HALF-YEAR FINANCIAL REPORT

2015 Edition

SANOFI

2015
HALF-YEAR FINANCIAL REPORT

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

1 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS – ASSETS

(€ million)	Note	June 30, 2015	December 31, 2014
Property, plant and equipment	B.2.	10,540	10,396
Goodwill	B.3. - B.4.	40,661	39,197
Other intangible assets	B.3. - B.4.	14,401	14,543
Investments in associates and joint ventures	B.5.	2,458	2,384
Other non-current assets	B.6.	2,915	2,575
Deferred tax assets		4,923	4,860
Non-current assets		**75,898**	**73,955**
Inventories		7,147	6,562
Accounts receivable	B.7.	7,765	7,149
Other current assets		2,170	2,157
Current financial assets		226	218
Cash and cash equivalents	B.9.	4,701	7,341
Current assets		**22,009**	**23,427**
Assets held for sale or exchange		16	10
TOTAL ASSETS		**97,923**	**97,392**

The accompanying notes on pages 8 to 32 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED BALANCE SHEETS — LIABILITIES AND EQUITY

(€ million)	Note	June 30, 2015	December 31, 2014
Equity attributable to equity holders of Sanofi		56,618	56,120
Equity attributable to non-controlling interests		156	148
Total equity	**B.8.**	**56,774**	**56,268**
Long-term debt	**B.9.**	10,770	13,276
Non-current liabilities related to business combinations and to non-controlling interests	**B.11.**	1,132	1,133
Provisions and other non-current liabilities	**B.12.**	9,206	9,578
Deferred tax liabilities		3,742	4,105
Non-current liabilities		**24,850**	**28,092**
Accounts payable		3,969	3,651
Other current liabilities		8,223	7,712
Current liabilities related to business combinations and to non-controlling interests	**B.11.**	141	131
Short-term debt and current portion of long-term debt	**B.9.**	3,962	1,538
Current liabilities		**16,295**	**13,032**
Liabilities related to assets held for sale or exchange		4	—
TOTAL LIABILITIES AND EQUITY		**97,923**	**97,392**

The accompanying notes on pages 8 to 32 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

(€ million)	Note	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Net sales	**B.18.4.**	**18,188**	**15,917**	**33,770**
Other revenues		163	154	339
Cost of sales		(5,724)	(5,124)	(11,029)
Gross profit		**12,627**	**10,947**	**23,080**
Research and development expenses		(2,489)	(2,327)	(4,824)
Selling and general expenses		(5,086)	(4,333)	(9,107)
Other operating income		83	116	327
Other operating expenses		(170)	(87)	(163)
Amortization of intangible assets	**B.3.**	(1,229)	(1,301)	(2,482)
Impairment of intangible assets	**B.4.**	(28)	(74)	26
Fair value remeasurement of contingent consideration liabilities	**B.11.**	71	(132)	(303)
Restructuring costs	**B.15.**	(381)	(135)	(411)
Other gains and losses, and litigation		—	—	—
Operating income		**3,398**	**2,674**	**6,143**
Financial expenses	**B.16.**	(267)	(292)	(605)
Financial income	**B.16.**	58	157	193
Income before tax and associates and joint ventures		**3,189**	**2,539**	**5,731**
Income tax expense	**B.17.**	(739)	(624)	(1,171)
Share of profit/(loss) of associates and joint ventures		(66)	7	(51)
Net income		**2,384**	**1,922**	**4,509**
Net income attributable to non-controlling interests		59	61	119
Net income attributable to equity holders of Sanofi		**2,325**	**1,861**	**4,390**
Average number of shares outstanding (million)	**B.8.6.**	1,307.2	1,317.2	1,315.8
Average number of shares outstanding after dilution (million)	**B.8.6.**	1,322.0	1,333.8	1,331.1
– Basic earnings per share (in euros)		1.78	1.41	3.34
– Diluted earnings per share (in euros)		1.76	1.40	3.30

The accompanying notes on pages 8 to 32 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(€ million)	Note	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Net income		**2,384**	**1,922**	**4,509**
Attributable to equity holders of Sanofi		*2,325*	*1,861*	*4,390*
Attributable to non-controlling interests		*59*	*61*	*119*
Other comprehensive income:				
• Actuarial gains/(losses)	**B.12.**	772	(477)	(869)
• Tax effect		(180)	153	303
Sub-total: items not subsequently reclassifiable to profit or loss (a)		**592**	**(324)**	**(566)**
• Available-for-sale financial assets	**B.8.7.**	194	(3,101)	(2,760)
• Cash flow hedges		(6)	(2)	—
• Change in currency translation differences		1,858	377	2,506
• Tax effect	**B.8.7.**	(69)	330	250
Sub-total: items subsequently reclassifiable to profit or loss (b)		**1,977**	**(2,396)**	**(4)**
Other comprehensive income for the period, net of taxes (a+b)		**2,569**	**(2,720)**	**(570)**
Comprehensive income		**4,953**	**(798)**	**3,939**
Attributable to equity holders of Sanofi		*4,887*	*(861)*	*3,810*
Attributable to non-controlling interests		*66*	*63*	*129*

The accompanying notes on pages 8 to 32 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(€ million)	Share capital	Additional paid-in capital and retained earnings	Treasury shares	Stock options and other share-based payment	Other comprehensive income[1]	Attributable to equity holders of Sanofi	Attributable to non-controlling interests	Total equity
Balance at January 1, 2014	**2,649**	**53,072**	**(244)**	**2,390**	**(963)**	**56,904**	**129**	**57,033**
Other comprehensive income for the period	—	(324)	—	—	(2,398)	(2,722)	2	(2,720)
Net income for the period	—	1,861	—	—	—	1,861	61	1,922
Comprehensive income for the period	**—**	**1,537**	**—**	**—**	**(2,398)**	**(861)**	**63**	**(798)**
Dividend paid out of 2013 earnings (€2.80 per share)	—	(3,676)	—	—	—	(3,676)	—	(3,676)
Payment of dividends and equivalents to non-controlling interests	—	—	—	—	—	—	(69)	(69)
Share repurchase program[2]	—	—	(1,012)	—	—	(1,012)	—	(1,012)
Reduction in share capital[2]	(16)	(589)	605	—	—	—	—	—
Share-based payment plans:								
• Exercise of stock options	8	232	—	—	—	240	—	240
• Issuance of restricted shares	1	(1)	—	—	—	—	—	—
• Proceeds from sale of treasury shares on exercise of stock options	—	—	—	—	—	—	—	—
• Value of services obtained from employees	—	—	—	85	—	85	—	85
• Tax effects of the exercise of stock options	—	—	—	—	—	—	—	—
Change in non-controlling interests without loss of control	—	(43)	—	—	—	(43)	7	(36)
Balance at June 30, 2014	**2,642**	**50,532**	**(651)**	**2,475**	**(3,361)**	**51,637**	**130**	**51,767**
Other comprehensive income for the period	—	(242)	—	—	2,384	2,142	8	2,150
Net income for the period	—	2,529	—	—	—	2,529	58	2,587
Comprehensive income for the period	**—**	**2,287**	**—**	**—**	**2,384**	**4,671**	**66**	**4,737**
Payment of dividends and equivalents to non-controlling interests	—	—	—	—	—	—	(56)	(56)
Share repurchase program[2]	—	—	(789)	—	—	(789)	—	(789)
Reduction in share capital[2]	(20)	(725)	745	—	—	—	—	—
Share-based payment plans:								
• Exercise of stock options	14	426	—	—	—	440	—	440
• Issuance of restricted shares	3	(3)	—	—	—	—	—	—
• Employee share ownership plans	—	—	—	—	—	—	—	—
• Proceeds from sale of treasury shares on exercise of stock options	—	—	1	—	—	1	—	1
• Value of services obtained from employees	—	—	—	117	—	117	—	117
• Tax effects of the exercise of stock options	—	—	—	7	—	7	—	7
Change in non-controlling interests without loss of control	—	36	—	—	—	36	8	44
Balance at December 31, 2014	**2,639**	**52,553**	**(694)**	**2,599**	**(977)**	**56,120**	**148**	**56,268**
Other comprehensive income for the period	—	592	—	—	1,970	2,562	7	2,569
Net income for the period	—	2,325	—	—	—	2,325	59	2,384
Comprehensive income for the period	**—**	**2,917**	**—**	**—**	**1,970**	**4,887**	**66**	**4,953**
Dividend paid out of 2014 earnings (€2.85 per share)	—	(3,694)	—	—	—	(3,694)	(60)	(3,754)
Payment of dividends and equivalents to non-controlling interests	—	—	—	—	—	—	—	—
Share repurchase program[2]	—	—	(1,244)	—	—	(1,244)	—	(1,244)
Reduction in share capital[2]	(37)	(1,453)	1,490	—	—	—	—	—
Share-based payment plans:								
• Exercise of stock options	14	448	—	—	—	462	—	462
• Issuance of restricted shares	6	(6)	—	—	—	—	—	—
• Proceeds from sale of treasury shares on exercise of stock options	—	—	1	—	—	1	—	1
• Value of services obtained from employees	—	—	—	84	—	84	—	84
• Tax effects of the exercise of stock options	—	—	—	20	—	20	—	20
Change in non-controlling interests without loss of control	—	(18)	—	—	—	(18)	2	(16)
Balance at June 30, 2015	**2,622**	**50,747**	**(447)**	**2,703**	**993**	**56,618**	**156**	**56,774**

(1) See Note B.8.7.
(2) See Notes B.8.2. and B.8.3.

The accompanying notes on pages 8 to 32 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(€ million)	Note	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Net income attributable to equity holders of Sanofi		**2,325**	**1,861**	**4,390**
Non-controlling interests, excluding BMS[1]		11	4	10
Share of undistributed earnings of associates and joint ventures		114	23	142
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		1,982	1,981	3,777
Gains and losses on disposals of non-current assets, net of tax[2]		(44)	(116)	(249)
Net change in deferred taxes		(647)	(636)	(1,270)
Net change in provisions[3]		95	(202)	(403)
Cost of employee benefits (stock options and other share-based payments)		84	85	202
Impact of the workdown of acquired inventories remeasured at fair value		—	—	—
Unrealized (gains)/losses recognized in income		(270)	211	134
Operating cash flow before changes in working capital		**3,650**	**3,211**	**6,733**
(Increase)/decrease in inventories		(500)	(392)	(11)
(Increase)/decrease in accounts receivable		(286)	(210)	(23)
Increase/(decrease) in accounts payable		162	215	478
Net change in other current assets, current financial assets and other current liabilities		379	(290)	513
Net cash provided by/(used in) operating activities[4]		**3,405**	**2,534**	**7,690**
Acquisitions of property, plant and equipment and intangible assets	**B.2. – B.3.**	(935)	(637)	(1,557)
Acquisitions of investments in consolidated undertakings, net of cash acquired[5]	**B.1.**	(56)	(1,124)	(1,725)
Acquisitions of available-for-sale financial assets		(113)	(557)	(571)
Proceeds from disposals of property, plant and equipment, intangible assets and other non-current assets, net of tax[6]		92	182	269
Net change in loans and other financial assets		(15)	(16)	124
Net cash provided by/(used in) investing activities		**(1,027)**	**(2,152)**	**(3,460)**
Issuance of Sanofi shares	**B.8.1.**	462	240	680
Dividends paid:				
• to equity holders of Sanofi		(3,694)	(3,676)	(3,676)
• to non-controlling interests, excluding BMS[1]		(7)	(6)	(10)
Transactions with non-controlling interests, other than dividends		(8)	—	2
Additional long-term debt contracted	**B.9.1.**	2	5	2,980
Repayments of long-term debt	**B.9.1.**	(456)	(1,081)	(3,032)
Net change in short-term debt		(116)	1,191	(324)
Acquisitions of treasury shares	**B.8.2.**	(1,244)	(1,012)	(1,801)
Disposals of treasury shares, net of tax		1	—	1
Net cash provided by/(used in) financing activities		**(5,060)**	**(4,339)**	**(5,180)**
Impact of exchange rates on cash and cash equivalents		**42**	**6**	**34**
Net change in cash and cash equivalents		**(2,640)**	**(3,951)**	**(916)**
Cash and cash equivalents, beginning of period		**7,341**	**8,257**	**8,257**
Cash and cash equivalents, end of period	**B.9.**	**4,701**	**4,306**	**7,341**

(1) See Note C.2. to the financial statements for the year ended December 31, 2014.
(2) Includes available-for-sale financial assets.
(3) This line item includes contributions paid to pension funds (see Note B.12.).
(4) Includes:

– Income tax paid	(1,059)	(1,355)	(2,697)
– Interest paid (excluding cash flows on derivative instruments used to hedge debt)	(190)	(186)	(445)
– Interest received (excluding cash flows on derivative instruments used to hedge debt)	31	33	68
– Dividends received from non-consolidated entities	5	3	5

(5) This line item also includes payments made in respect of contingent consideration identified and recognized as a liability in business combinations.
(6) This line item includes proceeds from disposals of investments in consolidated entities and of other non-current financial assets.

