tax assets and liabilities.

D.31. Share of profit/loss from investments accounted for using the equity method

With effect from the beginning of April 2014, this line item includes Sanofi's share of the profits and losses of Regeneron, which represented a net profit of €101 million in 2017 (compared with a net profit of €126 million in 2016 and a net loss of €54 million in 2015). That amount includes the impact of amortization charged on the fair value remeasurement of Sanofi's share of the acquired intangible assets and inventories of Regeneron.

This line item also includes the share of co-promotion profits attributable to Sanofi for territories covered by entities majority owned by BMS (see Note C.2.). The impact of the BMS alliance in 2017 was €20 million, before deducting the tax effect of €7 million (compared with €25 million in 2016 with a tax effect of €9 million, and €57 million in 2015 with a tax effect of €21 million).

The Sanofi Pasteur MSD joint venture ceased to be accounted for by the equity method on March 8, 2016, the date on which it was announced that the joint venture was to be dissolved (see Notes B.1. and D.2.3.).

Finally, this line item also includes the share of profits or losses from other investments accounted for by the equity method, the amount of which was immaterial in 2017, 2016 and 2015.

D.32. Net income attributable to non-controlling interests

This line item includes the share of co-promotion profits attributable to BMS for territories covered by entities majority owned by Sanofi (see Note C.2.). The amounts involved were €84 million in 2017, €86 million in 2016 and €94 million in 2015. There is no tax effect on these amounts because BMS receives its share before tax.

This line item also includes the share of net income attributable to other non-controlling interests: €37 million in 2017, €5 million in 2016 and €7 million in 2015.

D.33. Related party transactions

The principal related parties are companies over which Sanofi has control or significant influence; joint ventures; key management personnel; and principal shareholders.

Sanofi has not entered into any material transactions with any key management personnel or any of their close family members. Any transactions with such individuals are routine transactions entered into in the ordinary course of business. Financial relations with Sanofi's principal shareholders fall within the ordinary course of business and were immaterial in the years ended December 31, 2017, 2016 and 2015.

A list of the principal companies controlled by Sanofi is presented in Note F.1. Those companies are fully consolidated as described in Note B.1. Transactions between those companies, and between the parent company and its subsidiaries, are eliminated when preparing the consolidated financial statements.

Transactions with companies over which Sanofi has significant influence, and with joint ventures, are presented in Note D.6.

Key management personnel include corporate officers (including one director holding office for four months in 2016 and two directors holding office during 2015 who were covered by top-up pension plans: see "Item 6.B. – Compensation") and the members of the Executive Committee (an average of 13 members in 2017 and 2016, and 11 members in 2015).

The table below shows, by type, the compensation paid to key management personnel:

(€ million)	2017	2016	2015
Short-term benefits[(a)]	31	32	32
Post-employment benefits[(b)]	8	9	20
Share-based payment	15	22	14
Total recognized in profit or loss	**54**	**63**	**66**

(a) Compensation, employer's social security contributions, directors' attendance fees, and any termination benefits (net of reversals of termination benefit obligations).

(b) In 2015, includes the expense arising from the award of a deemed ten years of service to Olivier Brandicourt.

The aggregate top-up pension obligation in favor of certain corporate officers and of members of the Executive Committee was €68 million as of December 31, 2017, versus €72 million as of December 31, 2016 and €128 million as of December 31, 2015. The reduction in the obligation to corporate officers as of December 31, 2016 was mainly due to directors ceasing to hold office, rather than to a general reduction in the obligation.

The aggregate amount of termination benefits and lump-sum retirement benefits payable to key management personnel was €9 million as of December 31, 2017, compared with €8 million as of December 31, 2016 and €6 million as of December 31, 2015.

D.34. Disclosures about major customers and credit risk

Credit risk is the risk that customers (wholesalers, distributors, pharmacies, hospitals, clinics or government agencies) may fail to pay their debts. Sanofi manages credit risk by vetting customers in order to set credit limits and risk levels and asking for guarantees or insurance where necessary, performing controls, and monitoring qualitative and quantitative indicators of accounts receivable balances such as the period of credit taken and overdue payments.

Customer credit risk also arises as a result of the concentration of Sanofi's sales with its largest customers, in particular certain wholesalers in the United States. Sanofi's three largest customers respectively accounted for approximately 9%, 5% and 4% of consolidated revenues in 2017 (12%, 7% and 6% in 2016; 10%, 6% and 5% in 2015).

D.35. Segment information

As of December 31, 2017, and as described in Notes A.5. and B.26., Sanofi has three operating segments: Pharmaceuticals, Consumer Healthcare and Human Vaccines (Vaccines).

The Pharmaceuticals segment comprises the commercial operations of the following global franchises: Specialty Care (Rare Diseases, Multiple Sclerosis, Oncology, Immunology), Diabetes & Cardiovascular, Established Prescription Products and Generics, together with research, development and production activities dedicated to our Pharmaceuticals segment. This segment also includes all associates whose activities are related to pharmaceuticals, in particular our share of Regeneron.

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

The Vaccines segment comprises, for all geographical territories (including from January 1, 2017 certain European territories previously included in the Sanofi Pasteur MSD joint venture), the commercial operations of Sanofi Pasteur, together with research, development and production activities dedicated to vaccines.

Inter-segment transactions are not material.

D.35.1. Segment results

Sanofi reports 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.

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*** 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;
- 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.

The table below sets forth our segment results for the **year ended December 31, 2017**, based on our **new segment reporting model**:

	2017				
(€ million)	Pharmaceuticals	Consumer Healthcare	Vaccines	Other	Total Sanofi
Net sales	**25,122**	**4,832**	**5,101**	**-**	**35,055**
Other revenues	287	-	862	-	1,149
Cost of sales	(6,728)	(1,648)	(2,798)	(271)	(11,445)
Research and development expenses	(4,056)	(123)	(557)	(736)	(5,472)
Selling and general expenses	(5,750)	(1,605)	(698)	(2,005)	(10,058)
Other operating income and expenses	34	94	(107)	(17)	4
Share of profit/(loss) from investments accounted for using the equity method	233	1	1	-	235
Net income attributable to non-controlling interests	(117)	(8)	-	-	(125)
Business operating income	**9,025**	**1,543**	**1,804**	**(3,029)**	**9,343**

Due to lack of available data and the too complex and significant adjustments that would be required (in particular to our reporting tools), the comparative information has not been restated to reflect the changes arising from our new segment reporting model. We have therefore also presented segment results for 2017 and comparative periods using our **previous segment reporting model** in the table below:

	2017			
(€ million)	**Pharmaceuticals[(a)]**	**Vaccines[(b)]**	**Other**	**Total Sanofi**
Net sales	**29,954**	**5,101**	**-**	**35,055**
Other revenues	287	862	-	1,149
Cost of sales	(8,628)	(2,817)	-	(11,445)
Research and development expenses	(4,835)	(637)	-	(5,472)
Selling and general expenses	(9,176)	(881)	(1)	(10,058)
Other operating income and expenses	180	(108)	(68)	4
Share of profit/(loss) from investments accounted for using the equity method	234	1	-	235
Net income attributable to non-controlling interests	(125)	-	-	(125)
Business operating income	**7,891**	**1,521**	**(69)**	**9,343**

(a) Includes Consumer Healthcare and an allocation of global support function costs.
(b) Includes an allocation of global support function costs.

The table below sets forth our segment results for the **year ended December 31, 2016**, based on our **previous segment reporting model**:

	December 31, 2016			
(€ million)	**Pharmaceuticals[(a)]**	**Vaccines[(b)]**	**Other**	**Total Sanofi**
Net sales	**29,244**	**4,577**	**-**	**33,821**
Other revenues	274	613	-	887
Cost of sales	(8,349)	(2,353)	-	(10,702)
Research and development expenses	(4,618)	(554)	-	(5,172)
Selling and general expenses	(8,743)	(743)	-	(9,486)
Other operating income and expenses	(1)	(14)	(112)	(127)
Share of profit/(loss) from investments accounted for using the equity method	129	48	-	177
Net income attributable to non-controlling interests	(112)	(1)	-	(113)
Business operating income	**7,824**	**1,573**	**(112)**	**9,285**

(a) Includes Consumer Healthcare and an allocation of global support function costs. Consumer Healthcare net sales were €3,330 million in 2016.
(b) Includes an allocation of global support function costs.

The table below sets forth our segment results for the **year ended December 31, 2015**, based on our **previous segment reporting model**:

	December 31, 2015			
(€ million)	**Pharmaceuticals[(a)]**	**Vaccines[(b)(c)]**	**Other**	**Total Sanofi**
Net sales	**29,799**	**4,261**	**-**	**34,060**
Other revenues	288	513	-	801
Cost of sales	(8,788)	(2,131)	-	(10,919)
Research and development expenses	(4,530)	(552)	-	(5,082)
Selling and general expenses	(8,656)	(726)	-	(9,382)
Other operating income and expenses	(121)	27	(114)	(208)
Share of profit/(loss) from investments accounted for using the equity method	146	23	-	169
Net income attributable to non-controlling interests	(125)	(1)	-	(126)
Business operating income	**8,013**	**1,414**	**(114)**	**9,313**

(a) Includes Consumer Healthcare and an allocation of global support function costs. Consumer Healthcare net sales were €3,492 million in 2015.
(b) Includes an allocation of global support function costs.
*(c) Due to a change in accounting presentation, VaxServe sales of non-Sanofi products are included in **Other revenues** from 2016 onwards. The presentation of prior period **Net sales** and **Other revenues** has been amended accordingly (see Note B.13.).*

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

(€ million)	2017	2016	2015
Business operating income	**9,343**	**9,285**	**9,313**
Share of profit/(loss) from investments accounted for using the equity method[(a)]	(235)	(177)	(169)
Net income attributable to non-controlling interests[(b)]	125	113	126
Amortization and impairment of intangible assets	(2,159)	(1,884)	(2,904)
Fair value remeasurement of contingent consideration	(159)	(135)	53
Expenses arising from the impact of acquisitions on inventories[(c)]	(166)	-	-
Restructuring costs and similar items	(731)	(879)	(795)
Other gains and losses, and litigation[(d)]	(215)	211	-
Operating income	**5,803**	**6,534**	**5,624**
Financial expenses[(e)]	(420)	(924)	(559)
Financial income	147	68	178
Income before tax and investments accounted for using the equity method	**5,530**	**5,678**	**5,243**

(a) Excluding restructuring costs relating to investments accounted for using the equity method and expenses arising from the impact of acquisitions on investments accounted for using the equity method, and after elimination of Sanofi's share of the business net income of Sanofi Pasteur MSD from the date when Sanofi and Merck announced their intention to end their joint venture (€52 million in 2016).
(b) Excluding (i) restructuring costs and (ii) other adjustments attributable to non-controlling interests.
(c) This line records the impact of the workdown of acquired inventories remeasured at fair value at the acquisition date.
(d) For 2017, this line includes an adjustment to a provision for vendor's liability guarantees relating to past divestments.
For 2016, it includes the pre-tax gain on divestment of Sanofi's interest in the Sanofi Pasteur MSD joint venture.
(e) For 2016, this line includes an impairment loss of €457 million taken against Sanofi's equity investment in Alnylam Pharmaceuticals, Inc. (see Note D.29.).

D.35.2. Other segment information

The tables below show the split by operating segment of (i) the carrying amount of associates and joint ventures 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 are: for the Pharmaceuticals segment, Regeneron Pharmaceuticals, Inc. (see Note D.2.2.), the entities majority owned by BMS (see Note C.2.), and Infraserv GmbH & Co. Höchst KG; and for the Vaccines segment, Sanofi Pasteur MSD (until March 8, 2016; see Notes B.1. and D.2.3.).

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

	2017			
(€ million)	Pharmaceuticals	Consumer Healthcare	Vaccines	Total Sanofi
Investments accounted for using the equity method	2,831	19	13	2,863
Acquisitions of property, plant and equipment	1,033	9	346	1,388
Acquisitions of other intangible assets	367	9	192	568

	2017		
(€ million)	Pharmaceuticals	Vaccines	Total Sanofi
Investments accounted for using the equity method	2,850	13	2,863
Acquisitions of property, plant and equipment	1,042	346	1,388
Acquisitions of other intangible assets	376	192	568

(€ million)	2016 Pharmaceuticals	Vaccines	Total Sanofi
Investments accounted for using the equity method	2,886	4	2,890
Acquisitions of property, plant and equipment	904	315	1,219
Acquisitions of other intangible assets	807	57	864

(€ million)	2015 Pharmaceuticals	Vaccines	Total Sanofi
Investments accounted for using the equity method	2,422	254	2,676
Acquisitions of property, plant and equipment	945	258	1,203
Acquisitions of other intangible assets	1,533	36	1,569

D.35.3. Information by geographical region

The geographical information on net sales provided below is based on the geographical location of the customer. In accordance with IFRS 8, the non-current assets reported below exclude financial instruments, deferred tax assets, and pre-funded pension obligations.

(€ million)	2017 Total Sanofi	Europe	of which France	North America	of which United States	Other countries
Net sales	**35,055**	**9,525**	**2,330**	**12,460**	**11,855**	**13,070**
Non-current assets:						
■ property, plant and equipment	9,579	5,969	3,180	2,560	2,142	1,050
■ goodwill	40,264					
■ other intangible assets	13,080	6,171		5,210		1,699

(€ million)	2016 Total Sanofi	Europe	of which France	North America	of which United States	Other countries
Net sales	**33,821**	**8,679**	**2,206**	**12,963**	**12,391**	**12,179**
Non-current assets:						
■ property, plant and equipment	10,019	6,068	3,413	2,850	2,447	1,101
■ goodwill	40,287					
■ other intangible assets	10,879	3,612		5,430		1,837

(€ million)	2015 Total Sanofi	Europe	of which France	North America	of which United States	Other countries
Net sales[(a)]	**34,060**	**9,861**	**2,248**	**12,369**	**11,764**	**11,830**
Non-current assets:						
■ property, plant and equipment	9,943	5,956	3,480	2,879	2,498	1,108
■ goodwill	39,557					
■ other intangible assets	12,026	3,719		5,980		2,327

*(a) Following a change in accounting presentation in 2016, VaxServe sales of non-Sanofi products are included in **Other revenues**. The presentation of 2015 **Net sales** and **Other revenues** has been amended accordingly (see Note B.13.).*

As stated in Note D.5., goodwill is not allocated by geographical region.

D.36. Exchanged/held-for-exchange Animal Health business

In accordance with IFRS 5 (see Note B.7. and D.1.), all assets of the Animal Health business and all liabilities directly related to those assets were classified as of December 31, 2016 and 2015 in the line items ***Assets held for sale or exchange*** and ***Liabilities related to assets held for sale or exchange***, respectively, in the consolidated balance sheets (see Note D.8.). An analysis of those line items is provided below:

(€ million)	2016	2015
Assets		
Property, plant and equipment	811	657
Goodwill	1,560	1,510
Other intangible assets	2,227	2,147
Investments accounted for using the equity method	12	6
Other non-current assets	41	46
Deferred tax assets	180	177
Inventories	629	526
Accounts receivable	471	479
Other current assets	83	55
Cash and cash equivalents	362	23
Total assets held for sale or exchange	**6,376**	**5,626**
Liabilities		
Long-term debt	6	4
Non-current provisions	134	149
Deferred tax liabilities	198	163
Short-term debt	148	18
Accounts payable	241	218
Other current liabilities	438	431
Total liabilities related to assets held for sale or exchange	**1,165**	**983**

As of December 31, 2016, short-term debt owed by Animal Health entities to other consolidated entities amounted to €954 million; the amount of accounts receivable and accounts payable was immaterial. In accordance with the accounting policies described in Note B.7., intercompany asset and liability accounts between Animal Health entities and other consolidated entities were eliminated. As a consequence the balances related to these assets and liabilities were not included in the table above.

In accordance with IFRS 5, the net income/loss of the Animal Health business is presented in a separate line item for 2017 and comparative periods (see Notes B.7. and D.1.). The table below provides an analysis of the main items included in the line item ***Net income/(loss) of the exchanged/held-for-exchange Animal Health business***:

(€ million)	2017	2016	2015
Net sales	**-**	**2,708**	**2,515**
Gross profit	-	1,850	1,671
Operating income	-	678	101
Income before tax and investments accounted for using the equity method[(a)]	6,343	672	92
Income tax expense[(b)]	(1,700)	(359)	(216)
Net income/(loss) of the exchanged/held-for-exchange Animal Health business	**4,643**	**314**	**(124)**

(a) In 2017, this line shows the gain arising on the divestment of the Animal Health business in exchange for Boehringer Ingelheim's Consumer Healthcare business, based on a total consideration of €10,557 million.

(b) Income tax expense on the gain on divestment of the Animal Health business.

In accordance with the policies described in Note B.7., transactions between companies belonging to the Animal Health business and other consolidated companies are eliminated. The amount of transactions eliminated from the income statement is immaterial for the periods presented.

The table below presents basic and diluted earnings per share for the exchanged/held-for-exchange Animal Health business, in accordance with IAS 33 (Earnings Per Share):

(€ million)	2017	2016	2015
Net income/(loss) of the exchanged/held-for-exchange Animal Health business	4,643	314	(124)
Average number of shares outstanding (million)	1,256.9	1,286.6	1,306.2
Average number of shares after dilution (million)	1,266.8	1,296.0	1,320.7
– Basic earnings per share (in euros)	3.69	0.24	(0.10)
– Diluted earnings per share (in euros)	3.67	0.24	(0.09)

E/ Principal accountants' fees and services

PricewaterhouseCoopers Audit and Ernst & Young et Autres served as independent auditors of Sanofi for the year ended December 31, 2017 and for all other reporting periods presented. The table below shows fees charged by those firms and member firms of their networks to Sanofi and consolidated subsidiaries in the years ended December 31, 2017 and 2016.

	Ernst & Young				PricewaterhouseCoopers			
	2017		2016		2017		2016	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%
Audit:								
Statutory audit of separate and consolidated financial statements[(a)]	16.4	73%	16.7	92%	16.8	98%	16.8	97%
Services other than statutory audit[(b)]	6.0	27%	1.4	8%	0.4	2%	0.6	3%
Audit-related services[(c)]	*4.9*		*0.6*		*0.4*		*0.4*	
Tax	-		-		-		-	
Other services	*1.1*		*0.8*		-		*0.2*	
Total	**22.4**	**100%**	**18.1**	**100%**	**17.2**	**100%**	**17.4**	**100%**

(a) Includes services provided by the independent auditors of the parent company and French subsidiaries: Ernst & Young: €7.6 million in 2017 and €7.0 million in 2016; PricewaterhouseCoopers €7.8 million in 2017 and €7.4 million in 2016.

(b) Services other than statutory audit provided by Ernst & Young et Autres during 2017 comprised:

- *work on share capital transactions and securities issues submitted to the Annual General Meeting (in extraordinary business) for approval;*
- *additional procedures to enable reports previously signed by the firm to be incorporated by reference; and*
- *agreed-upon and audit procedures in connection with a divestment.*

Services other than statutory audit provided by PricewaterhouseCoopers Audit during 2017 comprised:

- *work on share capital transactions and securities issues submitted to the Annual General Meeting (in extraordinary business) for approval;*
- *issuance of attestations;*
- *additional procedures to enable reports previously signed by the firm to be incorporated by reference;*
- *audit procedures in connection with an acquisition; and*
- *benchmarking.*

(c) Includes services provided by the independent auditors of the parent company and French subsidiaries: Ernst & Young: €4.8 million in 2017 and €0.5 million in 2016; PricewaterhouseCoopers €0.3 million in 2017 and €0.1 million in 2016.

Audit Committee pre-approval and procedures

The Audit Committee of Sanofi has adopted a policy and established certain procedures for the approval of audit services and for the pre-approval of other services to be provided by the independent auditors. In 2017, the Audit Committee established a budget showing permitted audit-related and other services (i.e. services other than statutory audit) that can be provided by the independent auditors, and the related fees.

F/ List of principal companies included in the consolidation during 2017

F.1. Principal fully consolidated companies

The table below shows the principal companies and their country of incorporation:

Europe		Financial interest (%) as of December 31, 2017
Hoechst GmbH	Germany	100.0
Zentiva Pharma GmbH	Germany	100.0
Zentiva Inhalationsprodukte GmbH	Germany	100.0
Sanofi-Aventis Deutschland GmbH	Germany	100.0
Aventis Beteiligungsverwaltung GmbH	Germany	100.0
Genzyme GmbH	Germany	100.0
Sanofi-Aventis GmbH	Austria	100.0
Sanofi Belgium	Belgium	100.0
Sanofi European Treasury Center	Belgium	100.0
Genzyme Flanders BVBA	Belgium	100.0
Sanofi-Aventis Denmark A/S	Denmark	100.0
Sanofi-Aventis SA	Spain	100.0
Sanofi Oy	Finland	100.0
Sanofi	France	100.0
Sanofi-Aventis France	France	100.0
Sanofi Winthrop Industries	France	100.0
Sanofi-Aventis Recherche et Développement	France	100.0
Sanofi-Aventis Groupe	France	100.0
Sanofi CLIR	France	50.1
Sanofi Chimie	France	100.0
Francopia	France	100.0
Sanofi-Aventis Europe SAS	France	100.0
Sanofi-Aventis Participations SAS	France	100.0
Genzyme SAS	France	100.0
Genzyme Polyclonals SAS	France	100.0
Sanofi Pasteur (France) SA	France	100.0
Aventis Pharma SA (France)	France	100.0
Sanofi-Aventis Am Nord SAS	France	100.0
Zentiva France	France	100.0
Aventis Agriculture	France	100.0
Biopark By Sanofi	France	100.0
Chattem Greece S.A.	Greece	100.0
Sanofi-Aventis A.E.B.E	Greece	100.0
Sanofi-Aventis Private Co, Ltd	Hungary	99.6
Chinoin Private Co. Ltd	Hungary	99.6
Carraig Insurance DAC	Ireland	100.0
Sanofi-Aventis Ireland Ltd	Ireland	100.0

Europe		Financial interest (%) as of December 31, 2017
Genzyme Ireland Limited	Ireland	100.0
Sanofi Spa	Italy	100.0
Genzyme Global Sarl	Luxembourg	100.0
Sanofi-Aventis Norge AS	Norway	100.0
Sanofi-Aventis Netherlands B.V.	Netherlands	100.0
Genzyme Europe BV	Netherlands	100.0
Sanofi-Aventis Sp. z.o.o.	Poland	100.0
Winthrop Farmaceutica Portugal Lda	Portugal	100.0
Sanofi Produtos Farmaceuticos Lda	Portugal	100.0
Zentiva, k.s.	Czech Republic	100.0
Zentiva Group, a.s.	Czech Republic	100.0
Sanofi-Aventis, s.r.o.	Czech Republic	100.0
Sanofi-Aventis Romania SRL	Romania	100.0
Sanofi-Synthelabo Ltd	United Kingdom	100.0
Sanofi Pasteur Holding Limited	United Kingdom	100.0
Chattem Limited (UK)	United Kingdom	100.0
Sanofi-Aventis UK Holdings Limited	United Kingdom	100.0
Genzyme Limited	United Kingdom	100.0
May and Baker Limited	United Kingdom	100.0
Aventis Pharma Limited	United Kingdom	100.0
Fisons Limited	United Kingdom	100.0
Limited Liability Zentiva Pharma	Russia	100.0
Sanofi-Aventis Vostok	Russia	100.0
AO Sanofi Russia	Russia	100.0
Zentiva a.s.	Slovakia	98.9
Sanofi-Aventis Pharma Slovakia s.r.o.	Slovakia	100.0
Sanofi AB	Sweden	100.0
Sanofi SA (Sanofi AG)	Switzerland	100.0
Sanofi-Aventis (Suisse) SA	Switzerland	100.0
Pharmaton	Switzerland	100.0
Zentiva Saglik Urunleri Sanayi ve Ticaret A.S.	Turkey	100.0
Sanofi-Aventis Ilaclari Limited Sirketi	Turkey	100.0
Sanofi Pasteur Asi Ticaret A.S.	Turkey	100.0
Sanofi-Aventis Ukraine	Ukraine	100.0

United States		Financial interest (%) as of December 31, 2017
Sanofi US Services Inc	United States	100.0
Sanofi-Aventis US LLC	United States	100.0
Sanofi Pasteur Biologics, LLC	United States	100.0
Chattem, Inc.	United States	100.0

United States		Financial interest (%) as of December 31, 2017
Sanofi Pasteur VaxDesign Corporation	United States	100.0
Carderm Capital L.P.	United States	100.0
Aventisub LLC	United States	100.0
Genzyme Corporation	United States	100.0
Armour Pharmaceutical Company	United States	100.0
Sanofi Pasteur Inc.	United States	100.0
Protein Sciences Corporation	United States	100.0
Aventis Inc.	United States	100.0
VaxServe, Inc.	United States	100.0