The accompanying notes on pages 8 to 32 are an integral part of the condensed half-year consolidated financial statements.

NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2015

INTRODUCTION

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

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

The condensed consolidated financial statements for the six months ended June 30, 2015 were reviewed by the Sanofi Board of Directors at the Board meeting on July 29, 2015.

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

A.1. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The half-year consolidated financial statements have been prepared and presented in condensed format in accordance with IAS 34 (Interim Financial Reporting). The accompanying notes therefore relate to significant events and transactions of the period, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

The accounting policies used in the preparation of the consolidated financial statements as of June 30, 2015 comply with international financial reporting standards (IFRS) as endorsed by the European Union and as issued by the International Accounting Standards Board (IASB). The accounting policies applied as of June 30, 2015 are identical to those described in the notes to the published consolidated financial statements as of December 31, 2014.

IFRS as endorsed by the European Union as of June 30, 2015 are available under the heading "IAS/IFRS Standards and Interpretations" via the following web link:

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

A.2. USE OF ESTIMATES

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

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

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

Actual results could differ from these estimates.

A.3. SEASONAL TRENDS

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

A.4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

(3) For business combinations completed prior to application of the revised IFRS 3, contingent consideration is recognized when payment becomes probable. See Note B.3.1. to the consolidated financial statements for the year ended December 31, 2014.

A.5. CONSOLIDATION AND FOREIGN CURRENCY TRANSLATION OF THE FINANCIAL STATEMENTS OF VENEZUELAN SUBSIDIARIES

In 2015, 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 met.

In February 2015, the Venezuelan government announced a reform to the foreign exchange system, which now consists of three exchange rates: the CENCOEX official rate which remains unchanged; an administered rate of approximately 12 bolivars per U.S. dollar (the SICAD rate); and a rate determined on the basis of the rates applied to market transactions of around 200 bolivars per U.S. dollar (the SIMADI rate).

For the purposes of preparing the consolidated financial statements, the financial statements of Sanofi's Venezuelan subsidiaries have been translated into euros on the basis of the CENCOEX official exchange rate, which is the rate used for the bulk of the foreign-currency transactions of those entities. This applies in particular to payments made to settle transactions with other consolidated Group entities.

In the first half of 2015, Venezuela contributed €399 million to consolidated net sales. The amount of cash held as of June 30, 2015 was €461 million, of which €457 million was subject to exchange controls (see Note B.9.). Although at this stage the CENCOEX official exchange rate is still applicable, Sanofi is exposed to a risk of devaluation of the Venezuelan bolivar. The table below shows, for information purposes, the estimated amount that would have been reported for the items mentioned above if the SICAD rate had been applied in translating (i) the foreign-currency liabilities recorded in the books of the Venezuelan subsidiaries and (ii) the local financial statements for the purpose of preparing the consolidated financial statements.

Estimated amounts in € million based on the SICAD exchange rate (12 bolivars per U.S. dollar)	
Contribution to consolidated net sales [(1)]	273
Cash	244
Additional foreign exchange loss on translation of the foreign-currency accounts of Venezuelan subsidiaries [(2)]	(30)

(1) Impact also includes the restatement arising from the application of an estimated general price index in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies).
(2) Relates mainly to foreign-currency liabilities due to Group entities.

B/ Significant information for the first half of 2015

B.1. IMPACT OF CHANGES IN THE SCOPE OF CONSOLIDATION

The impacts of acquisitions made during the period are not material at Group level.

No material businesses or companies were divested during the period.

B.2. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment during the first half of 2015 amounted to €532 million. These included €406 million of investments in the Pharmaceuticals segment, primarily in industrial facilities (€220 million). The Vaccines segment accounted for €100 million of investments during the period, and the Animal Health segment for €26 million.

The group recognized impairment losses of €72 million against property, plant and equipment in the first half of 2015, mainly in the Pharmaceuticals segment.

Firm orders for property, plant and equipment stood at €435 million as of June 30, 2015.

B.3. GOODWILL AND OTHER INTANGIBLE ASSETS

Movements in intangible assets other than goodwill during the first half of 2015 were as follows:

(€ 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	62	245	61	368
Disposals and other decreases	(19)	(1,032)	(4)	(1,055)
Currency translation differences	143	2,735	32	2,910
Transfers[2]	(258)	266	13	21
Gross value at June 30, 2015	**3,410**	**55,344**	**1,342**	**60,096**
Accumulated amortization & impairment at January 1, 2015	**(2,041)**	**(40,352)**	**(916)**	**(43,309)**
Amortization expense	—	(1,236)	(53)	(1,289)
Impairment losses, net of reversals[1]	(20)	(8)	—	(28)
Disposals and other decreases	19	1,029	4	1,052
Currency translation differences	(89)	(2,004)	(22)	(2,115)
Transfers[2]	—	—	(6)	(6)
Accumulated amortization & impairment at June 30, 2015	**(2,131)**	**(42,571)**	**(993)**	**(45,695)**
Carrying amount at January 1, 2015	1,441	12,778	324	14,543
Carrying amount at June 30, 2015	**1,279**	**12,773**	**349**	**14,401**

(1) See Note B.4.
(2) 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.

Acquisitions of other intangible assets (excluding software) during the first half of 2015 amounted to €307 million.

The item “Products, trademarks and other rights” mainly comprises:

- marketed products, with a carrying amount of €12.1 billion as of June 30, 2015 (versus €12.3 billion as of December 31, 2014) and a weighted average amortization period of approximately 10 years;

- trademarks, with a carrying amount of €0.4 billion as of June 30, 2015 and December 31, 2014 and a weighted average amortization period of approximately 13 years.

The table below provides information about the principal marketed products, representing 89% of the carrying amount of that item as of June 30, 2015:

(€ million)	Gross value	Amortization and impairment	Carrying amount at June 30, 2015	Amortization period[1] (in years)	Residual amortization period[2] (in years)	Carrying amount at December 31, 2014
Genzyme	10,438	(4,566)	5,872	10	8	5,788
Aventis	32,508	(30,784)	1,724	9	4	1,993
Merial	4,464	(2,456)	2,008	10	5	2,060
Chattem	1,337	(380)	957	22	18	910
Zentiva	902	(684)	218	9	5	249
Total: principal marketed products	**49,649**	**(38,870)**	**10,779**			**11,000**

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

Goodwill amounted to €40,661 million as of June 30, 2015 versus €39,197 million as of December 31, 2014. The movement during the first half of 2015 was due to currency translation differences.

B.4. IMPAIRMENT OF INTANGIBLE ASSETS

The results of impairment tests conducted in accordance with IAS 36 (Impairment of Assets) as of June 30, 2015 led to the recognition of a net impairment loss of €28 million. This mainly relates to the discontinuation of development projects.

B.5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

For definitions of the terms “associate” and “joint venture”, refer to Note B.1. to the consolidated financial statements for the year ended December 31, 2014.

Investments in associates and joint ventures break down as follows:

(€ million)	% interest	June 30, 2015	December 31, 2014
Regeneron Pharmaceuticals, Inc.[1]	22.1	2,021	1,942
Sanofi Pasteur MSD	50.0	256	261
InfraServ GmbH & Co. Höchst KG	31.2	71	90
Entities and companies managed by Bristol-Myers Squibb[2]	49.9	45	42
Other investments	—	65	49
Total		**2,458**	**2,384**

(1) Sanofi’s investment in Regeneron Pharmaceuticals, Inc. has been included in ***Investments in associates and joint ventures*** since April 2014.
(2) Under the terms of the agreements with Bristol-Myers Squibb (BMS) (see Note C.2. to the consolidated financial statements for the year ended December 31, 2014), the Group’s share of the net assets of entities majority-owned by BMS is recorded in ***Investments in associates and joint ventures***.

The investment in Regeneron had a market value of €10,425 million as of June 30, 2015, based on a quoted market price of $510.30 per share as of that date (versus €7,724 million as of December 31, 2014, based on a quoted market price of $410.25 per share as of that date).

The financial statements include commercial transactions between the Group and certain of its associates and joint ventures that are regarded as related parties. The principal transactions and balances with related parties (including Regeneron from April 1, 2014) are summarized below:

(€ million)	June 30, 2015	June 30, 2014	December 31, 2014
Sales	55	48	210
Royalties	11	16	25
Accounts receivable	83	45	57
Purchases and other expenses (including research expenses)[1]	329	217	613
Accounts payable	234	21	216
Other liabilities[1]	14	104	9

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

B.6. OTHER NON-CURRENT ASSETS

Other non-current assets comprise:

(€ million)	June 30, 2015	December 31, 2014
Available-for-sale financial assets[1]	1,734	1,361
Pre-funded pension obligations	62	59
Long-term loans and advances and other non-current receivables	732	711
Financial assets recognized under the fair value option	262	225
Derivative financial instruments	125	219
Total	**2,915**	**2,575**

(1) Includes the market value of the equity interest in Alnylam: €1,077 million as of June 30, 2015, and €728 million as of December 31, 2014.

B.7. ACCOUNTS RECEIVABLE

Accounts receivable break down as follows:

(€ million)	June 30, 2015	December 31, 2014
Gross value	7,928	7,326
Allowances	(163)	(177)
Carrying amount	**7,765**	**7,149**

The impact of allowances against accounts receivable in the first half of 2015 was a net expense of €10 million (versus a net expense of €11 million for the first half of 2014).

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

(€ million)	Overdue accounts gross value	Overdue < 1 month	Overdue from 1 to 3 months	Overdue from 3 to 6 months	Overdue from 6 to 12 months	Overdue > 12 months
June 30, 2015	853	262	183	177	72	159
December 31, 2014	849	277	189	126	87	170

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

Some Sanofi subsidiaries have assigned receivables to factoring companies or banks without recourse. The amount of receivables that met the conditions described in Note B.8.7. to the consolidated financial statements for the year ended December 31, 2014 and hence were derecognized was €426 million as of June 30, 2015 (versus €428 million as of December 31, 2014). The residual guarantees relating to these transfers were immaterial as of June 30, 2015.