Other Countries		Financial interest (%) as of December 31, 2017
Sanofi-Aventis South Africa (Pty) Ltd	South Africa	100.0
Zentiva South Africa (Pty) Ltd	South Africa	100.0
Sanofi-Aventis Algérie	Algeria	100.0
Winthrop Pharma Saidal SPA	Algeria	70.0
Sanofi-Aventis Argentina S.A.	Argentina	100.0
Genzyme de Argentina SA	Argentina	100.0
Sanofi-Aventis Healthcare Pty Ltd	Australia	100.0
Sanofi-Aventis Australia Pty Ltd	Australia	100.0
Medley Farmaceutica Ltda	Brazil	100.0
Sanofi-Aventis Farmaceutica Ltda	Brazil	100.0
Sanofi-Aventis Canada Inc.	Canada	100.0
Sanofi Consumer Health Inc	Canada	100.0
Sanofi Pasteur Limited (Canada)	Canada	100.0
Sanofi-Aventis de Chile SA	Chile	100.0
Sanofi (Hangzhou) Pharmaceuticals Co., Ltd	China	100.0
Sanofi (China) Investment Co., Ltd	China	100.0
Sanofi Beijing Pharmaceuticals Co.Ltd	China	100.0
Shenzhen Sanofi pasteur Biological Products Co, Ltd	China	100.0
Winthrop Pharmaceuticals de Colombia SA	Colombia	100.0
Genfar S.A.	Colombia	100.0
Sanofi-Aventis de Colombia S.A.	Colombia	100.0
Sanofi-Aventis Korea Co. Ltd	South Korea	100.0
Genzyme Korea Co Ltd	South Korea	100.0
Sanofi-Aventis Gulf FZE	United Arab Emirates	100.0
Sanofi-Aventis del Ecuador S.A.	Ecuador	100.0
Sanofi Egypt S.A.E	Egypt	99.8
Sanofi-Aventis de Guatemala S.A.	Guatemala	100.0
Sunstone China Limited	Hong Kong	100.0
Sanofi-Aventis Hong-Kong Limited	Hong Kong	100.0
Sanofi-Synthelabo (India) Private Ltd	India	100.0
Sanofi India Limited	India	60.4

Other Countries		Financial interest (%) as of December 31, 2017
Shantha Biotechnics Private Ltd	India	98.7
PT Aventis Pharma	Indonesia	80.0
Sanofi-Aventis Israël Ltd	Israel	100.0
Sanofi K.K.	Japan	100.0
SSP Co., Ltd	Japan	100.0
Winthrop Pharmaceuticals (Malaysia) SDN. BHD.	Malaysia	100.0
Sanofi-Aventis (Malaysia) SDN. BHD.	Malaysia	100.0
Sanofi-Aventis Maroc	Morocco	100.0
Sanofi-Aventis de Mexico S.A de CV	Mexico	100.0
Sanofi-Aventis Winthrop SA de CV	Mexico	100.0
Sanofi Pasteur SA de CV	Mexico	100.0
Sanofi-Aventis Pakistan Ltd	Pakistan	52.9
Sanofi-Aventis de Panama S.A.	Panama	100.0
Sanofi-Aventis Latin America SA	Panama	100.0
Sanofi-Aventis del Peru SA	Peru	100.0
Genfar Peru S.A.	Peru	100.0
Sanofi-Aventis Philippines Inc	Philippines	100.0
Sanofi-Aventis de la Republica Dominicana S.A.	Dominican Republic	100.0
Sanofi-Aventis Singapore Pte Ltd	Singapore	100.0
Aventis Pharma (Manufacturing) PTE LTD	Singapore	100.0
Sanofi Taiwan Co Ltd	Taiwan	100.0
Zentiva (Thailand) limited	Thailand	100.0
Sanofi-Aventis Thailand Ltd	Thailand	100.0
Sanofi-Aventis Pharma Tunisie	Tunisia	100.0
Winthrop Pharma Tunisie	Tunisia	100.0
Sanofi-Aventis de Venezuela SA	Venezuela	100.0
Sanofi-Synthelabo Vietnam	Vietnam	70.0
Sanofi Vietnam Shareholding Company	Vietnam	100.0

F.2. Principal investments accounted for using the equity method

		Financial interest (%) as of December 31, 2017
Infraserv GmbH & Co. Höchst KG	Germany	31.2
Bristol-Myers Squibb / Sanofi Canada Partnership	Canada	49.9
China Resources Sanjiu Sanofi Consumer Healthcare Ltd	China	30.0
Bristol-Myers Squibb / Sanofi Pharmaceuticals Holding Partnership	United States	49.9
Bristol-Myers Squibb / Sanofi Pharmaceuticals Partnership	United States	49.9
Bristol-Myers Squibb / Sanofi Pharmaceuticals Partnership Puerto Rico	United States	49.9
Bristol-Myers Squibb / Sanofi-Synthélabo Partnership	United States	49.9
Bristol-Myers Squibb / Sanofi-Synthélabo Puerto Rico Partnership	United States	49.9
Regeneron Pharmaceuticals, Inc.	United States	22.2
Onduo LLC	United States	50.0
Maphar	Morocco	48.3
Bio Atrium AG	Switzerland	50.0

G/ Events subsequent to December 31, 2017

On January 7, 2018, **Sanofi** and **Alnylam** announced a strategic restructuring of their RNAi therapeutics alliance to streamline and optimize development and commercialization of certain products for the treatment of rare genetic diseases. Specifically:

- Sanofi will obtain global development and commercialization rights to fitusiran, an investigational RNAi therapeutic currently in development for the treatment of people with hemophilia A and B. Global commercialization of fitusiran, upon approval, will be done by Sanofi Genzyme, Sanofi's Specialty Care Global Business Unit. Alnylam will receive royalties based on net sales of fitusiran products.
- Alnylam will obtain global development and commercialization rights to its investigational RNAi therapeutics programs for the treatment of ATTR amyloidosis, including patisiran and ALN-TTRsc02. Sanofi will receive royalties based on net sales of those ATTR amyloidosis products.
- With respect to other products falling under the RNAi therapeutics alliance, the material terms of the 2014 Alnylam-Sanofi Genzyme alliance remain unchanged.

In January 2018, **Sanofi** and **Regeneron** announced (i) amendments to their collaboration agreement on the development and commercialization of human therapeutic antibodies; (ii) amendments to their IO License and Collaboration Agreement on the development of cemiplimab (REGN 2810) in the field of immuno-oncology; and (iii) a limited waiver and amendment of the Amended Investor Agreement pursuant to a letter agreement (the "2018 Letter Agreement").

The announcement included a series of amendments to the collaboration agreements relating to the funding of additional programs to develop REGN2810 in extended indications, and of additional programs on Dupixent® and IL33 (REGN 3500/SAR 440340).

The $650 million development budget for the PD-1 inhibitor antibody will be increased to $1.64 billion through 2022, funded equally by the two companies (i.e. from $325 million to $820 million for each partner).

The additional programs on Dupixent® and IL33 (REGN 3500/SAR 440340) will focus on extending the current range of indications and finding new indications, and improving co-morbidity between multiple pathologies.

Pursuant to the 2018 Letter Agreement, Regeneron has agreed to grant a limited waiver of the "lock-up" and the obligation to maintain the "Highest Percentage Threshold" in the Amended and Restated Investor Agreement between the companies, so that Sanofi may elect to sell a small percentage of the Regeneron common stock it owns to fund a portion of the cemiplimab and dupilumab development expansion. This waiver will allow Sanofi to sell in private transactions to Regeneron up to an aggregate of 1.4 million shares of Regeneron common stock through the end of 2020. If Regeneron decides not to purchase the shares, Sanofi will be allowed to sell those shares on the open market, subject to certain volume and timing limitations. Upon expiration of the limited waiver under the 2018 Letter Agreement, the Amended Investor Agreement will be amended to define "Highest Percentage Threshold" as the lower of (i) 25% of Regeneron outstanding shares of Class A Stock and Common Stock (taken together) and (ii) the higher of (a) Sanofi's percentage ownership of Class A Stock and Common Stock (taken together) on such termination date and (b) the highest percentage ownership of Regeneron outstanding shares of Class A Stock and Common Stock (taken together) Sanofi attains following such termination date.

On January 22, 2018, **Sanofi** and **Bioverativ Inc.**, a biotechnology company focused on therapies for hemophilia and other rare blood disorders, entered into a definitive agreement under which Sanofi will acquire all of the outstanding shares of Bioverativ for $105 per share in cash, representing an equity value of approximately $11.6 billion (on a fully diluted basis). The transaction was unanimously approved by both the Sanofi and Bioverativ Boards of Directors. On February 7, 2018 Sanofi commenced the tender offer (the "Offer") to acquire all of the outstanding shares of common stock of Bioverativ, Inc. ("Bioverativ") for $105 per share in cash (the "Offer Price"), without interest thereon and net of any required tax withholding. The acquisition of Bioverativ is expected to drive significant value for Sanofi's shareholders, with cash flows from growing sales of Bioverativ's products expected to increase Sanofi's financial and operational scale. The acquisition is expected to be immediately accretive to Sanofi's business earnings per share[(1)] in 2018, and up to 5% accretive in 2019. Sanofi is also projected to achieve return on invested capital in excess of its cost of capital within three years, and expects to preserve its strong credit rating.

On January 29, 2018, **Sanofi** and **Ablynx**, a biopharmaceutical company engaged in the discovery and development of Nanobodies®, entered into a definitive agreement under which Sanofi will offer to acquire all of the outstanding ordinary shares, including shares represented by American Depositary Shares (ADSs), warrants and convertible bonds of Ablynx, at a price per Ablynx share of €45 in cash, valuing Ablynx at approximately €3.9 billion (on a fully diluted basis). The transaction was unanimously approved by both the Sanofi and Ablynx Boards of Directors.

(1) Non-GAAP financial measure: see definition in "— Item 5 — A.1.5. Segment information — 3/ Business Net Income".

Design and production: Donnelley Financial Solutions

English translation and language consultancy: Stephen Reynolds & Jane Lambert.

Photo credits: Front cover / © Hans Lans / Iconica / GettyImages, © Marthe Lemelle,

© Denis Felix, © Franck Parisot, © Patrice Maurein.

ANNEX 6. STATUTORY FINANCIAL STATEMENTS OF ABLYNX FOR THE FINANCIAL YEAR WHICH CLOSED ON 31 DECEMBER 2017

Relevant paragraph of Annex 1 to the Takeover RD	Reference
3.3.1. The latest statutory financial statements of the Target	The statutory financial statements of the Target for the financial year which closed on 31 December 2017 can be consulted at http://www.ablynx.com/investors/shareholders-meeting/2018/

ANNEX 7.

CONSOLIDATED FINANCIAL STATEMENTS OF ABLYNX FOR THE PERIOD ENDING ON 31 DECEMBER 2017

Relevant paragraph of Annex 1 to the Takeover RD	Reference
3.3.1. The latest consolidated financial statements of the Target	The consolidated financial statements of the Target for the financial year which closed on 31 December 2017 can be consulted at http://www.ablynx.com/investors/shareholders-meeting/2018/

ANNEX 8. RESPONSE MEMORANDUM OF THE BOARD OF DIRECTORS OF ABLYNX IN RELATION TO THE BID

RESPONSE MEMORANDUM

Issued by the Board of Directors of ABLYNX NV

in connection with the

VOLUNTARY AND CONDITIONAL TAKEOVER BID IN CASH

for all shares, warrants and convertible bonds outstanding at the date of the bid issued by

ABLYNX NV

by
SANOFI

The Response Memorandum is published as an annex to the Prospectus issued by Sanofi[19] in connection with its voluntary and conditional takeover bid in cash at a price of EUR 45.00 per Share, EUR 18.66 – EUR 41.79 per Warrant[20] and EUR 393,700.78 per Convertible Bond, as approved by the FSMA on 27 March 2018.

This is an unofficial translation of the Dutch version of the Response Memorandum (*Memorie van Antwoord*) of the Board of Directors of Ablynx NV[21]. Ablynx has verified the translation of the Response Memorandum and is responsible for its consistency. In the case of differences between the Dutch and English versions of the Response Memorandum, the Dutch version will prevail. An electronic version of the Dutch and English versions of the Response Memorandum are available on the website of Ablynx (http://www.ablynx.com/investors/sanofi-takeover-bid). A hard copy of the Dutch and English versions of the Response Memorandum are available free of charge at the registered office of Ablynx (Technologiepark 21, 9052 Zwijnaarde (Belgium)).

[19] A *société anonyme*, incorporated under the laws of France, with registered office at 54 rue la Boétie, 75008 Paris, France, and registered under number 395.030.844.

[20] See Section 4 of the Response Memorandum for a complete overview of the Warrant Bid Price.

[21] A public limited liability company incorporated under Belgian law with registered office at Technologiepark 21, 9052 Zwijnaarde (Belgium) and registered with the register of legal entities of Ghent under number 0475.295.446.

The content of the Response Memorandum goes beyond what is required under Belgian law, since the Board of Directors has decided to include some information that Ablynx has to publish in accordance with U.S. legislation (Sanofi will also launch a tender offer in cash under U.S. law), with a view to aligning the information provided in both jurisdictions.

Response memorandum of the Board of Directors of Ablynx of 27 March 2018

1 INTRODUCTION

1.1 BACKGROUND OF THE BID

Ablynx's Board of Directors and management periodically review and revise Ablynx's long-term strategy and objectives in light of developments in the markets in which it operates. Over the past several years, Ablynx has considered, and in some cases implemented, a range of strategic alternatives with a view to increasing shareholder value, including accessing the U.S. public markets through an initial public offering.

In June 2017, Ablynx confidentially filed a registration statement with the Securities and Exchange Commission to commence the process for a U.S. initial public offering of its Shares and ADSs. Ablynx's Shares are also listed on Euronext Brussels. After weighing the potential advantages and disadvantages, the Board of Directors at that time determined that it was in the best interests of Ablynx's stockholders and of Ablynx to become listed on an appropriate U.S. stock exchange in order to, among other things, raise capital to fund its growth strategies and increase its profile and that of its technology and its products in development.

On 2 October 2017, Ablynx announced positive topline results from the Phase III HERCULES study with caplacizumab, Ablynx's anti-von Willebrand factor (vWF) Nanobody® being developed for the treatment of acquired thrombotic thrombocytopenic purpura (aTTP).

On 10 October 2017, Ablynx priced the U.S. initial public offering in which it sold 11,430,000 Shares in the form of ADSs, including 1,714,500 Shares in the form of ADSs sold pursuant to the exercise of the underwriters' over-allotment option, at a price of $17.50 per Share before underwriting discounts and commissions. The initial public offering was completed on 30 October 2017 (the "**U.S. IPO**").

On 7 December 2017, Dr. Peter Fellner, Ablynx's Chairman of the Board of Directors, at that time, received a telephone call from Dr. Goran A. Ando, the Chairman of the Board of Directors of Novo Nordisk A/S[22] ("**Novo**") to indicate that Novo was interested in discussing a potential strategic transaction involving Ablynx.

Later on 7 December 2017, Novo submitted a preliminary, non-binding written proposal to acquire all of Ablynx's outstanding Shares for EUR 26.75 per Share, subject to confirmatory due diligence, satisfactory documentation and final Board approval (the "**7 December Offer**").

The Board of Directors met on 13 December 2017 to consider the 7 December Offer. Representatives of J.P. Morgan Securities LLC ("**J.P. Morgan**"), Ablynx's financial advisor participated in the meeting. Representatives of J.P. Morgan discussed a preliminary financial analysis of the 7 December Offer. Following substantial discussion of Ablynx's long-term outlook and business plans, including the risks thereof, the Board of Directors determined that the 7 December Offer fundamentally undervalued Ablynx and did not reflect a value sufficient to justify engaging in discussions with Novo. Accordingly, the Board of Directors instructed management to inform Novo that Ablynx was not prepared to engage in further discussions on the basis of the 7 December Offer.

[22] A company incorporated and existing under the laws of Denmark, having its registered office at Novo Alle 1 2880 Bagsværd (Denmark) and registered with the Danish commercial register under number 24256790.

Also at the December 13 meeting, the Board of Directors formed a Defense Committee (the "*Committee*") consisting of five Directors and authorized the Committee to, amongst other things, analyse any further communications that might be received by Ablynx from Novo and make recommendations to the Board of Directors in respect thereof. The Committee consisted of Peter Fellner, Orfacare Consulting GmbH, permanently represented by Bo Jesper Hansen, Catherine Moukhebeir, Remi Vermeiren and Edwin Moses.

On 15 December 2017, Dr. Moses spoke with Lars Fruergaard Jorgensen, President and Chief Executive Officer of Novo, and communicated that the Board of Directors had determined that the 7 December Offer did not reflect a value sufficient to justify engaging in discussions with Novo, and shortly after the call, Dr. Moses confirmed this response to the 7 December Offer in a letter sent to Mr. Jorgensen.

On 18 December 2017, the Committee held a telephonic meeting to review the discussions between Dr. Moses and Lars Fruergaard Jorgensen on 15 December 2018 and to reconfirm Ablynx's long-term outlook and business plans, including the risks thereof.

On 19 December 2017, Mr. Jorgensen sent a letter to Dr. Moses reiterating Novo's interest in pursuing a strategic transaction with Ablynx and requested an in-person meeting with Ablynx's management. No new proposal with respect to value was provided in the letter.

Later on 19 December 2017, the Committee met telephonically to discuss Novo's request for a meeting with Ablynx's management. Based on the fact that the letter did not present a new proposal with respect to value from the 7 December Offer, the Committee determined to reject the request from Novo for an in-person meeting.

On 21 December 2017, Dr. Moses sent a letter to Mr. Jorgensen communicating the Committee's determination not to agree to a management meeting with Novo.

On 22 December 2017, Novo submitted a revised proposal to acquire Ablynx, increasing the cash portion of the consideration to EUR 28.00 per Share, plus a contingent value right (the "*CVR*") of up to EUR 2.50 per Share, payable upon achievement of certain events regarding vobarilizumab and ALX-0171, two of Ablynx's product candidates (the "**22 December Offer**"). A CVR is a derivative security or contract right that provides payments to holders only upon the occurrence of specified contingencies.

On 22 December 2017, the Committee met telephonically to consider the 22 December Offer. Representatives of J.P. Morgan participated in the meeting. Representatives of J.P. Morgan reviewed the terms of the 22 December Offer from a financial point of view and in the context of the evaluation by the Board of Directors of Novo's prior offer. Following discussion of Novo's revised proposal with the representatives of J.P. Morgan, the Committee determined that the 22 December Offer was inadequate, and was insufficient to justify engaging in discussions with Novo at that time. Management were instructed to inform Novo of this position and Dr. Moses conveyed this message in a letter sent to Mr. Jorgensen on December 23rd.

On 5 January 2018, Mr. Jorgensen contacted Dr. Moses to reiterate his request for engagement with the Ablynx management team to discuss the Company's business in more detail. Dr. Moses reminded Mr. Jorgensen that detailed information on Ablynx had been published only a few weeks earlier as part of the U.S. IPO process and that this should have been sufficient for Novo to make a proper assessment of the value of Ablynx. Dr. Moses also reiterated to Mr. Jorgensen that Ablynx had determined that the 22 December Offer was inadequate to engage with Novo regarding the possibility of a strategic transaction between the parties. Mr. Jorgensen indicated that Novo would publicly disclose the 22 December Offer by 8 January 2018 if the Board of Directors remained unwilling to allow the Ablynx management to engage with Novo management to share information and have further discussions. Dr. Moses indicated that the Board of Directors was unlikely to authorize such engagement unless a potential acquirer proposed a price per Share in excess of EUR 40.00.

On 8 January 2018, Novo publicly disclosed the 22 December Offer. On the same day, Ablynx publicly confirmed its rejection of the 22 December Offer.

Later on 8 January 2018, J.P. Morgan contacted eight parties other than Novo, including Sanofi, that Ablynx's management and financial advisors had identified as being reasonably likely to have interest in, and the financial capacity to pursue, a possible strategic transaction involving Ablynx. Subsequently on 8 January 2018, Sanofi's Head of Global Mergers and Acquisitions, Mr. de La Sabliere, contacted representatives of J.P. Morgan to confirm Sanofi's interest in a transaction and requested a meeting in San Francisco between the parties while they were both in attendance at the 2018 J.P. Morgan Annual Healthcare Conference (the "**J.P. Morgan Conference**").

On 9 January 2018, representatives of J.P. Morgan met with Mr. de La Sabliere. Mr. de La Sabliere expressed Sanofi's satisfaction with the existing collaboration arrangement between the Company and Sanofi and reiterated Sanofi's interest in pursuing a strategic transaction with Ablynx.

On 9 January 2018, representatives of J.P. Morgan also met with Mr. Jérôme Contamine, Sanofi's Executive Vice President, Chief Financial Officer, as part of the J.P. Morgan Conference. Mr. Contamine also expressed Sanofi's interest in pursuing a strategic transaction with Ablynx.

On 10 January 2018, Dr. Moses met with Olivier Brandicourt, Sanofi's Chief Executive Officer and director and certain other members of Sanofi's senior executive team, including Elias Zerhouni, M.D., President, Global Research & Development, Muzammil Mansuri, Ph.D., Executive Vice President, Strategy and Business Development, Mr. Contamine, and Mr. de La Sabliere. At the meeting, Ablynx provided a management presentation to Sanofi and later with Ablynx's Chief Medical Officer, Dr. Robert Zeldin, conducted a session with subject matter experts for Sanofi's benefit exclusively utilizing publicly available information relating primarily to caplacizumab and ALX-0171.

On 10 January 2018, Sanofi confirmed that it had engaged Morgan Stanley & Co. LLC ("**Morgan Stanley**") and Lazard Frères & Co. LLC ("**Lazard**") as its financial advisors.

On 11 January 2018, representatives of J.P. Morgan contacted representatives of Sanofi to invite Sanofi to make a proposal to acquire Ablynx in order for the parties to pursue a possible transaction and engage in further due diligence.

On 16 January 2018, representatives of Sanofi and Ablynx, with representatives of J.P. Morgan also present, held a telephonic meeting to discuss publicly available information regarding Ablynx's existing collaboration arrangements.

On 18 January 2018, the Committee met with representatives of J.P. Morgan to receive a general update regarding the strategic outreach process, including the status of discussions with Sanofi. The representatives of J.P. Morgan indicated that none of the other seven parties contacted on 8 January had responded with an interest in pursuing a transaction with Ablynx. The representatives of J.P. Morgan further reported that Sanofi had informed J.P. Morgan that it would be in a position to submit a proposal to acquire Ablynx following a meeting of Sanofi's Board of Directors to be held on 19 January 2018. On 19 January 2018, the Sanofi Board of Directors met to approve a written non-binding proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx at a price per Share in the range of EUR 43.00 to EUR 45.00 in cash, subject to confirmatory due diligence. The Sanofi Board of Directors authorized Sanofi management to submit the proposal to Ablynx subject to Sanofi entering into an acceptable confidentiality agreement and exclusivity agreement with Ablynx.

On 19 January 2018, Sanofi's CEO informed Ablynx's CEO that Sanofi had the intention to submit to Ablynx a written non-binding proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx.

Between 19 January and 21 January 2018 Ablynx and Sanofi negotiated a confidentiality agreement, which included customary non-disclosure provisions and a standstill provision in respect of Sanofi. Under the standstill provision, Sanofi was prohibited, amongst other things, from acquiring, or causing to be acquired any of Ablynx's securities or make or announce any offer to acquire Ablynx or any similar transaction involving Ablynx for a period of twelve months from the date of the confidentiality agreement, unless Sanofi announced its firm intention to launch a public takeover bid in respect of all outstanding voting securities and securities granting access to voting rights of Ablynx, in accordance with article 5 of the Belgian Royal Decree of 27 April 2007 on takeover bids (the "**Takeover Decree**"), that is recommended by the Board of Directors of Ablynx. The standstill also contained an exception that allowed Sanofi to make proposals to Ablynx at any time following the public announcement by Ablynx that a third party other than Sanofi intended to launch a public takeover bid in respect of all outstanding voting securities and securities granting access to voting rights of Ablynx.

On 22 January 2018, Ablynx and Sanofi entered into the confidentiality agreement and also executed an exclusivity agreement pursuant to which Ablynx committed (i) not to solicit or actively seek competing offers (without prejudice to the Board of Directors' fiduciary duties) until 2 February 2018 and (ii) not to engage in any discussion with third parties from 3 February 2018 until 4 February 2018.

Thereafter, on the same day, Sanofi submitted to Ablynx a written non-binding proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx at a price per Share in the range of EUR 43.00 to EUR 45.00 in cash, subject to confirmatory due diligence (the "**22 January Offer**"). The 22 January Offer specified that it takes into account the full potential of caplacizumab, vobarilizumab, ALX-0171, Ablynx's partnered products and Ablynx's Nanobody platform.