B.8. CONSOLIDATED SHAREHOLDERS' EQUITY

B.8.1. Share capital

As of June 30, 2015, the share capital stood at €2,622,047,650 and consisted of 1,311,023,825 shares (the total number of shares outstanding) with a par value of €2.

Treasury shares held by the Group are as follows:

	Number of shares in million	% of share capital for the period
June 30, 2015	4.9	0.37%
December 31, 2014	9.5	0.72%
June 30, 2014	8.7	0.66%
January 1, 2014	3.6	0.27%

A total of 7,070,331 shares were issued in the first half of 2015 as a result of the exercise of Sanofi stock subscription options.

In addition, a total of 3,068,835 shares vested and were issued under restricted share plans in the first half of 2015.

B.8.2. Repurchase of Sanofi shares

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), the Group repurchased 150,000 of its own shares during May and June 2015 for a total amount of €13 million.

On May 5, 2014, 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), the Group repurchased 13,748,572 of its own shares during the first half of 2015 for a total amount of €1,230 million.

In addition, transactions carried out under the liquidity contract in the first half of 2015 had a negative effect of €1 million on equity.

B.8.3. Reductions in share capital

On April 29, 2015, the Board of Directors approved the cancellation of 18,482,786 treasury shares (€1,490 million including additional paid-in capital), representing 1.41% of the share capital as of June 30, 2015.

Those cancellations had no effect on shareholders' equity.

B.8.4. Restricted share plans

Restricted share plans are accounted for in accordance with the policies described in Note B.24.3. to the consolidated financial statements for the year ended December 31, 2014. The principal features of the plan awarded in 2015 are set forth below:

Type of plan	2015 Performance share plan
Date of Board meeting approving the plan	June 24, 2015
Total number of shares awarded	3,832,840
Of which subject to a 4-year service period	2,546,420
Fair value per share awarded[(1)]	79.52
Of which subject to a 3-year service period	1,286,420
Fair value per share awarded[(1)]	82.96
Fair value of plan at the date of grant (€ million)	**309**

(1) 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 and performance share plans in the six months ended June 30, 2015 was €81 million, versus €79 million in the comparable period of 2014.

The number of shares not yet fully vested as of June 30, 2015 was 14,235,051, comprising 3,832,840 under the 2015 plans; 3,807,365 under the 2014 plans; 4,061,550 under the 2013 plans; and 2,533,296 under the 2012 plans.

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.

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

The fair value of the PSU plan (based on vested rights and inclusive of social security charges) as of June 30, 2015, and recognized as a liability as of that date, was €19 million.

B.8.5. Stock option plans

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.

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

- dividend yield: 3.64%;
- plan maturity: 7 years;
- volatility of Sanofi shares, computed on a historical basis: 27.52%;
- risk-free interest rate: 0.654%.

On this basis, the fair value of one option is €16.12, and the fair value of the stock subscription option plan awarded in June 2015 is €7 million. This amount is recognized as an expense over the vesting period, with the matching entry recognized directly in equity.

The total expense recognized for all stock options in the six months ended June 30, 2015 was €3 million, versus €6 million in the comparable period of 2014.

The table below provides summary information about options outstanding and exercisable as of June 30, 2015:

	Outstanding			Exercisable	
Range of exercise prices per share	Number of options	Average residual life (in years)	Weighted average exercise price per share (€)	Number of options	Weighted average exercise price per share (€)
From €1.00 to €10.00 per share	3,670	0.54	8.56	3,670	8.56
From €10.00 to €20.00 per share	8,100	0.77	10.85	8,100	10.85
From €30.00 to €40.00 per share	152,381	3.75	38.08	152,381	38.08
From €40.00 to €50.00 per share	2,501,019	3.67	45.09	2,501,019	45.09
From €50.00 to €60.00 per share	5,483,819	5.06	53.93	4,780,708	53.56
From €60.00 to €70.00 per share	7,532,053	1.96	64.61	7,532,053	64.61
From €70.00 to €80.00 per share	1,725,725	8.25	72.92	—	—
From €80.00 to €90.00 per share	435,000	9.99	89.38	—	—
Total	**17,841,767**			**14,977,931**	
of which stock purchase options	*164,151*				
of which stock subscription options	*17,677,616*				

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

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

(in million)	June 30, 2015	June 30, 2014	December 31, 2014
Average number of shares outstanding	1,307.2	1,317.2	1,315.8
Adjustment for stock options with dilutive effect	6.6	6.3	6.3
Adjustment for restricted shares	8.2	10.3	9.0
Average number of shares outstanding used to compute diluted earnings per share	**1,322.0**	**1,333.8**	**1,331.1**

As of June 30, 2015, 0.4 million stock options were not taken into account in computing diluted earnings per share because they had no dilutive effect, compared with 1.7 million as of December 31, 2014 and 1.8 million as of June 30, 2014.

B.8.7. Other comprehensive income

Movements in other comprehensive income are shown below:

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Balance, beginning of period	**(2,315)**	**(1,745)**	**(1,745)**
Attributable to equity holders of Sanofi	*(2,287)*	*(1,707)*	*(1,707)*
Attributable to non-controlling interests	*(28)*	*(38)*	*(38)*
Actuarial gains/(losses)			
• Actuarial gains/(losses) excluding associates and joint ventures	772	(477)	(863)
• Actuarial gains/(losses) on associates and joint ventures, net of taxes	—	—	(6)
• Tax effect	(180)	153	303
Items not subsequently reclassifiable to profit or loss	**592**	**(324)**	**(566)**
Available-for-sale financial assets			
• Change in fair value excluding associates and joint ventures[1]	201	(3,101)[2]	(2,768)[2]
• Change in fair value: associates and joint ventures, net of taxes	(7)	—	8
• Tax effect[1]	(71)	329	250
Cash flow hedges:			
• Change in fair value excluding associates and joint ventures[3]	(6)	(2)	—
• Change in fair value: associates and joint ventures, net of taxes	—	—	—
• Tax effect[3]	2	1	—
Change in currency translation differences:			
• Currency translation differences on foreign subsidiaries[3]	1,696	375	2,334
• Currency translation differences on associates and joint ventures[3]	164	2	172
• Hedges of net investments in foreign operations	(2)	—	—
• Tax effect	—	—	—
Items subsequently reclassifiable to profit or loss	**1,977**	**(2,396)**	**(4)**
Balance, end of period	**254**	**(4,465)**	**(2,315)**
Attributable to equity holders of Sanofi	*275*	*(4,429)*	*(2,287)*
Attributable to non-controlling interests	*(21)*	*(36)*	*(28)*

(1) Includes reclassifications to profit or loss: €(22) million in the first half of 2015, €(78) million in the first half of 2014, and €(79) million for 2014 as a whole.
(2) Impact mainly due to Regeneron (Notes D.1 and D.7. to the consolidated financial statements for the year ended December 31, 2014).
(3) The amounts reclassified to profit or loss were immaterial in 2015 and 2014.

B.9. DEBT, CASH AND CASH EQUIVALENTS

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

(€ million)	June 30, 2015	December 31, 2014
Long-term debt	10,770	13,276
Short-term debt and current portion of long-term debt	3,962	1,538
Interest rate and currency derivatives used to hedge debt	(303)	(295)
Total debt	**14,429**	**14,519**
Cash and cash equivalents[(1)]	(4,701)	(7,341)
Interest rate and currency derivatives used to hedge cash and cash equivalents	(2)	(7)
Debt, net of cash and cash equivalents	**9,726**	**7,171**

(1) Includes €457 million held by Venezuelan subsidiaries as of June 30, 2015 (€242 million as of December 31, 2014) that is subject to exchange controls.

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

B.9.1. Debt at value on redemption

A reconciliation of the carrying amount of debt to value on redemption as of June 30, 2015 is shown below:

(€ million)	Carrying amount June 30, 2015	Amortized cost	Adjustment to debt measured at fair value	Value on redemption	
				June 30, 2015	December 31, 2014
Long-term debt	10,770	52	(150)	10,672	13,125
Short-term debt and current portion of long-term debt	3,962	2	(33)	3,931	1,536
Interest rate and currency derivatives used to hedge debt	(303)	—	138	(165)	(121)
Total debt	**14,429**	**54**	**(45)**	**14,438**	**14,540**
Cash and cash equivalents	(4,701)	—	—	(4,701)	(7,341)
Interest rate and currency derivatives used to hedge cash and cash equivalents	(2)	—	—	(2)	(7)
Debt, net of cash and cash equivalents	**9,726**	**54**	**(45)**	**9,735**	**7,192**

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

(€ million)	June 30, 2015			December 31, 2014		
	Non-current	Current	Total	Non-current	Current	Total
Bond issues	10,124	3,352	13,476	12,579	843	13,422
Other bank borrowings	481	260	741	486	355	841
Finance lease obligations	54	17	71	47	15	62
Other borrowings	13	5	18	13	4	17
Bank credit balances	—	297	297	—	319	319
Interest rate and currency derivatives used to hedge debt	(19)	(146)	(165)	(32)	(89)	(121)
Total debt	**10,653**	**3,785**	**14,438**	**13,093**	**1,447**	**14,540**
Cash and cash equivalents	—	(4,701)	(4,701)	—	(7,341)	(7,341)
Interest rate and currency derivatives used to hedge cash and cash equivalents	—	(2)	(2)	—	(7)	(7)
Debt, net of cash and cash equivalents	**10,653**	**(918)**	**9,735**	**13,093**	**(5,901)**	**7,192**

Principal financing and debt reduction transactions during the period

Sanofi made no new bond issues during the first half of 2015.

A $500 million fixed-rate bond issue carried out by Genzyme Corp. in June 2010 was redeemed on maturity on June 15, 2015.

Sanofi had the following arrangements in place as of June 30, 2015 to manage its liquidity in connection with current operations:

- a syndicated credit facility of €4 billion, drawable in euros and in U.S. dollars, now due to expire on December 19, 2019 following the exercise of an initial one-year extension option in December 2014. This facility has a one-year extension option;
- a syndicated credit facility of €4 billion, drawable in euros and in U.S. dollars, due to expire on December 8, 2019. This facility has two extension options of one year each.

As of June 30, 2015, neither of those facilities was drawn down.

The Group also has two commercial paper programs, of €6 billion in France and $10 billion in the United States. During the first half of 2015, only the U.S. program was used, with an average drawdown of €2.3 billion. As of June 30, 2015, neither of those programs was drawn down.

The financing in place as of June 30, 2015 at the level of the holding company (which manages most of the Group's financing needs centrally) is not subject to any financial covenants, and contains no clauses linking credit spreads or fees to the credit rating.

B.9.2. Market value of debt

The market value of debt, net of cash and cash equivalents and of derivatives, was €10,063 million as of June 30, 2015 (versus €7,730 million as of December 31, 2014). This compares with a value on redemption of €9,735 million (versus €7,192 million as of December 31, 2014).

B.10. DERIVATIVE FINANCIAL INSTRUMENTS

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

The table below shows operating currency hedging instruments in place as of June 30, 2015. The notional amount is translated into euros at the relevant closing exchange rate.