The Board of Directors met later on 22 January 2018. Representatives of J.P. Morgan participated in the meeting. The Board of Directors reviewed the status of Ablynx's strategic assessment process, including the 22 January Offer as compared to the 22 December Offer. Following extensive discussions, the Board of Directors determined that the 22 January Offer was sufficient to support further discussions between Ablynx and Sanofi and the Board of Directors instructed Ablynx's management team to inform Sanofi that Ablynx was prepared to work with Sanofi to determine if an acceptable transaction could be negotiated by 4 February 2018 and to immediately proceed to due diligence with Sanofi.

On 24 January 2018 and 25 January 2018, members of Ablynx's management conducted a series of due diligence sessions and management presentations in Paris, France, with Dr. Brandicourt and other members of Sanofi's executive committee and management teams.

Also on 24 January 2018, Mr. Jorgensen contacted Dr. Bo Jesper Hansen, the then Chair of the Board of Directors, to reiterate Novo's interest in pursuing a strategic transaction with Ablynx but indicated that Novo was unlikely to make a proposal at that time at a price greater than the EUR 40.00 per Share guidance previously provided by Dr. Moses.

Over the course of the next few days, the parties continued their due diligence investigation. Ablynx's and Sanofi's legal advisors negotiated the terms of the Heads of Agreement in discussion with Sanofi management, Ablynx management and its Board of Directors.

On 26 January 2018, Sanofi sent a letter to Ablynx confirming its proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx at a price of EUR 45.00 per Share in cash, and stating that, subject to reaching a final Heads of Agreement, a binding proposal could be submitted by 28 January 2018.

On 28 January 2018, the Sanofi Board of Directors met to approve the Heads of Agreement and the binding proposal to acquire all of the outstanding Shares (including Shares represented by ADSs), Warrants and Convertible Bonds of Ablynx at a price per Share of EUR 45.00 in cash. Following the meeting, Sanofi submitted the binding proposal to Ablynx.

On 28 January 2018, after receipt of the revised Sanofi proposal, the Board of Directors met telephonically together with members of management and representatives of its advisers, to discuss and review the draft Heads of Agreement and to consider the proposed transaction. Representatives of Ablynx's legal advisers reviewed the terms of the draft Heads of Agreement. Representatives of J.P. Morgan reviewed with the Board of Directors the consideration proposed in the Bid. Following extensive discussion, the Board of Directors unanimously adopted resolutions, which, among other things, approved and declared fair, advisable and in the best interests of Ablynx and the stockholders of Ablynx, the Bid, the Heads of Agreement and the other transactions contemplated by the Heads of Agreement.

Following the meeting of the Board of Directors, the parties finalized and executed the Heads of Agreement on 28 January 2018.

On 29 January 2018 at 8 a.m., Sanofi notified the FSMA in accordance with Article 5 of the Takeover Decree of its intention to launch a conditional and voluntary takeover bid in cash under Belgian law (the "**Belgian Bid**") for all (i) shares (some of which are in the form of American Depositary Shares ("**ADSs**")), (ii) warrants and (iii) convertible bonds issued by Ablynx, that are not already, directly or indirectly, held by Sanofi. On 29 January 2018, the FSMA in accordance with Article 7 of the Takeover Decree made public Sanofi's announcement.

Thereafter, on the same day, Ablynx and Sanofi issued a joint press release announcing the transaction prior to the opening of the European and U.S. stock markets.

On 4 April 2018, Sanofi will commence a tender offer under U.S. law (the "**US Bid**" and, together with the Belgian Bid, the "**Bid**") for (i) all Shares held by U.S. residents and (ii) all ADSs, in each case, that are not already, directly or indirectly, held by Sanofi.

1.2 PREPARATION OF THE MEMORANDUM

On 20 March 2018, the Board of Directors unanimously approved the Response Memorandum in accordance with Articles 22 *et seq.* of the Act of 1 April 2007 on takeover bids (the "**Takeover Act**") and Articles 26 *et seq.* of the Takeover Decree. All Directors were present or represented at the meeting.

In accordance with article 28, §1 of the Takeover Decree, the Response Memorandum contains the reasoned explanation of:

- the consequences of the implementation of the Belgian Bid, taking into account all of the interests of Ablynx, the Security Holders, the creditors and the employees, including their employment;
- the view of the Board of Directors on Sanofi's strategic plans in respect of Ablynx as indicated in the Prospectus, and the probable consequences for the Company's product pipeline, employment and its business locations;
- the view of the Board of Directors in respect of the opportunity for the Security Holders to transfer their Securities to Sanofi within the framework of the Bid.

1.3 DEFINITIONS

Unless otherwise stated in the Response Memorandum, words and expressions that have been capitalised have the meaning given to them in the Prospectus.

2 COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors is at the date of this Memorandum composed as follows:

- Greig Biotechnology Global Consulting Inc., permanently represented by Russel G. Greig (Chairman, Independent Director)
- Edwin Moses (CEO, Executive Director)
- William Jenkins, acting as principal of William Jenkins Pharma Consulting (Independent Director)
- Catherine Moukheibir (Independent Director)
- Remi Vermeiren (Independent Director)
- Feadon NV, permanently represented by Lutgart Van den Berghe (Independent Director)
- Hilde Windels BVBA, permanently represented by Hilde Windels (Independent Director)

3 COMMENTS ON THE PROSPECTUS

The Board of Directors is of the view that the Prospectus does not contain any omissions nor information that could mislead the Security Holders.

4 DESCRIPTION OF THE BID

The Belgian Bid covers all Shares, of which 9,926,407 are in the form of ADSs (as at the date of the Response Memorandum), representing the entire share capital of Ablynx, and which are not already, directly or indirectly, held by Sanofi. Sanofi offers a cash consideration of EUR 45.00 for each Share.

The Belgian Bid also covers all Warrants, which are not already, directly or indirectly, held by Sanofi. Sanofi offers the following cash consideration for the Warrants:

Warrant	Ablynx's Internal Note	Issue Date	Number of Warrants	Exercise Price per Warrant (€)	Warrant Bid Price (€)
Warrants 2008	Issue 9	22-Aug-08	70,417	4.88	40.12
Warrants 2012	Issue 17	01-Feb-12	76,049	3.21	41.79
Warrants 2013 (1)	Issue 20 Excom	29-Jan-13	100,000	6.44	38.56
Warrants 2013 (2)	Issue 20	29-Jan-13	65,853	6.43	38.57
Warrants 2013 (3A)	Issue 21 Excom	05-Aug-13	5,028	6.96	38.04
Warrants 2013 (3B)	Issue 21 Excom	05-Aug-13	4,781	7.32	37.68
Warrants 2014 (1)	Issue 23 Excom	24-Apr-14	101,168	9.09	35.91
Warrants 2014 (2A)	Issue 23	24-Apr-14	53,084	8.85	36.15
Warrants 2014 (2B)	Issue 23	24-Apr-14	4,252	8.84	36.16
Warrants 2014 (2C)	Issue 23	24-Apr-14	3,500	8.25	36.75
Warrants 2015 (1A)	Issue 24	16-Mar-15	20,000	10.13	34.87
Warrants 2015 (1B)	Issue 24	16-Mar-15	118,742	9.50	35.50
Warrants 2015 (2)	Issue 24 Excom	16-Mar-15	285,995	10.22	34.78
Warrants 2015 (3)	Issue 25 Excom	14-Sep-15	150,000	12.10	32.90
Warrants 2015 (4A)	Issue 25	14-Sep-15	38,000	12.29	32.71
Warrants 2015 (4B)	Issue 25	14-Sep-15	27,500	11.67	33.33
Warrants 2016 (1)	Issue 26 Excom	24-Feb-16	198,552	12.02	32.98
Warrants 2016 (2A)	Issue 26	24-Feb-16	162,059	12.02	32.98
Warrants 2016 (2B)	Issue 26	24-Feb-16	1,500	13.31	31.69
Warrants 2016 (2C)	Issue 26	24-Feb-16	12,500	13.99	31.01
Warrants 2017 (1)	Issue 28 bijkomend aanbod wer	22-Feb-17	33,244	12.33	32.67
Warrants 2017 (2)	Issue 28 Excom	22-Feb-17	283,440	12.33	32.67
Warrants 2017 (3)	Issue 28	22-Feb-17	183,061	12.33	32.67
Warrants 2017 (4A)	Issue 29	20-Sep-17	89,000	12.26	32.74
Warrants 2017 (4B)	Issue 29	20-Sep-17	42,500	12.96	32.04

Warrants 2017 (4C)	Issue 29	20-Sep-17	150,000	13.32	31.68
Warrants 2017 (4D)	Issue 29	20-Sep-17	10,000	17.84	27.16
Warrants 2017 (4E)	Issue 29	20-Sep-17	37,500	19.78	25.22
Warrants 2017 (5)	Issue 29 Excom	20-Sep-17	150,000	14.53	30.47
Warrants 2017 (6)	Issue 29 Excom	20-Sep-17	150,000	23.36	21.64
Warrants 2018 (1A)	Recruitment Warranten	17-Jan-18	20,000	26.34	18.66
Warrants 2018 (1B)	Recruitment Warranten (bis)	17-Jan-18	100,000	25.64	19.36

The Belgian Bid also covers all 983 outstanding Convertible Bonds, which are not already, directly or indirectly, held by Sanofi. Sanofi offers a cash consideration of EUR 393,700.78 for each Convertible Bond.

The Belgian Bid does not cover the ADSs, admitted to trading on the NASDAQ Global Select Market under the ticker ABLX. The ADSs are subject to the U.S. Bid. Sanofi offers a cash consideration of EUR 45.00 for each ADS, which will be paid, net of expenses, in U.S. dollars converted at the then-current spot exchange rate at the time of payment.

The Warrants are not freely transferable, except in the event of death of the Warrant Holder to the extent vested in which case they are transferable to the spouse or (designated) legal successors of the Warrant Holder. Although the Bid formally (and in view of mandatory legal provisions) has been extended to all Warrants, the non-transferability provisions contained in the issue conditions of the Warrants remain in effect. As a result, such Warrants cannot be tendered to the Bid directly.

However, all Warrants became exercisable at the occasion of the issue of the Bid, except for the Warrants 2008. The Board of Directors has provided for an additional exercise period for the Warrants 2008 starting from the end of the closed period in relation to Ablynx's 2017 annual results as set out in Ablynx's dealing code and up to and including the closing of the last day of the last acceptance period of the Bid (it being understood that this additional exercise period can never extend beyond the end date of the last (ordinary) exercise period of the Warrants 2008).

The Warrant Holders are given the possibility to conditionally exercise their Warrants (the condition being a successful completion of the Initial Acceptance Period of the Bid) or to exercise their Warrants unconditionally, and to tender the Shares acquired following such (un)conditional exercise to the Bid (see Chapter 7.1.2.2 of the Prospectus). If the Initial Acceptance Period of the Bid is not successfully completed, the Warrants that have been conditionally exercised will not have been exercised, so that the Warrant Holders can continue to choose whether and at what time they wish to exercise their Warrants (in accordance with the terms and conditions of the Warrants).

If a Warrant Holder chooses not to exercise its Warrants, the consideration for the Warrants that will be offered in the Squeeze Out (if any; see Chapter 7.6.4 of the Prospectus), upon completion of which the Warrants would be transferred by operation of law, will be the Warrant Bid Price (see above).

An exercise of certain Warrants could trigger an income tax liability for the Warrant Holders (see Chapter 8.3.1.2 of the Prospectus). The Warrant Holders should seek specific tax advice in this respect. In this regard, the Board of Directors notes that, under the Heads of Agreement, Sanofi has agreed to compensate the relevant, qualifying employees and senior management of Ablynx for any adverse tax impact resulting from the accelerated exercise of Warrants because of the Bid up to a total gross amount of EUR 2 million. This payment will be made to each relevant, qualifying employee and senior manager of Ablynx at the time of payment of such tax if they are employees or senior managers of the Sanofi group.

The Board of Directors notes that, as set out in more detail in Chapter 8.3.1.3 of the Prospectus, the Belgian tax authorities generally accept that an automatic transfer of a warrant under a squeeze-out may be considered as a case of force majeure and that such transfer should therefore not trigger additional income taxes for the holders of those warrants (even if the warrants contained transfer restrictions) under the application of the law of 26 March 1999.

The Board of Directors however is not qualified nor in a position to give personal tax advice and each Warrant Holder should consult his, her or its own tax adviser to discuss the tax treatment of capital gains or losses realized upon the transfer or exercise of the Warrants.