As of June 30, 2015 (€ million)			Of which derivatives designated as cash flow hedges			Of which derivatives not eligible for hedge accounting	
	Notional amount	Fair value	Notional amount	Fair value	Of which recognized in equity	Notional amount	Fair value
Forward currency sales	**3,085**	**(13)**	**—**	**—**	**—**	**3,085**	**(13)**
• *of which U.S. dollar*	*1,409*	*(13)*	—	—	—	*1,409*	*(13)*
• *of which Japanese yen*	*306*	*2*	—	—	—	*306*	*2*
• *of which Chinese yuan renminbi*	*288*	*(8)*	—	—	—	*288*	*(8)*
• *of which Russian rouble*	*136*	*5*	—	—	—	*136*	*5*
• *of which Saudi riyal*	*100*	*1*	—	—	—	*100*	*1*
Forward currency purchases	**1,250**	**(11)**	**—**	**—**	**—**	**1,250**	**(11)**
• *of which U.S. dollar*	*368*	*(2)*	—	—	—	*368*	*(2)*
• *of which Singapore dollar*	*188*	—	—	—	—	*188*	—
• *of which Chinese yuan renminbi*	*92*	*(1)*	—	—	—	*92*	*(1)*
• *of which Hungarian forint*	*91*	*(2)*	—	—	—	*91*	*(2)*
• *of which Swiss franc*	*89*	—	—	—	—	*89*	—
Total	**4,335**	**(24)**	**—**	**—**	**—**	**4,335**	**(24)**

The above positions mainly hedge material foreign-currency cash flows arising after the end of the reporting period in relation to transactions carried out during the six months ended June 30, 2015 and recognized in the consolidated balance sheet at that date. Gains and losses on hedging instruments (forward contracts) are calculated and recognized in parallel with the recognition of gains and losses on the hedged items. Due to this hedging relationship, the commercial foreign exchange difference arising on these items (hedging instruments and hedged transactions) in the second half of 2015 will be immaterial.

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

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

That foreign exchange exposure is hedged by Sanofi using firm financial instruments (currency swaps and forward contracts) contracted with banking counterparties.

The table below shows financial currency hedging instruments in place as of June 30, 2015. The notional amount is translated into euros at the relevant closing exchange rate.

As of June 30, 2015 (€ million)	Notional amount	Fair value	Expiry
Forward currency sales	**3,206**	**(149)**	
• *of which U.S. dollar*	*2,445*	*(148)*	*2015*
• *of which Japanese yen*	*405*	*(4)*	*2015*
• *of which Hungarian forint*	*71*	*1*	*2015*
Forward currency purchases	**1,929**	**(6)**	
• *of which U.S. dollar*[(1)]	*493*	*(4)*	*2015*
• *of which Singapore dollar*	*384*	*1*	*2015*
• *of which Czech koruna*	*213*	—	*2015*
Total	**5,135**	**(155)**	

(1) Includes $211 million designated as cash flow hedges. The fair value and the spot component of these derivatives is recognized in equity, and represent a negative amount of €6 million.

To limit risk and optimize the cost of its short-term and medium-term net debt, Sanofi uses derivative instruments that alter the interest rate and/or currency structure of its debt and cash. The table below shows instruments of this type in place as of June 30, 2015:

	Notional amount by expiry date as of June 30, 2015								Of which derivatives designated as fair value hedges		Of which derivatives designated as cash flow hedges		
(€ million)	2015	2016	2017	2019	2020	2021	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	13	500	13	—	—	—
pay capitalized EONIA / receive 1.90%	—	1,000	—	1,550	—	—	2,550	140	2,550	140	—	—	—
pay 3-month Euribor / receive 1.15%	—	—	428	—	—	—	428	—	—	—	—	—	—
pay 3-month US dollar Libor / receive 2.22%	—	—	—	—	447	—	447	11	447	11	—	—	—
pay 1.22% / receive 3-month US dollar Libor	—	—	447	—	—	—	447	(4)	—	—	447	(4)	(3)
Cross-currency swaps													
pay € 4.87% / receive CHF 3.38%	244	—	—	—	—	—	244	143	—	—	244	143	3
Currency swaps													
pay USD / receive €	—	89	—	—	—	—	89	2	—	—	—	—	—
Total	**244**	**1,589**	**875**	**1,550**	**447**	**—**	**4,705**	**305**	**3,497**	**164**	**691**	**139**	**—**

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

For a description of the nature of the liabilities reported in the line item ***Liabilities related to business combinations and to non-controlling interests***, refer to Note B.8.5. to the financial statements for the year ended December 31, 2014.

The liabilities related to business combinations and to non-controlling interests shown in the table below are level 3 instruments under the IFRS 7 fair value hierarchy (see Note A.4.), 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 during the first half of 2015 are shown below:

		Liabilities related to business combinations			
(€ million)	Liabilities related to non-controlling interests[1]	CVRs issued in connection with the acquisition of Genzyme[2]	Bayer contingent consideration arising from the acquisition of Genzyme	Other	Total
Balance at January 1, 2015	**178**	**154**	**896**	**36**	**1,264**[4]
Payments made	—	—	(19)	(7)	(26)
Fair value remeasurements through profit or loss: (gain)/loss (including unwinding of discount)[3]	1	(18)	(39)	(15)	(71)
Other movements	7	—	—	—	7
Currency translation differences	7	12	77	3	99
Balance at June 30, 2015	**193**	**148**	**915**	**17**	**1,273**
Split as follows:					
• Current					141
• Non-current					1,132

(1) Put options granted to non-controlling interests and commitment to future buyout of non-controlling interests held by BMS.
(2) Based on the quoted market price per CVR of $0.70 as of June 30, 2015 and $0.79 as of December 31, 2014.
(3) Amounts reported in the income statement line item ***Fair value remeasurement of contingent consideration liabilities***.
(4) As of January 1, 2015, this comprised €1,133 million due after more than one year and €131 million due within less than one year.

Liabilities related to business combinations and to non-controlling interests as of June 30, 2015 mainly comprised the Bayer contingent consideration liability arising from the acquisition of Genzyme in 2011, amounting to €915 million.

As of June 30, 2015, Bayer was still entitled to receive the following potential payments:

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

The fair value of this liability was measured at €915 million as of June 30, 2015, versus €896 million as of December 31, 2014.

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 point, the fair value of the Bayer liability would increase by approximately 4%.

B.12. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

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

(€ million)	Provisions for pensions and other post-employment benefits	Provisions for other long-term benefits	Restructuring provisions	Other provisions	Other non-current liabilities	Total
Balance at January 1, 2015	**4,873**	**650**	**835**	**3,076**	**144**	**9,578**
Changes in scope of consolidation	—	—	—	13	—	13
Increases in provisions and other liabilities	156[1]	72	191	191[2]	70	680
Provisions utilized	(189)[1]	(50)	(3)	(72)	—	(314)
Reversals of unutilized provisions	(36)[1]	(7)	(17)	(57)[2]	(5)	(122)
Transfers[3]	1	10	(152)	7	—	(134)
Net interest related to employee benefits, and unwinding of discount	55	3	3	18	—	79
Currency translation differences	107	21	3	57	10	198
Actuarial gains/losses on defined-benefit plans	(772)	—	—	—	—	(772)
Balance at June 30, 2015	**4,195**	**699**	**860**	**3,233**	**219**	**9,206**

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

(2) Amounts charged and reversed during the first half of 2015 were largely due to reassessments of tax risks and the resolution of various procedures under way with the tax authorities of several countries.

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

Provisions for pensions and other post-employment benefits

For disclosures about the sensitivity of obligations in respect of pensions and other employee benefits, and about the assumptions used as of December 31, 2014, see Note D.19.1. to the consolidated financial statements for the year ended December 31, 2014.

The principal assumptions used (in particular, discount rates and the market value of plan assets) for the euro zone, the United States and the United Kingdom were reviewed as of June 30, 2015 to take into account changes during the first half of 2015.

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

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Actuarial gains/(losses) on plan assets	140	319	646
Actuarial gains/(losses) on benefit obligations	632[1]	(796)	(1,509)
Decrease/(increase) in provisions	**772**	**(477)**	**(863)**

(1) The movement during the first half of 2015 includes the effect of the rise in discount rates (in a range between +0.25% and +0.50%), and in the case of some annuities a rise in the employer's top-up contribution rate and a broadening of the scope of that contribution.

B.13. OFF BALANCE SHEET COMMITMENTS

Off balance sheet commitments to third parties arise under collaboration agreements entered into by Sanofi (see Note D.21.1. to the consolidated financial statements for the year ended December 31, 2014).

The agreements signed during the first half of 2015 gave rise to the following new commitments:

- Payments associated with projects in the research phase: €0.5 billion.
- Payments contingent on the attainment of specified sales targets once a product reaches the market: €0.4 billion.
- Potential milestone payments relating to development projects under collaboration agreements entered into during the first half of 2015: €0.2 billion.

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

- On February 11, 2015, Voyager Therapeutics and Genzyme announced a collaboration agreement for the discovery, development and commercialization of new gene therapies to treat serious disorders of the central nervous system.
- On February 18, 2015, Sanofi announced a collaboration and licensing agreement with Lead Pharma for the discovery, development and commercialization of small-molecule therapies directed against ROR gamma t nuclear hormone receptors to treat auto-immune disorders.
- On May 27, 2015, Sanofi and Retrophin, Inc. announced an agreement for the transfer of a Rare Pediatric Disease Priority Review Voucher (Pediatric PRV).

In February 2015, Sanofi and Regeneron Pharmaceuticals, Inc. (Regeneron) signed an amendment to their collaboration agreement in oncology to develop the Vascular Endothelial Growth Factor (VEGF) Trap program. Under the terms of this amendment, Regeneron no longer has a contingent contractual obligation to reimburse 50% of the development costs of Zaltrap® initially funded by Sanofi. As of December 31, 2014, the balance of development costs initially funded by Sanofi amounted to €0.8 billion.

In April 2015, Sanofi and Kyowa Hakko Kirin discontinued their collaboration and licensing agreement under which Sanofi obtained the worldwide rights to the anti-LIGHT fully-human monoclonal antibody.

B.14. LEGAL AND ARBITRATION PROCEEDINGS

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

The matters discussed below constitute the most significant developments since publication of the disclosures concerning legal proceedings in the Company's financial statements for the year ended December 31, 2014.

a) Patents

- *Ramipril Canada Patent Litigation*

On April 20, 2015, the Supreme Court of Canada dismissed Sanofi's appeal of the Court of Appeals decision with respect to Apotex, thereby affirming the decision of the Court of Appeals. The Riva Section 8 case, which had been stayed pending resolution of the Supreme Court Appeal, is now proceeding.

- *Plavix® Patent Litigation in Australia*

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 June 2015, the Court of Appeals heard oral argument on one of these legal questions. The Court's decision is pending.

- *Alirocumab Patent Litigation in the U.S.*

In April 2015, the Court set a case schedule with a trial date in March 2016.

b) Other litigation and arbitration

- *U.S. Shareholder Securities Class Action*

On May 19, 2015, plaintiffs filed a consolidated amended complaint in the putative U.S. shareholder securities class action originally filed on December 4, 2014 in the U.S. District Court for the Southern District of New York. In the consolidated amended complaint, Sanofi and its former CEO are named as defendants in a putative class action lawsuit filed on behalf of purchasers of Sanofi American Depositary Receipts (ADRs) between February 7, 2013 and October 29, 2014. The lawsuit as amended alleges that Sanofi's public disclosures materially misrepresented or failed to disclose (i) growth in the diabetes franchise was boosted by improper payments to healthcare providers; (ii) selling and general expenses included the improper payments; and (iii) Sanofi lacked adequate internal controls. Sanofi has notified to the court its intention to submit a motion to dismiss the consolidated amended complaint.