The Bid is subject to the following conditions precedent:

(vi) there having been tendered (and not withdrawn) Shares, Warrants, Convertible Bonds and ADSs representing at least 75% of the number of Shares at the end of the Initial Acceptance Period of the Bid;

(vii) (a) the waiting period (and any extension thereof) applicable to the consummation of the transactions contemplated by this Bid under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") shall have expired or been terminated and (b) the consent or approval required under any Antitrust Law of Germany applicable to the transactions contemplated by this Bid shall have been received, subject however to Article 4 of the Takeover Decree;

(viii) no change or event has occurred prior to the publication of the results of both the Bid and the U.S. Bid that results in, or is at that moment reasonably likely to result in (in such case, as confirmed by an independent expert), a loss (including loss of net asset value) or liability of Ablynx or its Subsidiary, taken as a whole, with an impact on the consolidated net asset value of Ablynx and its Subsidiary on an after tax basis exceeding EUR 500 million (a "**Material Adverse Change**"); provided, however, that none of the following shall be deemed of itself to constitute a Material Adverse Change: (i) any change in the market price or trading volume of Shares; (ii) any general evolution on the stock exchange markets; (iii) any adverse effect resulting from or arising out of the announcement or anticipated consummation of both bids (Bid or U.S. Bid) including any such effects on employees, customers, vendors, suppliers, distributors, partners, lenders, contractors or other third parties; (iv) any changes in applicable law (or the interpretation thereof); (v) the threat, occurrence, escalation, outbreak or worsening of any natural disaster, force majeure event, acts of God, acts of war, police or military action, armed hostilities, sabotage or terrorism or (vi) any change arising out of conditions affecting the economy or industry of Ablynx in general which does not affect Ablynx in a materially disproportionate manner relative to other participants in the economy or such industry, respectively;

(ix) with respect to the U.S. Bid only, the Bid has not been withdrawn ("*intrekking*") by Sanofi as permitted by Belgian applicable law; and

(x) there is no judgment issued by a court of competent jurisdiction or mandatory order by a Governmental Authority in the United States (whether federal, state or local) that would make the U.S. Bid illegal or otherwise prohibit the consummation thereof.

Sanofi can waive these conditions, in whole or in part, except for the condition under item (iv), which is only applicable to the U.S Bid, at any time.

On 1 March 2018, Sanofi published a press release stating that the conditions precedent mentioned under (ii) (a) and (b) above, have been fulfilled.

5 ASSESMENT OF THE BID

The Board of Directors has examined the Prospectus and has unanimously approved the Response Memorandum at its meeting of 20 March 2018.

5.1 CONSEQUENCES OF THE BID FOR THE INTERESTS OF THE SECURITY HOLDERS

The Board of Directors, assisted by its financial advisor, J.P. Morgan Securities plc, has considered the Bid Price.

5.1.1 Shareholders

In the event of a successful closing of the Bid, the benefit of the Bid for the holders of Shares will be the consideration for the Shares.

Prior to and in reaching its decision to approve and declare fair and advisable the Heads of Agreement and the transactions contemplated thereby, the Board of Directors consulted with Ablynx's financial advisors and legal counsel, discussed the proposed transaction with Ablynx's management and considered a variety of factors, including the material factors set forth below:

The Board of Directors takes note of the price justification, as stated in Section 7.1.4 of the Prospectus.

5.1.1.1 The Share Bid Price

The Board of Directors considered:

- the current and historical market prices for Shares, as compared to the terms of the Heads of Agreement, including the fact that the Share Bid Price of EUR 45.00 per Share represented approximately:

    - 199.1% premium to the volume weighted average share price over the last 12 months prior to Novo making public its unsolicited proposal on 8 January 2018;
    - 142.9% premium to the volume weighted average share price over the last 60 trading days prior to Novo making public its unsolicited proposal on 8 January 2018;
    - 124.1% premium to the volume weighted average share price over the last 30 trading days prior to Novo making public its unsolicited proposal on 8 January 2018; and
    - 112.3% premium to the closing price on 5 January 2018, the day prior to Novo making public its unsolicited proposal on 8 January 2018;

- the following premiums of the Share Bid Price of EUR 45,00 to Novo's unsolicited proposal:

    - 47.5% premium to Novo's unsolicited proposal of EUR 28.00 per Share in cash and EUR 2.50 per Share in contingent value rights; and
    - 60.7% premium to the EUR 28.00 per Share cash component of Novo's unsolicited proposal;

- the premium of the Share Bid Price of EUR 45.00 per Share to the trading price at which the Shares closed on 5 January 2018, the last trading day prior to the date Novo made public its unsolicited proposal to acquire Ablynx, is above the 26% median observed for Belgian takeover bids since 2001 (based on transactions with enterprise values greater than EUR 100 million);

- the premium of the Share Bid Price of EUR 45.00 per Share to the trading price at which the Shares closed on 5 January 2018, the last trading day prior to the date Novo made public its unsolicited proposal to acquire Ablynx, is above the average (72.6%) and median (90.1%) takeover premia paid for selected public biopharma M&A transactions since 2012, where the lead asset was in the pre-marketing phase and the enterprise value was between $1 billion and $10 billion;

- the Share Bid Price of EUR 45.00 per Share represents a 79.0% premium to the median of the consensus equity research analyst target prices (including Bryan Garnier & Co, Baird, Bank of America Merrill Lynch, Degroof Petercam, HSBC, Jefferies, J.P. Morgan, Ladenburg Thalmann, KBC Securities and Kempen) as of 5 January 2018, prior to the date Novo made public its unsolicited proposal to acquire Ablynx. Many of these equity research analysts have subsequently published reports characterizing the Share Bid Price of EUR 45.00 per Share in favourable terms. For example, Jefferies and Ladenburg Thalmann have both expressed an expectation that no superior counteroffer will emerge; and

- on 29 January 2018, Novo announced that they did not intend to make a revised bid for Ablynx.

5.1.1.2 Operating and financial condition – Prospects of Ablynx

The Board of Directors considered the current and historical financial condition, results of operations, business and prospects of Ablynx as well as Ablynx's financial plan and prospects and risks if Ablynx were to remain an independent company and the potential impact of those factors on the trading price of the Shares (which is not feasible to quantify numerically). In this regard, the Board of Directors considered the risks associated with executing and achieving Ablynx's short- and long-term business and financial plans, the risks associated with various competitive activities, dependence on Ablynx's collaborative relationships with its partners, and the general risks of market conditions that could impact the Share price.

5.1.1.3 Strategic alternatives process

The Board of Directors considered the substantial time, effort, funding and risk involved in independently seeking to achieve a EUR 45 Share Bid Price together with an uncertain economic, regulatory, pricing and competitive environment.

The Board of Directors also noted that Novo had withdrawn from the bidding process and the market outreach by J.P. Morgan had not resulted in any other company being able or willing to compete with the speed and commitment demonstrated by the Sanofi process.

5.1.1.4 Cash consideration – Certainty of value

The Board of Directors considered the fact that the Share Bid Price is made in cash, providing certainty, immediate value and liquidity to holders of Shares (including ADSs).

5.1.1.5 Negotiations with Sanofi.

The Board of Directors considered the course of arm's length negotiations between Ablynx and Sanofi, resulting in a final Share Bid Price at the top of the range initially offered by Sanofi, as well as a number of changes in the terms and conditions of the Heads of Agreement from the version initially proposed by Sanofi that were favourable to Ablynx. The Board of Directors believes based on these negotiations that the Share Bid Price is the highest price per Share that Sanofi was willing to pay and that the Heads of Agreement, and consequently the Bid, represented the most favourable terms to Ablynx to which Sanofi was willing to agree.

5.1.1.6 The Heads of Agreement

The Board of Directors considered the provisions of the Heads of Agreement, including the agreed exclusions of certain events and conditions from the definition of "material adverse change"; the ability of Ablynx under certain circumstances to entertain unsolicited proposals for an acquisition that could reasonably be expected to lead to an offer that is superior to the Bid, the ability of the Board of Directors in certain circumstances to withdraw or modify its recommendation that the Security Holder accept the Bid and tender their Securities, including in connection with a superior offer; Ablynx's right to terminate the Heads of Agreement in order to accept a superior offer and enter into a definitive agreement with respect to such superior offer; the termination rights of the parties and the EUR 75 million termination fee (equal to approximately 1.9% of the transaction equity value) payable by Ablynx if it fails to comply with its (active) non-solicitation obligations (without prejudice to the Board of Directors' fiduciary duties) or the reimbursement of expenses incurred by the Offeror in the context of the Offer in case of a withdrawal, qualification or modification in any adverse manner of the opinion of the Board of Directors, which the Board of Directors believed was comparable to termination fees in transactions of a similar size, was reasonable and would not likely deter competing bids.

5.1.1.7 Timing of completion

The Board of Directors considered the anticipated timing of the consummation of the transactions contemplated by the Heads of Agreement, and the structure of the transaction as a cash tender offer for all outstanding Securities, which should allow Shareholders to receive the Bid Price in a relatively short time frame. The Board of Directors considered that the potential for closing in a relatively short timeframe would also reduce the amount of time in which Ablynx's business would be subject to the potential uncertainty of closing and related disruption.

5.1.1.8 No participation in future growth

The Board of Directors considered the fact that Ablynx's shareholders would not be entitled to participate in any potential future benefit from the development and commercialization of Ablynx's product pipeline or existing and potential new collaborations with pharmaceutical companies.

5.1.1.9 Conclusion

The foregoing discussion of the information and factors considered by the Board of Directors is intended to be illustrative and not exhaustive, but includes the material reasons and factors considered. In view of the wide variety of reasons and factors considered, the Board of Directors did not find it practical to, and did not, quantify or otherwise assign relative weights to the specified factors considered in reaching its determinations or the reasons for such determinations. Individual Directors may have given differing weights to different factors or may have had different reasons for their ultimate determination. In addition, the Board of Directors did not reach any specific conclusion with respect to any of the factors or reasons considered. The Board of Directors conducted an overall analysis of the factors and reasons described above and determined that, in the aggregate, the potential benefits considered outweighed the potential risks or possible negative consequences of the Bid.

Given the above, the Board of Directors agrees with the basis on which the Share Bid Price has been calculated, in that it has taken account of the usual evaluation parameters and criteria.

The Board of Directors is of the view that the acquisition by Sanofi (when completed) will be positive for the future development of Ablynx.

The Board of Directors acknowledges that, if the Bid is successful, Sanofi may choose to undertake all formalities required under applicable law to request the delisting of Ablynx.

The Board of Directors is of the view that the Share Bid Price offers Shareholders an attractive premium and the Board of Directors unanimously recommends that Shareholders accept the Bid.

5.1.2 Warrant holders

The manner in which the Warrant Holders can benefit from the Bid has been described above.

As noted, the Warrant Bid Price is relevant only in the context of a Squeeze Out (if any).

The Warrants are not admitted to trading on a stock exchange. Therefore, there is no direct reference for their valuation. The Board of Directors notes that Sanofi has valued the Warrants based on their intrinsic value at the Bid Price, as it is of the view that the intrinsic value provides the full benefit of the Bid to Warrant Holders given the non-transferability provisions applicable to the Warrants.

The Board of Directors notes that, although the Bid also relates to the Warrants, the non-transferability provisions contained in their issue conditions remain in effect. Therefore, the Warrant Holders cannot tender their Warrants into the Bid. However, all Warrants become exercisable at the occasion of the issue of the Bid, except for the Warrants 2008. The Board of Directors has provided for an additional exercise period for the Warrants 2008, as set out in Chapter 4 of the Response Memorandum. As noted above, Sanofi and Ablynx have agreed that the Warrant Holders will have the possibility to conditionally exercise their Warrants (the condition being a successful completion of the Initial Acceptance Period of the Bid) and to tender the shares acquired further to such conditional exercise before the end of the Initial Acceptance Period (in exchange for the Share Bid Price (minus the exercise price of the Warrants if advanced by Sanofi)). The Board of Directors welcomes Sanofi's commitment to advance the exercise price of the Warrants exercised conditionally.

The Board of Directors notes that Sanofi considers that an intrinsic valuation is the appropriate valuation methodology for the Warrants. In the event the Bid is successful but there is no Squeeze Out, Sanofi acknowledges that it could be argued that the Warrants should be valued with a Black & Scholes formula (i.e. a valuation methodology that captures the time value of the Warrants) rather than an intrinsic valuation methodology at the Bid Price. However, Sanofi considers that the "theoretical" time value is small compared to the intrinsic value (it represents 6% of intrinsic value, on average), as set out in Chapter 7.1.4.2 of the Prospectus.

The Board of Directors is of the view that Sanofi offers an attractive consideration for the Warrants

5.1.3 Convertible Bond holders

The Convertible Bond Holders may tender the Shares subscribed as a result of the conversion of their Convertible Bonds into the Bid, in exchange for the Share Bid Price. They may also tender their Convertible Bonds directly into the Bid in exchange for the Convertible Bond Bid Price.

The Convertible Bond Bid Price is in general equivalent to the value bondholders would get by converting the Convertible Bonds after a Change of Control has occurred at the end of the Initial Acceptance Period, i.e. at a lower Conversion Price (the Change of Control Conversion Price – CoCCP) and subsequently tendering the underlying Shares in the Bid. Such value varies in function of the date on which the Change of Control occurs as such date influences the Change of Control Conversion Price in application of the CoCCP formula. Thus if the Initial Acceptance Period is extended, the Change of Control Date will occur later than originally foreseen and the aforementioned value for the Convertible Bond Holders shall decrease. The Board of Directors notes, however, that the Convertible Bond Bid Price shall not be revised in such case, so that the Convertible Bond Bid Price will be higher than the value the Convertible Bond Holders would get by converting the Convertible Bonds at the enhanced Change of Control Conversion Price and subsequently tendering the underlying Shares in the Bid.

In the case of a change of control, Convertible Bonds Holders are entitled to: (i) exercise their right to require redemption of their Convertible Bonds at their principal amount, together with accrued and unpaid interest; or (ii) exercise their right to convert their Convertible Bonds into Shares. The Convertible Bond Holders wishing to exercise their right to convert at the CoCCP, can do so during a period of 60 calendar days from the day a notice of change of control is given to the Convertible Bondholders. Such notice must be sent by Ablynx within 14 calendar days from the occurrence of the change of control. The issue of new shares takes place in the month in which the conversion notice is sent if sent before the 15th calendar day of such month, and in the next month if sent after the 15th calendar day of such month.

The Convertible Bond principal amounts to EUR 100,000 and the number of shares to be created per Convertible Bond upon conversion, in the event of a change of control, amounts to 8,748 (principal of EUR 100,000 divided by the CoCCP of EUR 11.4300).

The results of the Initial Acceptance Period shall be published on 14 May 2018, which shall be the date the Change of Control (if any) occurs.

At a Share Bid Price of EUR 45.00, the implied value of each of the 983 outstanding Convertible Bonds amounts to EUR 393,700.78, which shall in general be equal to the Convertible Bond Bid Price (i.e. save for extension of the Initial Acceptance Period).

The offering price of the Convertible Bonds in the squeeze-out will be equal to the offering price of the previous offering period(s).

Ablynx may redeem for cash all, but not a portion of, the Convertible Bonds, at nominal value plus any accrued but unpaid interest, at its option, (i) on or after 17 June 2018, if the volume weighted average price of the Shares exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading days period ending no earlier than the 5th trading day prior to the notice given by Ablynx to the Convertible Bond Holders of the exercise of this redemption right or (ii) at any time if conversion rights have been exercised and/or purchased (and corresponding cancellations) and/or redemptions have been effected in respect of at least 85% of the original principal amount of the Convertible Bonds. If one of the aforementioned conditions is fulfilled and Ablynx wishes to exercise this call option, such redemption will necessarily take place on conditions less favorable conditions to the Convertible Bond Holders than the conditions of the Bid. The Board of Directors notes that, if Ablynx opts to exercise this call option, Sanofi would be in favor of such decision and would be willing to provide the necessary financing to Ablynx.

The Convertible Bonds Holders are advised to carefully read the Terms and Conditions of the Convertible Bonds, and, in particular, to review the time limits and the terms governing a possible conversion or termination as a result of a possible Change of Control.

The Board of Directors is of the view that Sanofi offers an attractive consideration for the Convertible Bonds.

5.1.4 Conclusion

In view of the foregoing, the Board of Directors supports the Bid Price that Sanofi offers for the Securities. The Board of Directors is of the view that the Bid Price reflects an attractive premium for all the Security Holders.

5.2 CONSEQUENCES OF THE BID FOR THE INTERESTS OF THE CREDITORS

Based on the Prospectus, the Board of Directors believes that the Bid should not adversely impact the position of the current creditors of Ablynx nor, more in general, Ablynx's solvency, taking into account the fact that Ablynx will become part of an international listed group with a stable financial structure and also taking into account the long term strategy for Ablynx that Sanofi outlined with the Bid and as is described in the Prospectus.

5.3 CONSEQUENCES OF THE BID FOR THE INTERESTS OF THE EMPLOYEES OF ABLYNX

The Board of Directors has considered the strategic plans of Sanofi as further discussed in Chapter 5.4 of the Response Memorandum, and believes that these contribute positively to the future prospects of the vast majority of employees of Ablynx.

The Board of Directors notes that Sanofi attaches great importance to the skills and experience of the management team and employees of Ablynx and their ongoing role in the continued success of Ablynx, and that Sanofi believes that Ablynx's employees and management team will benefit from the increased number of opportunities that a combination with Sanofi would bring. The Board of Directors notes that based on Sanofi's work to date and meetings with Ablynx employees, Sanofi has been very impressed with the capabilities of Ablynx's personnel and it is Sanofi's hope and expectation that the vast majority of them will transition into Sanofi to the long-term benefit of all parties.

The Board of Directors notes that detailed discussions between Sanofi and Ablynx's senior management team about the senior team members' specific roles in the enlarged group and the terms of their employment have yet to take place. It is envisaged that such discussions will take place after the Bid has been completed.

The Board of Directors notes in particular that Sanofi's intentions are the following:

- Sanofi intends to maintain Ablynx as a separate legal entity for a duration of at least 24 months after the closing of the Bid, containing the existing functionality and located in its current premises, it being understood that if relevant capabilities are no longer available at Ablynx for any reason, Ablynx and Sanofi will take into account local business needs and plan accordingly.
- Sanofi intends to maintain Ablynx's R&D structure in Ghent and, in order to minimise any disruption to the organization, Sanofi will ensure a smooth integration process and work to maximize the success of the ongoing development programs.
- Sanofi will work with Ablynx's organisation to leverage Sanofi's commercial infrastructure to the maximum extent possible.
- Sanofi's business operates in global functions and business unit structure. No organisational changes at Ablynx are expected in 2018, and, starting in 2019, Sanofi will consider the gradual integration of Ablynx into its wider organization.
- Sanofi understands that there are cases of employees located outside Belgium. Sanofi will review their situations on a case-by-case basis during the gradual post-close integration period.

The Board of Directors notes that Sanofi places a high value on the future continuity of the remuneration packages for Ablynx's employees. In this regard, the Board of Directors notes that Sanofi confirms that, following implementation of the Bid, the existing contractual and statutory employment rights, including in relation to pension rights, but excluding any current Ablynx equity compensation (see below), of the current employees and management of Ablynx will be honoured.

The Board of Directors notes in particular that, under the Heads of Agreement:

- Sanofi commits that, for 24 months after the closing of the Bid, each employee will receive annual gross pay and annual cash incentive targets that are no less favourable than in effect prior to the closing of the Bid. In addition, Sanofi commits to ensure that, during this period, employee benefits (other than any current Ablynx equity compensation; see below) are substantially comparable in the aggregate to those benefits provided prior to the closing of the Bid.

- Sanofi will honour the pay-out of the annual cash incentives for 2017. In addition, Sanofi will honour Ablynx's 2018 annual cash incentive program.

- Sanofi recognizes that the talents and expertise of Ablynx's management team and employees will be critical to its success in integrating Ablynx. As a result, following implementation of the Bid, Sanofi intends to put in place during the course of 2018 an appropriate long-term incentive program.

The Board of Directors notes that in 2018, subject to completion of the Bid, Ablynx's employees and members of its Executive Committee who are eligible to be offered warrants will be granted Sanofi Performance Shares in lieu of Ablynx's unallocated (issue 30) warrants. The Board of Directors notes that such Sanofi Performance Shares will be granted in accordance with current practice of Sanofi with respect to its long-term employee incentive plans based upon the proposal made by the Board of Directors of Ablynx. The final approval of the individual grant proposals is conditional upon approval by the Board of Directors of Sanofi. The main conditions of the long-term incentive plan for Ablynx's staff post-closing of the Bid are set out below:

- Beneficiaries: qualifying current employees, consultants and management of Ablynx, being employees, consultants or management of Sanofi or its affiliates (including Ablynx) at the date of grant.

  If the Board of Directors of Sanofi does not have the possibility to grant Sanofi Performance Shares to members of the Executive Committee of Ablynx in 2018 due to their consultant/self-employed status, Sanofi will grant, on an exceptional basis, an equivalent long term cash incentive to such members of the Executive Committee of Ablynx. For this cash grant, the same eligibility and performance criteria will apply as for the grant of Sanofi Performance Shares. Each member of the Executive Committee of Ablynx would then convert to regular employee status from 2019 onwards in order to be eligible for Sanofi Performance Shares going forward, starting with the 2019 grant of Sanofi Performance Shares.

- Type of shares awarded: the performance shares will give the right to new shares to be issued by Sanofi. However, Sanofi reserves the right to deliver existing shares to some or all of the beneficiaries.

- Total number of performance shares awarded: 345,855 performance shares, in lieu of 667,500 unallocated warrants issued by Ablynx.

- Condition of continued employment: unless otherwise decided by Sanofi in specific cases, the vesting of the shares is reserved to those beneficiaries who have been continuously employed by Sanofi or its affiliates (including Ablynx) during the full vesting period, until the vesting date.

  Unless otherwise decided by the general management of Sanofi in specific cases, any beneficiary ceasing to be an employee of Sanofi or its affiliates (including Ablynx) and before the expiry of the vesting period may lose all or part of their performance shares, depending on the exact circumstances of the departure of the beneficiary.

- Vesting period: three years from the grant date.

- Performance condition: final vesting of the performance shares is subject to the attainment of a defined level of "Return on Assets" of Sanofi as calculated over a three-year period.

The Board of Directors notes that in 2019, Ablynx's employees will be treated as eligible under the common long-term incentive-plan applicable to other employees of Sanofi and its affiliates.

The Board of Directors is of the view that the Bid, in general, respects the best interests of the employees and management of Ablynx as a group.

5.4 VIEWS ON THE STRATEGIC PLANS OF SANOFI

The Board of Directors notes that the primary reasons underlying the Bid include the strong strategic fit between Ablynx's Nanobody platform and Sanofi's R&D model, notably focused on technology platforms addressing multiple disease targets with single complex molecules. Through its global footprint and R&D scale, Sanofi should be able to accelerate the development and maximize the commercial potential of Ablynx's ongoing programs, and to further leverage the platform with the introduction of new programs.

In this regard, the Board of Directors notes that Sanofi already entered into a collaboration with Ablynx in July 2017 to discover and develop certain multi-specific Nanobodies against selected targets (see Chapter 5.8.1.8 of the Prospectus).

The Board of Directors refers to the objectives and the intentions of Sanofi as explained in Chapter 6 of the Prospectus.

The Board of Directors notes that Sanofi agreed to implement an integration plan set out in Chapter 6.3.2.1 of the Prospectus and in Chapter 5.3 of the Response Memorandum. In this regard, the Board of Directors welcomes Sanofi's intention (i) to maintain Ablynx as a separate legal entity for a period of at least 24 months after the closing of the Bid, comprising the existing functionality and located in its current premises, and (ii) in order to minimise any disruption to the organisation, to ensure a smooth integration process and work to maximize the success of the ongoing development programs.

The Board of Directors notes that Sanofi intends to work with Ablynx to leverage Sanofi's commercial infrastructure to the benefit of Ablynx's programs to the maximum extent possible.

If the Bid is successful, Sanofi will replace the members of the Board of Directors. As long as Ablynx remains listed, it will need to have at least three Independent Directors. No decision has been taken on who will sit on the Board of Directors.

The Board of Directors notes that Sanofi reserves the right to request the delisting of (i) the Shares from admission to trading on the regulated market of Euronext Brussels, (ii) the Convertible Bonds from admission to trading on the open market of the Frankfurt MTF (*Freiverkehr*), and (iii) the ADSs from admission to trading on the NASDAQ Global Select Market, in accordance with the applicable legislation, even if there is no Squeeze Out. In the event of delisting of the Shares, the Convertible Bonds and the ADSs, the remaining Security Holders will hold illiquid financial instruments. The Board of Directors notes that the privatization of Ablynx would result in fundamental changes to Ablynx's articles of association and governance conditions.

The Board of Directors takes note of the arrangements relating to Sanofi Performance Shares set out in Chapter 6.3.2.2 of the Prospectus and in Chapter 5.3 of the Response Memorandum.