- *CVR Class Action*

On February 20, 2015, the lead plaintiff Deerhaven Capital filed a notice of appeal concerning the U.S. district court's dismissal of the purported CVR class action. Subsequently, on February 27, 2015, the individual plaintiffs also filed a notice of appeal. The appeals are now pending before the U.S. Court of Appeal for the Second Circuit.

c) Contingencies arising from certain Business Divestitures

- *Rhodia Retained Liabilities*

The French Supreme Court's decision was rendered in Sanofi's favor on May 12, 2015. The case is over.

B.15. RESTRUCTURING COSTS

Restructuring costs break down as follows:

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Employee-related expenses	48	70	260
Expenses related to property, plant and equipment	96	24	89
Compensation for early termination of contracts (other than contracts of employment)	(3)	1	22
Decontamination costs	1	—	(1)
Other restructuring costs	239	40	41
Total	**381**	**135**	**411**

The restructuring costs recognized in the first half of 2015 are attributable mainly to the implementation of a transformation agreement for biomedical research in France that will secure jobs over the coming years.

B.16. FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise the following items:

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Cost of debt[1]	(173)	(177)	(361)
Interest income	31	33	68
Cost of debt, net of cash and cash equivalents	**(142)**	**(144)**	**(293)**
Non-operating foreign exchange gains/(losses)	—	6	2
Unwinding of discount on provisions[2]	(21)	(36)	(74)
Net interest cost related to employee benefits	(58)	(70)	(142)
Gains/(losses) on disposals of financial assets	22	81[3]	83[3]
Impairment losses on financial assets, net of reversals	(4)	(5)	(15)
Other items	(6)	33[4]	27[4]
Net financial income/(expenses)	**(209)**	**(135)**	**(412)**
Comprising: Financial expenses	**(267)**	**(292)**	**(605)**
Financial income	**58**	**157**	**193**

(1) Includes net gain on interest and currency derivatives used to hedge debt: €41 million for the six months ended June 30, 2015, versus €42 million for the six months ended June 30, 2014 and €84 million for the year ended December 31, 2014.
(2) Primarily on provisions for environmental risks and restructuring provisions (see Note B.12.).
(3) Mainly comprises the gain arising on the disposal of the equity interest in Isis Pharmaceuticals.
(4) Includes a €35 million gain arising on the purchase of an equity interest in Alnylam, reflecting the difference between the value based on the quoted market price and the transaction price at the acquisition date (see Note D.7. to the consolidated financial statements for the year ended December 31, 2014).

The impact of hedge ineffectiveness during the six months ended June 30, 2015 was immaterial.

B.17. INCOME TAX EXPENSE

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

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

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Current taxes	(1,384)	(1,247)	(2,421)
Deferred taxes	645	623	1,250
Total	**(739)**	**(624)**	**(1,171)**
Income before tax and associates and joint ventures	**3,189**	**2,539**	**5,731**

The difference between the effective tax rate (on income before taxes and associates and joint ventures) and the standard corporate income tax rate applicable in France is explained as follows:

(as a percentage)	June 30, 2015[1] (6 months)	June 30, 2014[1] (6 months)	December 31, 2014 (12 months)
Standard tax rate applicable in France	34.4	34.4	34.4
Difference between the standard French tax rate and the rates applicable to the Group[2]	(15.0)	(12.1)	(12.5)
Tax rate differential on intragroup margin in inventory[3]	0.7	(1.4)	(0.5)
Tax effects of the share of profits reverting to BMS[4]	(0.5)	(0.8)	(0.7)
Contribution on distributed income (3%)[5]	3.4	4.3	1.9
CVAE tax in France[6]	0.8	1.1	0.9
Reassessments of tax exposures and settlements of tax disputes	(1.6)	—	(2.7)
Fair value remeasurement of contingent consideration liabilities	(0.4)	0.4	0.4
Other items[7]	1.4	(1.3)	(0.8)
Effective tax rate	**23.2**	**24.6**	**20.4**

(1) Rate calculated on the basis of the estimated effective tax rate for the full financial year (see Note A.2.).
(2) 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.
(3) 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.
(4) Reported on the line ***Attributable to non-controlling interests*** in the consolidated income statement.
(5) Entities liable to corporate income tax in France are also liable to pay an additional tax contribution in respect of amounts distributed by the entity.
(6) Net impact on the effective tax rate (current taxes, impact of the tax deduction, and deferred taxes).
(7) "Other items" includes the net impact (current and deferred taxes) of the *Contribution Exceptionnelle* in France. That impact is immaterial at Group level. It also includes the net tax effect associated with holdings in the Group's subsidiaries.

B.18. SEGMENT INFORMATION

The Group consists of three operating segments: Pharmaceuticals, Human Vaccines (Vaccines) and Animal Health. All other activities are combined in a separate segment, Other.

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

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

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

The Other segment includes all activities that do not qualify as reportable segments under IFRS 8.

Inter-segment transactions are not material.

B.18.1. Segment results

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

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

- the amounts reported in the line items ***Restructuring costs***, ***Fair value remeasurement of contingent consideration liabilities*** and ***Other gains and losses, and litigation*** are eliminated;
- amortization and impairment losses charged against intangible assets (excluding software and other rights) are eliminated;
- the share of profits/losses of associates and joint ventures 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 in associates and joint ventures) are eliminated;
- restructuring costs relating to associates and joint ventures are eliminated;
- the additional expense relating to the U.S. Branded Prescription Drug Fee, booked in 2014 following publication in July 2014 of the final IRS regulation on this issue, is eliminated because it is non-recurring and unrelated to segment performance.

Segment results are shown in the table below:

	June 30, 2015 (6 months)				
(€ million)	Pharmaceuticals	Vaccines	Animal Health	Other	Total
Net sales	**15,255**	**1,584**	**1,349**	—	**18,188**
Other revenues	129	14	20	—	163
Cost of sales	(4,442)	(826)	(456)	—	(5,724)
Research and development expenses	(2,143)	(262)	(84)	—	(2,489)
Selling and general expenses	(4,310)	(344)	(432)	—	(5,086)
Other operating income and expenses	(39)	2	5	(55)	(87)
Share of profit/(loss) of associates and joint ventures	61	—	—	—	61
Net income attributable to non-controlling interests	(62)	—	—	—	(62)
Business operating income	**4,449**	**168**	**402**	**(55)**	**4,964**

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

(€ million)	December 31, 2014 (12 months) Pharmaceuticals	Vaccines	Animal Health	Other	Total
Net sales	**27,720**	**3,974**	**2,076**	**—**	**33,770**
Other revenues	272	33	34	—	339
Cost of sales	(8,282)	(1,948)	(799)	—	(11,029)
Research and development expenses	(4,174)	(493)	(157)	—	(4,824)
Selling and general expenses	(7,692)	(614)	(682)	(3)	(8,991)
Other operating income and expenses	194	2	20	(52)	164
Share of profit/(loss) of associates and joint ventures	106	40	1	—	147
Net income attributable to non-controlling interests	(126)	—	(1)	—	(127)
Business operating income	**8,018**	**994**	**492**	**(55)**	**9,449**

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

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Business operating income	**4,964**	**4,290**	**9,449**
Share of profit/(loss) of associates and joint ventures [1]	(61)	(39)	(147)
Net income attributable to non-controlling interests [2]	62	65	127
Amortization of intangible assets	(1,229)	(1,301)	(2,482)
Impairment of intangible assets	(28)	(74)	26
Fair value remeasurement of contingent consideration liabilities	71	(132)	(303)
Expenses arising from the impact of acquisitions on inventories	—	—	—
Restructuring costs	(381)	(135)	(411)
Additional expense related to U.S. Branded Prescription Drug Fee[3]	—	—	(116)
Operating income	**3,398**	**2,674**	**6,143**
Financial expenses	(267)	(292)	(605)
Financial income	58	157	193
Income before tax and associates and joint ventures	**3,189**	**2,539**	**5,731**

(1) Excluding (i) restructuring costs of associates and joint ventures and (ii) expenses arising from the impact of acquisitions on associates and joint ventures.
(2) Excluding the portion attributable to non-controlling interests of the adjustments shown in the table above.
(3) Annual fee relating to 2013 sales: the IRS reforms of July 2014 altered the date on which the liability is recognized, such that the expense recognized during 2014 was based on both 2013 and 2014 sales.

B.18.2. Other segment information

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

The principal associates and joint ventures are: for the Pharmaceuticals segment, Regeneron Pharmaceuticals, Inc. (since April 2014, see Note C.1. to the consolidated financial statements for the year ended December 31, 2014), the entities majority owned by BMS (see Note C.2. to the consolidated financial statements for the year ended December 31, 2014), and Infraserv GmbH & Co. Höchst KG; and for the Vaccines segment, Sanofi Pasteur MSD.

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

(€ million)	June 30, 2015			
	Pharmaceuticals	Vaccines	Animal Health	Total
Investments in associates and joint ventures	2,193	259	6	2,458
Acquisitions of property, plant and equipment	443	117	34	594
Acquisitions of other intangible assets	200	11	130	341

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

(€ million)	December 31, 2014			
	Pharmaceuticals	Vaccines	Animal Health	Total
Investments in associates and joint ventures	2,115	264	5	2,384
Acquisitions of property, plant and equipment	787	217	81	1,085
Acquisitions of other intangible assets	435	49	23	507

B.18.3. Information by geographical region

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

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

(€ million)	June 30, 2015					
	Total	Europe	Of which France	North America	Of which United States	Other countries
Net sales	**18,188**	**5,231**	***1,251***	**6,542**	***6,226***	**6,415**
Non-current assets:						
– property, plant and equipment	10,540	6,203	*3,759*	3,024	*2,598*	1,313
– goodwill [(1)]	39,191	15,022		17,258		6,911
– other intangible assets	14,401	2,716		8,855		2,830

(1) Excluding the goodwill allocated in full to the Animal Health segment (see Note D.5. to the consolidated financial statements for the year ended December 31, 2014). Goodwill allocated to the Animal Health segment amounted to €1,470 million as of June 30, 2015.

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

(1) Excluding the goodwill allocated in full to the Animal Health segment (see Note D.5. to the consolidated financial statements for the year ended December 31, 2014). Goodwill allocated to the Animal Health segment amounted to €1,207 million as of June 30, 2014.

(€ million)	December 31, 2014					
	Total	Europe	Of which France	North America	Of which United States	Other countries
Net sales	**33,770**	**10,406**	***2,474***	**11,911**	***11,339***	**11,453**
Non-current assets:						
– property, plant and equipment	10,396	6,330	*3,848*	2,830	*2,428*	1,236
– goodwill [(1)]	37,841	15,021		15,939		6,881
– other intangible assets	14,543	2,907		8,600		3,036

(1) Excluding the goodwill allocated in full to the Animal Health segment (see Note D.5. to the consolidated financial statements for the year ended December 31, 2014). Goodwill allocated to the Animal Health segment amounted to €1,356 million as of December 31, 2014.

As stated in Notes B.6.1. and D.5. to the consolidated financial statements for the year ended December 31, 2014, France is not a cash-generating unit. Consequently, information about goodwill is provided for Europe.

B.18.4. Net sales and credit risk

The Group's three largest customers respectively accounted for approximately 10.5%, 7.2% and 5.6% of gross revenues in the first half of 2015 (compared with approximately 7.9%, 7.3% and 4.6% in the first half of 2014).

Net sales

Sanofi's net sales comprise net sales generated by the Pharmaceuticals segment, the Vaccines segment and the Animal Health segment (see section C.3.1.1. of the half-year management report).

C/ Events subsequent to June 30, 2015

- In July 2015, Sanofi announced that a new structure would be put in place from January 2016 based on five global business units: General Medicine and Emerging Markets, Specialty Care, Diabetes and Cardiovascular, Sanofi Pasteur, and Merial.

- On July 27, 2015, Sanofi and Genzyme announced that they had entered into a definitive agreement with AstraZeneca to acquire **Caprelsa®** (vandetanib), a rare disease therapy indicated for the treatment of symptomatic or progressive medullary thyroid carcinoma in patients with unresectable locally advanced or metastatic disease. Currently available in 28 countries, the product is in Phase III development for differentiated thyroid carcinoma, with the study expected to finish in the second half of 2015. Under the terms of the agreement, Genzyme will pay AstraZeneca up to $300 million, including an upfront payment of $165 million to acquire the global rights to sell and further develop Caprelsa®, and further development and sales milestone payments of up to $135 million. The transaction is subject to closing conditions, including the receipt of antitrust clearance from the US Federal Trade Commission, and is expected to complete in the second half of 2015.

- On July 28, 2015, Sanofi and Regeneron Pharmaceuticals, Inc. 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 agreement, the two companies will jointly develop a programmed cell death protein 1 (PD-1) inhibitor currently in Phase 1 testing, and plan to initiate clinical trials in 2016 with new therapeutic candidates based on ongoing, innovative preclinical programs. Sanofi will make an upfront payment to Regeneron of $640 million and the companies will invest $1 billion for discovery through proof of concept (POC) development (usually a Phase 2a study) of monotherapy and novel combinations of immuno-oncology antibody candidates to be funded 25 percent by Regeneron ($250 million) and 75 percent by Sanofi ($750 million). The companies have also committed to equally fund an additional $650 million (or $325 million per company) for development of REGN2810, a PD-1 inhibitor. In addition, Sanofi will pay to Regeneron a one-time milestone of $375 million 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 exceed, in the aggregate, $2 billion in any consecutive 12-month period. Finally, the two companies have agreed to re-allocate $75 million (over three years) for immuno-oncology antibodies from Sanofi's $160 million annual contribution to their existing antibody collaboration, which otherwise continues as announced in November 2009. Beyond the committed funding, additional funding will be allocated as programs enter post-POC development.

- On July 29, 2015, Sanofi received a Notice of Breach (the “Notice”) from American Stock Transfer & Title Company, LLC, as trustee (the “Trustee”) under the Contingent Value Rights Agreement, dated March 30, 2011 (the “CVR Agreement”), by and between Sanofi-Aventis (“Sanofi”) and the Trustee. The Notice claims that Sanofi has breached the CVR Agreement, including but not limited to, (i) Section 7.10 of the CVR Agreement, by failing to use Diligent Efforts to achieve the Approval Milestone and the Product Sales Milestones; and (ii) the implied covenant of good faith and fair dealing (all capitalized terms as defined in the CVR Agreement). The Notice demands that such breaches be remedied. Pursuant to the CVR Agreement, if the alleged breaches are not remedied, the Trustee may commence suit against Sanofi 90 days following the delivery of the Notice. Sanofi is currently reviewing the Notice.

2 HALF-YEAR MANAGEMENT REPORT

A/ Significant events of the first half of 2015

A.1. PHARMACEUTICALS

A.1.1. Acquisitions and alliances

- In February 2015, Sanofi announced a research collaboration and licensing agreement with the Dutch biotechnology company **Lead Pharma** for the discovery, development and commercialization of small-molecule therapies directed against "ROR gamma t" nuclear hormone receptors to treat a broad range of auto-immune disorders including rheumatoid arthritis, psoriasis and inflammatory bowel disease, which are among the most common.

- Also in February 2015, Genzyme and **Voyager Therapeutics** (a gene therapy company) entered into a strategic collaboration agreement for the discovery, development and commercialization of new adeno-associated virus (AAV) gene therapies to treat serious disorders of the central nervous system. The collaboration covers programs targeting serious and debilitating conditions such as Parkinson's disease, Friedreich's ataxia and Huntington's disease.
- In May 2015, Sanofi signed an agreement with Retrophin, Inc. with a view to acquiring a Rare Pediatric Disease Priority Review Voucher (Pediatric PRV) for a total consideration of $245 million. The transaction was completed in early July 2015. This PRV enables the review period for a new drug application (NDA) to the U.S. Food and Drug Administration (FDA) to be shortened from ten to six months.

A.1.2. Filings for marketing authorization for new products

- On January 19, 2015, the European Commission granted marketing authorization for **Cerdelga®** (eliglustat) capsules, a first-line oral therapy for certain adults living with Gaucher disease type 1. A small number of adult patients who metabolize Cerdelga® more quickly or at an undetermined rate, as detected by an established genetic laboratory test, will not be eligible for Cerdelga® treatment. Cerdelga® has also been approved in Australia (February) and Japan (March).

- In January 2015, Sanofi and Regeneron Pharmaceuticals, Inc. (Regeneron) announced that the FDA had accepted for priority review the Biologics License Application (BLA) for **Praluent®** (alirocumab), an investigational monoclonal antibody targeting PCSK9 (proprotein convertase subtilisin/kexin type 9) and intended for the treatment of patients with hypercholesterolemia. The BLA contains data from more than 5,000 patients included in 10 Phase III ODYSSEY trials. Marketing authorization was granted on July 24, 2015.

- On February 25, 2015, the FDA approved **Toujeo®** (insulin glargine [rDNA origin] injection, 300 U/mL), a once-daily long-acting basal insulin to improve glycemic control in adults living with type 1 and type 2 diabetes. This approval was based on results from the EDITION clinical trials program, which comprised a series of international Phase III studies evaluating the efficacy and safety of Toujeo® compared to Lantus® (insulin glargine [rDNA origin] injection, 100 U/mL) in more than 3,500 adults with type 1 or type 2 diabetes who were uncontrolled on their current therapy. Toujeo® has been available in the United States since the end of March 2015.

- In April 2015, the European Commission granted marketing authorization for **Toujeo®** (insulin glargine [rDNA origin] injection, 300 U/ml) for the treatment of adults with type 1 and type 2 diabetes.
- In May 2015, the FDA granted Breakthrough Therapy designation to **olipudase alfa**, an investigational enzyme replacement therapy developed by Genzyme for the treatment of Niemann-Pick disease type B, on the basis of data from a Phase Ib clinical trial. Breakthrough Therapy designation is intended to expedite the development and review of investigational new drugs that target serious or life-threatening conditions.

A.1.3. Research and development

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

The principal clinical trial results announced during the first half of 2015 were as follows:

- In March 2015, Sanofi announced the first results from the ELIXA Phase IIIb study evaluating the cardiovascular safety of **Lyxumia®** (lixisenatide) versus placebo in a high-risk population of adults with type 2 diabetes. The study showed that lixisenatide was not inferior to placebo in terms of cardiovascular safety, but did not demonstrate its superiority.
- In March 2015, Sanofi and Regeneron announced the publication of 18-month (78-week) results from the ODYSSEY LONG TERM Phase III trial of the investigational drug **Praluent®** (alirocumab) in 2,341 high-risk patients with hypercholesterolemia. Treatment with Praluent® 150 mg every two weeks reduced low-density lipoprotein cholesterol (LDL-C or "bad" cholesterol) by an additional 62% at week 24 when compared to placebo. Lowering of LDL-C, which is the primary efficacy endpoint of the study, was also maintained consistently over 78 weeks.
- In April 2015, the FDA granted Fast Track designation for the development of GZ/SAR402671, a new investigational oral substrate reduction therapy for the treatment of Fabry disease that is currently in Phase IIa of development.
- In May 2015, Sanofi and Regeneron announced additional positive results from a pivotal Phase IIb study of **dupilumab** in adult patients with moderate-to-severe asthma who are uncontrolled despite treatment with inhaled corticosteroids and long-acting beta agonists. The study achieved its primary endpoint of improving lung function in asthma patients with high blood eosinophils counts. A Phase III study was launched at the end of April 2015.
- In May 2015, Sanofi and Regeneron announced positive preliminary results from the SARIL-RA-TARGET Phase III study of **sarilumab**, an investigational, fully-human IL6 receptor antibody, in the treatment of rheumatoid arthritis patients who were inadequate responders to or intolerant of TNF-alpha inhibitors. The study met its co-primary efficacy endpoints of a greater improvement in signs and symptoms of rheumatoid arthritis at 24 weeks, and physical function at 12 weeks, compared to placebo.
- In June 2015, Sanofi announced positive results from the EDITION JP 1 and EDITION JP 2 Phase III extension studies in Japanese patients with uncontrolled diabetes. These results demonstrated similar blood sugar control with **Toujeo®** as compared to Lantus®, but with fewer people experiencing night-time low blood sugar during the 12 months of the study.

The principal decisions taken during the first half of 2015 in terms of project development were as follows:

- Sanofi decided to return to ImmunoGen the rights to the anti-CD19 monoclonal antibody that was being evaluated in Phase II.

- Phase II development of a combination of XL765 (Exelixis) with pimasertib (Merck KGaA) was halted.

- Sanofi decided not to proceed with the development of SAR252067, an anti-LIGHT monoclonal antibody that was being evaluated for Crohn's disease in Phase I. The worldwide rights were returned to Kyowa Hakko Kirin.

- Sanofi decided not to proceed with the development of its GZ402663 gene therapy for age-related macular degeneration.

- Olipudase alfa (GZ402665), an investigational enzyme replacement therapy for the treatment of Niemann-Pick disease type B, moved into Phase II.

- Sanofi waived its rights to anti-GDF8 monoclonal antibody SAR391786 (myostatin, in collaboration with Regeneron), which was being evaluated for the treatment of sarcopenia in the elderly.

- Sanofi decided not to proceed with the development of fresolimumab in focal segmental glomerulosclerosis.

A.2. HUMAN VACCINES (Vaccines)

- In March 2015, the FDA licensed Quadracel® (vaccine against diphtheria, tetanus, pertussis and polio) for children aged from 4 to 6 years.

A.3. ANIMAL HEALTH

- In February 2015, Merial completed the acquisition of two equine health products from Bayer HealthCare: Legend®/Hyonate® (hyaluronate sodium), an injectable solution that treats non-infectious joint dysfunction in horses, and Marquis® (ponazuril), an antiprotozoal oral paste approved by the FDA for the treatment of equine protozoal myeloencephalitis.

A.4. OTHER SIGNIFICANT EVENTS OF THE FIRST HALF OF 2015

A.4.1. Corporate governance

- On April 2, 2015, Olivier Brandicourt took office as Chief Executive Officer of Sanofi.

- On May 4, 2015, the Annual General Meeting of Sanofi shareholders was held in Paris, France. All of the resolutions were adopted, including the distribution of a cash dividend of €2.85 per share payable from May 13, 2015. The meeting also approved the co-opting of Bonnie Bassler and Olivier Brandicourt as Directors, and the reappointment of Serge Weinberg, Suet-Fern Lee and Bonnie Bassler to serve for a four-year term of office (i.e. until the Annual General Meeting held to approve the financial statements for the year ended December 31, 2018). At the Board meeting that followed the Annual General Meeting, Serge Weinberg was reappointed as Chairman of the Board of Directors and Jean-René Fourtou was appointed as Chairman of the Compensation Committee.