The Board of Directors takes note of the fact that (i) Sanofi shall carefully review the details of each significant collaboration agreement entered into by Ablynx, (ii) the collaboration partners of Ablynx might continue the existing collaborations, they might choose to transfer the technology and continue work on collaboration targets internally, or they might choose to terminate the collaboration with Ablynx and (iii) Sanofi has multiple existing collaborations and has also its own existing internal research programs. Sanofi is used to managing multiple collaborations.

Because of the above, the Board of Directors expects that the completion of the Bid and the underlying Sanofi strategy will have, in general, positive consequences for Ablynx, its employees and management, its R&D facility in Gent, Belgium and patients worldwide.

6 DECLARATION OF INTENT FOR SECURITIES HELD BY THE DIRECTORS AND THE PERSONS REPRESENTED IN FACT BY THE DIRECTORS

The relevant Directors have confirmed their intention to tender all their Shares in the Bid. The relevant Directors have confirmed their intention to conditionally exercise all their Warrants and to tender the underlying Shares in the Bid.

Below is an overview of the Securities owned by the Directors:

Greig Biotechnology Global Consulting, Inc.	– 6,434 Shares
Dr. Edwin Moses	– 509,200 Shares – 257,479 Warrants
William Jenkins Pharma Consulting	– 4,781 Warrants
Ms. Catherine Moukheibir	– 5,028 Warrants
Dr. Lutgart Van den Berghe	– 4,545 Shares
Mr. Remi Vermeiren	– 25,000 Shares

At the date of the Response Memorandum, neither the Directors, nor their permanent representatives (if any), were *de facto* representatives of any third parties.

At the date of the Response Memorandum, Ablynx did not own any Securities itself.

Following the announcement of the bid in accordance with article 5 of Takeover Decree on 29 January 2018:

- Ablynx issued 7,896 Shares pursuant to the conversion of 1 Convertible Bond on 26 February 2018,
- Ablynx issued 270,000 Warrants pursuant to the acceptance of warrants that were offered in January 2018 prior to the execution of the Heads of Agreement on 26 February 2018,
- Ablynx issued 179,781 new shares pursuant to the exercise of 284,781 warrants on 13 March 2018.

7 APPLICATION OF APPROVAL CLAUSES AND PRE-EMPTION RIGHTS

The articles of association of Ablynx do not provide for approval clauses nor for pre-emption rights with respect to the transfer of Securities.

8 INFORMATION TO THE EMPLOYEES OF ABLYNX

On 29 January 2018, the Works Council was informed of the announcement of the Bid in accordance with Article 42 of the Takeover Act.

On 20 February 2018, a draft of the Prospectus was submitted to the Works Council.

On 20 February 2018, the Works Council unanimously decided to waive the right to hear the representatives of the Board of Directors of Sanofi further to Article 45 of the Takeover Act.

On 6 March 2018, the Works Council issued its unanimous positive opinion on the Bid, which is attached to the Response Memorandum.

9 GENERAL PROVISIONS

9.1 RESPONSIBLE PERSONS

Ablynx, represented by its Board of Directors[23], is exclusively responsible for the content of the Response Memorandum, in accordance with Article 29, §1 of the Takeover Act.

Any information from third parties identified in the Response Memorandum as such has been accurately reproduced and, as far as Ablynx is aware and is able to ascertain from the information published by a third party, does not omit any facts which would render the reproduced information inaccurate or misleading.

Subject to the foregoing, Ablynx, represented by its Board of Directors, confirms that, to the best of its knowledge, the content of the Response Memorandum is accurate, not misleading and in accordance with the facts and it does not omit anything likely to affect the import of such information.

9.2 APPROVAL OF THE RESPONSE MEMORANDUM

The Dutch version of the Response Memorandum was approved, together with the Prospectus, by the FSMA on 27 March 2018 in accordance with article 28, §3 of the Takeover Act. Such approval does not imply an assessment or evaluation of the merits or quality of the Bid or of the position of Sanofi or Ablynx.

Apart from the FSMA, no other authority in any other jurisdiction has approved the Response Memorandum.

[23] See section 2 for the description of the composition of the Board of Directors.

9.3 INFORMATION CONTAINED IN THE RESPONSE MEMORANDUM

The information contained in the Response Memorandum is correct as of its date.

The Security Holders are requested to read the Prospectus and the Response Memorandum carefully and in their entirety and to base their decision to accept or not to accept the Bid on their own analysis of the terms and conditions of the Bid, taking into account the advantages and disadvantages it presents. Any summary or description contained in the Response Memorandum relating to legal provisions, corporate or restructuring transactions or contractual relations is provided for information purposes only and should not be construed as a legal or tax opinion on the interpretation or applicability of such provisions. If you are in doubt as to the substance or meaning of information contained in the Response Memorandum, you are recommended to seek independent advice from an accredited financial consultant or professional specialising in the purchase and sale of financial instruments.

9.4 AVAILABILITY OF THE RESPONSE MEMORANDUM

The Response Memorandum is published as Annex 8 to the Prospectus.

An electronic version of the Prospectus (including the Forms) can be found on the websites of the Receiving & Paying Agents (for BNP Paribas Fortis NV/SA, https://www.bnpparibasfortis.be/epargneretplacer (French and English) and https://www.bnpparibasfortis.be/sparenenbeleggen (Dutch and English); for KBC Securities NV/SA in cooperation with KBC Bank NV/SA, https://www.kbcsecurities.com/prospectus-documents-overviews/prospectus-overview, https://www.kbc.be, https://www.cbc.be and https://www.bolero.be), Sanofi (https://www.sanofi.com/en/investors/tender-offers-ablynx and https://www.sanofi.com/fr/investisseurs/offres-ablynx) and Ablynx (http://www.ablynx.com/investors/sanofi-takeover-bid/).

The Prospectus can also be obtained in hard copy free of charge (i) at the counters of the Receiving & Paying Agents or (ii) by contacting the Receiving & Paying Agents at +32 (0)2 433 41 13 (BNP Paribas Fortis NV/SA), +32 (0)78 15 21 53 (KBC Bank NV/SA, Dutch & English), +32 (0) 800 92 020 (CBC Banque NV/SA, French & English) or +32 32 83 29 81 (Bolero by KBC Securities NV/SA, Dutch, French & English).

The Prospectus is available in English and Dutch. The summary of the Prospectus is also available in French.

An electronic version of the Response Memorandum can be found on the abovementioned websites.

The Response Memorandum can also be obtained in hard copy free of charge at the registered office of Ablynx (Technologiepark 21, 9052 Zwijnaarde (Belgium)).

The Response Memorandum is available in English and Dutch.

Ablynx has verified the English translation of the Response Memorandum and is responsible for its consistency. In the case of differences between the Dutch and English versions of the Response Memorandum, the Dutch version will prevail.

9.5 SUPPLEMENTS TO THE RESPONSE MEMORANDUM

Each substantive new development, material mistake or inaccuracy in connection with the information included in the Response Memorandum that could influence the assessment of the Bid and that occurs or is determined between the time of approval of the Response Memorandum and the final closing of the Bid, shall be mentioned in a supplement to the Response Memorandum.

9.6 FORWARD LOOKING STATEMENTS

Certain statements, beliefs and opinions in the Response Memorandum are forward-looking, which reflect Ablynx's or, as appropriate, Ablynx's Directors' current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. A multitude of factors including, but not limited to, changes in demand, competition and technology, can cause actual events, performance or results to differ significantly from any anticipated development. Forward-looking statements contained in the Response Memorandum regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. As a result, Ablynx expressly disclaims any obligation or undertaking to release any update or revisions to any forward-looking statements in the Response Memorandum as a result of any change in expectations or any change in events, conditions, assumptions or circumstances on which these forward-looking statements are based. Neither Ablynx nor its advisers or representatives nor any of its parent or subsidiary undertakings or any such person's officers or employees guarantees that the assumptions underlying such forward-looking statements are free from errors nor does either accept any responsibility for the future accuracy of the forward-looking statements contained in the Response Memorandum or the actual occurrence of the forecasted developments. You should not place undue reliance on forward-looking statements, which speak only as of the date of the Response Memorandum.

9.7 APPLICABLE LAW AND JURISDICTION

The Bid is governed by Belgian law, in particular the Takeover Act and the Takeover Decree.

Any dispute relating to the Bid shall be submitted to the exclusive jurisdiction of the Market Court ("*Marktenhof*") (Belgium).

ANNEX 9. OPINION OF THE WORKS COUNCIL OF ABLYNX

OPINION OF THE WORKS COUNCIL OF ABLYNX

ABLYNX NV
Technologiepark 21, 9052 Ghent
RLE (Ghent, Ghent Division) 0475.295.446
(the "**Company**" or "**Ablynx**")

POSITION OF THE WORKS COUNCIL

VOLUNTARY AND CONDITIONAL PUBLIC TAKEOVER BID BY SANOFI S.A. FOR ABLYNX NV

6 March 2018

In accordance with article 42 of the Act of 1 April 2007 on public takeover bids (the "**Takeover Act**"), the Board of Directors of Ablynx has informed the works council of the intention of Sanofi S.A., a company incorporated under French law, with registered office at 54 rue La Boétie, 75008 Paris, France, registered at the Commercial- and Company Register (Paris) under number 395.030.844 ("**Sanofi**"), to launch a voluntary and conditional public takeover bid in cash for all shares (including American Depositary Shares), warrants and convertible bonds, issued by Ablynx, on 29 January 2018, immediately after publication of the bid by the FSMA.

The Board of Directors of Ablynx has provided the draft prospectus to the Works Council on 20 February 2018, and the Works Council has assumed that this draft will not be modified substantively with regard to Sanofi's strategic plans for Ablynx and their presumed consequences for the employment and business locations of Ablynx.

The works council has been informed on 20 February 2018 of Sanofi's intention to establish, in time, an integration plan.

In accordance with article 43 of the Takeover Act, the Board of Directors of Ablynx shall provide the Works Council with the prospectus approved by the FSMA. In accordance with article 44 of the Takeover Act, the Board of Directors of Ablynx shall provide the Works Council with its Response Memorandum ("*memorie van antwoord*").

The Works Council has been made aware of its right to hear representatives of Sanofi's administrative body at the latest ten days after the start of the acceptance period of the bid, as provided for by article 44 of the Takeover Act.

The Works Council unanimously decides to refrain from a hearing with Sanofi's CEO and accepts the proposal to organize a meeting in the third quarter of 2018, with employee representatives, union secretaries and Ablynx management, to further discuss the future of Ablynx.

Based on the information provided to the Works Council by the Board of Directors of Ablynx and by representatives of Sanofi's administrative body, the Works Council unanimously adopts the following position with regard to the bid.

The Works Council takes note of:

- Sanofi's success in the past, thanks to, amongst others, its commercial and industrial organization;
- The fact that Sanofi is a financially strong and stable company;
- The fact that the Nanobody platform is a strategic fit with Sanofi's R&D model and priorities;
- The fact that Sanofi intends to preserve Ablynx's current R&D-structure in Ghent;
- The fact that Sanofi commits to guarantee the compensation and benefits of employees for 24 months;
- The fact that Sanofi attaches great importance to the skills and experience of the Ablynx employees and their ongoing role in the further development of the activities;
- The fact that Sanofi offers Ablynx's employees a work environment less subject to the binary nature of a biotech organisation;
- The fact that Sanofi has the intention to further invest in Ablynx;
- The fact that the commercial strength of Sanofi is considerable and offers an advantage for the launch of caplacizumab;
- The fact that the success of the bid does not affect existing labour agreements or the applicable collective labour agreements, company-level collective labour agreements, customs or commitments applicable within Ablynx;
- Sanofi does not intend to restructure Ablynx in a first phase (2018), but will gradually and mainly in 2019, elaborate and implement an integration plan;
- Sanofi commits to allowing the employees to exercise their warrants efficiently in the upcoming period.

On the basis of the foregoing, the works council unanimously adopts a positive position with respect to the voluntary and conditional takeover bid of Sanofi, as described in the draft prospectus.

Done on 6 March 2018 in Zwijnaarde

BIDDER

Sanofi
4 rue La Boétie
75008 Paris
France

LEGAL ADVISORS TO THE BIDDER

As to Belgian law
NautaDutilh BVBA
Terhulpsesteenweg 120
1000 Brussels
Belgium

As to U.S. law
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
United States of America

AUDITORS TO THE BIDDER

PricewaterhouseCoopers Audit
63 Rue de Villiers
92200 Neuilly-sur-Seine
France

Ernst & Young et Autres
1-2 Place des Saisons - Paris la Défense 1
92400 Courbevoie
France