A.4.2. Legal and arbitration proceedings

For a description of the most significant developments in legal and arbitration proceedings since publication of the financial statements for the year ended December 31, 2014, refer to Note B.14. to the condensed half-year consolidated financial statements.

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

Patents

- *Lantus® and Lantus® Solostar® Patent Litigation (United States, France and Japan)*

In the United States, Eli Lilly and Company ("Lilly") informed Sanofi in March 2015 that it had withdrawn its second 505(b)(2) application from FDA review. On May 8, 2015, the Court ordered the parties' joint stipulation of dismissal of this case in light of Lilly's withdrawal of its second 505(b)(2) application from FDA review. This case is now closed. The case on the first 505(b)(2) application remains outstanding and is scheduled for trial in September 2015.

In France, Sanofi unilaterally withdrew a lawsuit against Lilly regarding the compound and the process patent in June 2015. The case is now terminated on the merits. The case on a device patent is still pending.

In Japan, the request for preliminary injunction against Lilly's insulin glargine biosimilar pre-loaded in its MirioPen® was withdrawn by Sanofi in July 2015.

B/ Events subsequent to June 30, 2015

- On July 3, 2015, Sanofi announced that **Lantus XR®** (insulin glargine [rDNA origin] injection, 300 U/ml) had obtained marketing authorization in Japan as a treatment for type 1 and other types of diabetes requiring insulin therapy. Lantus XR® is known as Toujeo® in the United States and Europe.

- On July 15, 2015, Sanofi announced its intention to change its business structure by creating five global business units: General Medicine and Emerging Markets, Specialty Care, Diabetes and Cardiovascular, Sanofi Pasteur, and Merial. The new structure will be put in place at the start of January 2016. The necessary legal processes and consultations with employee representative bodies will take place in accordance with the relevant legislation. There will be no change in the composition of the Executive Committee.

- On July 24, 2015, the FDA approved **Praluent®** (alirocumab) Injection, a PCSK9 inhibitor indicated as an adjunct to diet and maximally tolerated statin therapy for the treatment of adults with heterozygous familial hypercholesterolemia or clinical atherosclerotic cardiovascular disease (ASCVD) who require additional lowering of low-density lipoprotein (LDL). The effect of Praluent® on cardiovascular morbidity and mortality has not been determined. On the same day, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) adopted a positive opinion on the marketing authorization of Praluent®, recommending its approval for use in certain adult patients with hypercholesterolemia. The European Commission is expected to make a final decision on the marketing authorization application for Praluent® in the European Union in September 2015.

- On July 27, 2015, Sanofi and Genzyme announced that they had entered into a definitive agreement with AstraZeneca to acquire **Caprelsa®** (vandetanib), a rare disease therapy indicated for the treatment of symptomatic or progressive medullary thyroid carcinoma in patients with unresectable locally advanced or metastatic disease. Currently available in 28 countries, the product is in Phase III development for differentiated thyroid carcinoma, with the study expected to finish in the second half of 2015. Under the terms of the agreement, Genzyme will pay AstraZeneca up to $300 million, including an upfront payment of $165 million to acquire the global rights to sell and further develop

Caprelsa®, and further development and sales milestone payments of up to $135 million. The transaction is subject to closing conditions, including the receipt of antitrust clearance from the US Federal Trade Commission, and is expected to complete in the second half of 2015.

- On July 28, 2015, Sanofi and **Regeneron** entered into a new collaboration to discover, develop and commercialize new antibody cancer treatments in the emerging field of immuno-oncology. As part of the agreement, the two companies will jointly develop a programmed cell death protein 1 ("PD-1") inhibitor currently in Phase I testing, and plan to initiate clinical trials in 2016 with new therapeutic candidates based on ongoing, innovative preclinical programs. Sanofi will make an upfront payment to Regeneron of $640 million and the companies will invest $1 billion for discovery through proof of concept 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). The companies have also committed to equally fund an additional $650 million (or $325 million per company) for development of REGN2810, a PD-1 inhibitor. In addition, Sanofi will pay to Regeneron a one-time milestone of $375 million 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 exceed, in the aggregate, $2 billion in any consecutive 12-month period. Finally, the two companies have agreed to re-allocate $75 million (over three years) for immuno-oncology antibodies from Sanofi's $160 million annual contribution to their existing antibody collaboration, which otherwise continues as announced in November 2009. Beyond the committed funding, additional funding will be allocated as programs enter post-proof of concept development.

- On July 29, 2015, Sanofi announced that the LixiLan-O Phase III clinical trial had met its primary objective in patients with type 2 diabetes treated with metformin. The fixed-ratio combination of insulin glargine 100 units/mL and **lixisenatide**, a GLP-1 receptor antagonist, demonstrated statistically superior reduction in HbA1c (average blood glucose over the previous three months) compared with lixisenatide and compared with insulin glargine 100 units/mL. Overall, the fixed-ratio combination had a safety profile reflecting those of lixisenatide and insulin glargine 100 units/mL. The study will be completed in the third quarter of 2015. Following an analysis of results from both Phase III studies, LixiLan-O and LixiLan-L, Sanofi will determine the next steps in the regulatory process.

C/ Consolidated financial statements for the first half of 2015

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

C.1. CONSOLIDATED RESULTS OF OPERATIONS

Consolidated income statements for the six months ended June 30, 2014 and June 30, 2015

(€ million)	June 30, 2015	as % of net sales	June 30, 2014	as % of net sales
Net sales	**18,188**	**100.0%**	**15,917**	**100.0%**
Other revenues	163	0.9%	154	1.0%
Cost of sales	(5,724)	(31.5%)	(5,124)	(32.2%)
Gross profit	**12,627**	**69.4%**	**10,947**	**68.8%**
Research and development expenses	(2,489)	(13.7%)	(2,327)	(14.6%)
Selling and general expenses	(5,086)	(28.0%)	(4,333)	(27.2%)
Other operating income	83		116	
Other operating expenses	(170)		(87)	
Amortization of intangible assets	(1,229)		(1,301)	
Impairment of intangible assets	(28)		(74)	
Fair value remeasurement of contingent consideration liabilities	71		(132)	
Restructuring costs	(381)		(135)	
Other gains and losses, and litigation	—		—	
Operating income	**3,398**	**18.7%**	**2,674**	**16.8%**
Financial expenses	(267)		(292)	
Financial income	58		157	
Income before tax and associates and joint ventures	**3,189**	**17.5%**	**2,539**	**16.0%**
Income tax expense	(739)		(624)	
Share of profit/(loss) of associates and joint ventures	(66)		7	
Net income	**2,384**	**13.1%**	**1,922**	**12.1%**
Net income attributable to non-controlling interests	59		61	
Net income attributable to equity holders of Sanofi	**2,325**	**12.8%**	**1,861**	**11.7%**
Average number of shares outstanding (million)	1,307.2		1,317.2	
Average number of shares outstanding after dilution (million)	1,322.0		1,333.8	
Basic earnings per share (in euros)	1.78		1.41	
Diluted earnings per share (in euros)	1.76		1.40	

C.2. SEGMENT INFORMATION

Operating segments

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

We have defined our operating segments as "Pharmaceuticals", "Human Vaccines (Vaccines)" and "Animal Health". All other activities are combined in a separate segment, "Other".

Segment results

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

- the amounts reported in the line items ***Restructuring costs***, ***Fair value remeasurement of contingent consideration liabilities*** and ***Other gains and losses, and litigation*** are eliminated;
- amortization and impairment losses charged against intangible assets (excluding software and other rights) are eliminated;
- the share of profits/losses of associates and joint ventures 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 in associates and joint ventures) are eliminated;
- restructuring costs relating to associates and joint ventures are eliminated;
- the additional expense relating to the U.S. Branded Prescription Drug Fee, booked in 2014 following publication in July 2014 of the final IRS regulation on this issue, is eliminated because it is non-recurring and unrelated to segment performance.

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

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Business operating income	**4,964**	**4,290**	**9,449**
Share of profit/(loss) of associates and joint ventures [1]	(61)	(39)	(147)
Net income attributable to non-controlling interests [2]	62	65	127
Amortization of intangible assets	(1,229)	(1,301)	(2,482)
Impairment of intangible assets	(28)	(74)	26
Fair value remeasurement of contingent consideration liabilities	71	(132)	(303)
Expenses arising from the impact of acquisitions on inventories [3]	—	—	—
Restructuring costs	(381)	(135)	(411)
Additional expense related to U.S. Branded Prescription Drug Fee [4]	—	—	(116)
Operating income	**3,398**	**2,674**	**6,143**
Financial expenses	(267)	(292)	(605)
Financial income	58	157	193
Income before tax and associates and joint ventures	**3,189**	**2,539**	**5,731**

(1) Excluding (i) restructuring costs of associates and joint ventures and (ii) expenses arising from the impact of acquisitions on associates and joint ventures.
(2) Excluding (i) restructuring costs and (ii) other adjustments attributable to non-controlling interests.
(3) This line records the impact of the workdown of acquired inventories remeasured at fair value at the acquisition date.
(4) Annual fee relating to 2013 U.S. sales: the IRS reforms of July 2014 altered the date on which the liability is recognized, such that the expense recognized during 2014 was based on both 2013 and 2014 sales.

Business net income

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

Business net income for the first half of 2015 was €3,566 million, 15.6% higher than the 2014 first half figure of €3,084 million, and represented 19.6% of net sales (versus 19.4% in the first half of 2014).

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

Business earnings per share was €2.73 in the first half of 2015, 16.7% higher than the 2014 first-half figure of €2.34, based on an average number of shares outstanding of 1,307.2 million in the first half of 2015 and 1,317.2 million in the first half of 2014.

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

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

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Business net income	**3,566**	**3,084**	**6,847**
Amortization of intangible assets	(1,229)	(1,301)	(2,482)
Impairment of intangible assets	(28)	(74)	26
Fair value remeasurement of contingent consideration liabilities	71	(132)	(303)
Expenses arising from the impact of acquisitions on inventories	—	—	—
Restructuring costs	(381)	(135)	(411)
Other gains and losses, and litigation [1]	—	35	35
Additional expense related to U.S. Branded Prescription Drug Fee [2]	—	—	(116)
Tax effects on the items listed above, comprising:	561	522	1,094
- Amortization of intangible assets	*431*	*451*	*728*
- Impairment of intangible assets	*10*	*26*	*(18)*
- Fair value remeasurement of contingent consideration liabilities	*(15)*	*14*	*254*
- Restructuring costs	*135*	*44*	*143*
- Other gains and losses, and litigation	—	*(13)*	*(13)*
Other tax items [3]	(111)	(110)	(110)
Share of items listed above attributable to non-controlling interests	3	4	8
Associates and joint ventures: restructuring costs, and expenses arising from the impact of acquisitions	(127)	(32)	(198)
Net income attributable to equity holders of Sanofi	**2,325**	**1,861**	**4,390**

(1) In 2014, the gain arising on the Alnylam acquisition was reported in financial income and expenses.
(2) Annual fee relating to 2013 U.S. sales: the IRS reforms of July 2014 altered the date on which the liability is recognized, such that the expense recognized during 2014 was based on both 2013 and 2014 sales.
(3) Contribution on income distributed to equity holders of Sanofi.

The table below reconciles our business operating income to our business net income:

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	December 31, 2014 (12 months)
Business operating income	**4,964**	**4,290**	**9,449**
Financial income and expenses	(209)	(170)	(447)
Income tax expense	(1,189)	(1,036)	(2,155)
Business net income	**3,566**	**3,084**	**6,847**

The following tables present our segment results for the first half of 2015, the first half of 2014, and the year ended December 31, 2014:

First half of 2015

(€ million)	Pharmaceuticals	Vaccines	Animal Health	Other	Total
Net sales	**15,255**	**1,584**	**1,349**	**—**	**18,188**
Other revenues	129	14	20	—	163
Cost of sales	(4,442)	(826)	(456)	—	(5,724)
Research and development expenses	(2,143)	(262)	(84)	—	(2,489)
Selling and general expenses	(4,310)	(344)	(432)	—	(5,086)
Other operating income and expenses	(39)	2	5	(55)	(87)
Share of profit/(loss) of associates and joint ventures	61	—	—	—	61
Net income attributable to non-controlling interests	(62)	—	—	—	(62)
Business operating income	**4,449**	**168**	**402**	**(55)**	**4,964**
Financial income and expenses					(209)
Income tax expense					(1,189)
Business net income					**3,566**

First half of 2014

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

Year ended December 31, 2014

(€ million)	Pharmaceuticals	Vaccines	Animal Health	Other	Total
Net sales	**27,720**	**3,974**	**2,076**	**—**	**33,770**
Other revenues	272	33	34	—	339
Cost of sales	(8,282)	(1,948)	(799)	—	(11,029)
Research and development expenses	(4,174)	(493)	(157)	—	(4,824)
Selling and general expenses	(7,692)	(614)	(682)	(3)	(8,991)
Other operating income and expenses	194	2	20	(52)	164
Share of profit/(loss) of associates and joint ventures	106	40	1	—	147
Net income attributable to non-controlling interests	(126)	—	(1)	—	(127)
Business operating income	**8,018**	**994**	**492**	**(55)**	**9,449**
Financial income and expenses					(447)
Income tax expense					(2,155)
Business net income					**6,847**

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

Pharmaceuticals segment first-half business operating income, 2015 and 2014

(€ million)	June 30, 2015	as % of net sales	June 30, 2014	as % of net sales	Year-on-year change
Net sales	**15,255**	**100.0%**	**13,517**	**100.0%**	**+12.9%**
Other revenues	129	0.8%	126	0.9%	+2.4%
Cost of sales	(4,442)	(29.1%)	(4,046)	(29.9%)	+9.8%
Gross profit	**10,942**	**71.7%**	**9,597**	**71.0%**	**+14.0%**
Research and development expenses	(2,143)	(14.0%)	(2,025)	(15.0%)	+5.8%
Selling and general expenses	(4,310)	(28.3%)	(3,721)	(27.5%)	+15.8%
Other operating income and expenses	(39)		19		
Share of profit/(loss) of associates and joint ventures	61		33		
Net income attributable to non-controlling interests	(62)		(65)		
Business operating income	**4,449**	**29.2%**	**3,838**	**28.4%**	**+15.9%**

Vaccines segment first-half business operating income, 2015 and 2014

(€ million)	June 30, 2015	as % of net sales	June 30, 2014	as % of net sales	Year-on-year change
Net sales	**1,584**	**100.0%**	**1,346**	**100.0%**	**+17.7%**
Other revenues	14	0.9%	14	1.0%	0.0%
Cost of sales	(826)	(52.1%)	(700)	(52.0%)	+18.0%
Gross profit	**772**	**48.7%**	**660**	**49.0%**	**+17.0%**
Research and development expenses	(262)	(16.5%)	(230)	(17.1%)	+13.9%
Selling and general expenses	(344)	(21.7%)	(271)	(20.1%)	+26.9%
Other operating income and expenses	2		1		
Share of profit/(loss) of associates and joint ventures	—		6		
Net income attributable to non-controlling interests	—		—		
Business operating income	**168**	**10.6%**	**166**	**12.3%**	**+1.2%**

Animal Health segment first-half business operating income, 2015 and 2014

(€ million)	June 30, 2015	as % of net sales	June 30, 2014	as % of net sales	Year-on-year change
Net sales	**1,349**	**100.0%**	**1,054**	**100.0%**	**+28.0%**
Other revenues	20	1.5%	14	1.3%	+42.9%
Cost of sales	(456)	(33.8%)	(378)	(35.8%)	+20.6%
Gross profit	**913**	**67.7%**	**690**	**65.5%**	**+32.3%**
Research and development expenses	(84)	(6.2%)	(72)	(6.8%)	+16.7%
Selling and general expenses	(432)	(32.0%)	(341)	(32.4%)	+26.7%
Other operating income and expenses	5		17		
Share of profit/(loss) of associates and joint ventures	—		—		
Net income attributable to non-controlling interests	—		—		
Business operating income	**402**	**29.8%**	**294**	**27.9%**	**+36.7%**

C.3. ANALYSIS OF CONSOLIDATED RESULTS FOR THE FIRST HALF OF 2015

C.3.1. Net sales

Consolidated net sales for the first half of 2015 amounted to €18,188 million, 14.3% higher than in the first half of 2014. Exchange rate movements had a favorable effect of 10.7 points, mainly reflecting the depreciation of the euro against other currencies (primarily the U.S. dollar). At constant exchange rates[(1)], net sales rose by 3.6% year-on-year.

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

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	Change
Reported net sales	**18,188**	**15,917**	**+14.3%**
Effect of exchange rates	(1,692)		
Net sales at constant exchange rates	**16,496**	**15,917**	**+3.6%**

C.3.1.1. Net sales by business segment

Our net sales comprise the net sales generated by our Pharmaceuticals, Human Vaccines (Vaccines) and Animal Health segments.

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	Change on a reported basis	Change at constant exchange rates
Pharmaceuticals	15,255	13,517	+12.9%	+3.0%
Vaccines	1,584	1,346	+17.7%	+2.5%
Animal Health	1,349	1,054	+28.0%	+13.9%
Total	**18,188**	**15,917**	**+14.3%**	**+3.6%**

Pharmaceuticals

Net sales of the **Pharmaceuticals** segment reached €15,255 million in the first half of 2015, up 12.9% on a reported basis and 3.0% at constant exchange rates. The year-on-year increase of €1,738 million includes positive exchange rate effects of €1,338 million, along with the following effects at constant exchange rates:

- growth in net sales for Genzyme (up €346 million), Generics (up €86 million), and Consumer Health Care (up €58 million);
- a €121 million fall in net sales for the Diabetes division;
- positive mix effects totaling €31 million.

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

(€ million) Product	Indication	June 30, 2015 (6 months)	June 30, 2014 (6 months)	Change on a reported basis	Change at constant exchange rates
Lantus®	Diabetes	3,293	3,005	+9.6%	-5.4%
Apidra®	Diabetes	184	152	+21.1%	+11.2%
Amaryl®	Diabetes	206	182	+13.2%	+0.5%
Insuman®	Diabetes	67	65	+3.1%	+1.5%
Blood glucose meters	Diabetes	32	32	0.0%	0.0%
Lyxumia®	Diabetes	18	11	+63.6%	+54.5%
Toujeo®	Diabetes	20	—	—	—
Afrezza®	Diabetes	3	—	—	—
Other products	Diabetes	2	3	-33.3%	-33.3%
Total: Diabetes		**3,825**	**3,450**	**+10.9%**	**-3.5%**
Jevtana®	Prostate cancer	159	132	+20.5%	+10.6%
Thymoglobulin®	Organ rejection	124	106	+17.0%	+2.8%
Taxotere®	Breast, lung, prostate, stomach, and head & neck cancer	115	136	-15.4%	-24.3%
Eloxatin®	Colorectal cancer	111	93	+19.4%	+5.4%
Mozobil®	Hematologic malignancies	69	51	+35.3%	+19.6%
Zaltrap®	Colorectal cancer	40	31	+29.0%	+19.4%
Other products		129	131	-1.5%	-13.7%
Total: Oncology		**747**	**680**	**+9.9%**	**-1.9%**
Cerezyme®	Gaucher disease	388	343	+13.1%	+5.5%
Cerdelga®	Gaucher disease	26	—	—	—
Myozyme®/Lumizyme®	Pompe disease	321	254	+26.4%	+16.5%
Fabrazyme®	Fabry disease	287	221	+29.9%	+14.9%
Aldurazyme®	Mucopolysaccharidosis	98	86	+14.0%	+7.0%
Other products		140	119	+17.6%	+4.2%
Sub-total: Rare diseases		**1,260**	**1,023**	**+23.2%**	**+12.3%**
Aubagio®	Multiple sclerosis	374	175	+113.7%	+84.0%
Lemtrada®	Multiple sclerosis	94	11	+754.5%	+663.6%
Sub-total: Multiple sclerosis		**468**	**186**	**+151.6%**	**+118.3%**
Total: Genzyme		**1,728**	**1,209**	**+42.9%**	**+28.6%**
Plavix®	Atherothrombosis	1,028	912	+12.7%	+2.1%
Lovenox®	Thrombosis	871	837	+4.1%	+0.4%
Renagel®/Renvela®	Hyperphosphatemia	457	309	+47.9%	+26.5%
Aprovel®/CoAprovel®	Hypertension	425	372	+14.2%	+0.5%
Synvisc® / Synvisc-One®	Arthritis	201	163	+23.3%	+3.7%
Multaq®	Atrial fibrillation	170	139	+22.3%	+2.9%
Allegra®	Allergic rhinitis, urticaria	117	119	-1.7%	-6.7%
Stilnox®/Ambien®/Myslee®	Sleep disorders	149	151	-1.3%	-9.3%
Depakine®	Epilepsy	212	191	+11.0%	+4.7%
Tritace®	Hypertension	145	143	+1.4%	-2.8%
Lasix®	Edema, hypertension	89	81	+9.9%	+4.9%
Targocid®	Bacterial infections	82	75	+9.3%	+2.7%
Orudis®	Rheumatoid arthritis, osteoarthritis	93	83	+12.0%	+3.6%
Cordarone®	Arrhythmia	67	65	+3.1%	0.0%
Xatral®	Benign prostatic hypertrophy	48	47	+2.1%	-6.4%
Actonel®	Osteoporosis, Paget's disease	13	41	-68.3%	-70.7%
Auvi-Q®/Allerject™	Allergic rhinitis	52	26	+100.0%	+65.4%
Other prescription products		1,869	1,836	+1.8%	-2.7%
Total: Other prescription products		**6,088**	**5,590**	**+8.9%**	**+0.8%**
Consumer Health Care		**1,869**	**1,701**	**+9.9%**	**+3.4%**
Generics		**998**	**887**	**+12.5%**	**+9.7%**
Total Pharmaceuticals		**15,255**	**13,517**	**+12.9%**	**+3.0%**

Diabetes division

Net sales for the **Diabetes** division were €3,825 million, down 3.5% at constant exchange rates, mainly on the expected fall in sales of Lantus® in the United States. Outside the United States, the Diabetes division recorded net sales of €1,640 million (representing 43% of worldwide Diabetes sales), an increase of 10.3% at constant exchange rates.

Net sales of **Lantus®** fell by 5.4% in the first half (at constant exchange rates) to €3,293 million. In the United States, sales were down 14.3% at constant exchange rates at €2,093 million, mainly on negative pricing effects; these effects were expected, and resulted from increased rebates granted in order to maintain favorable formulary positions with key payers. The product performed well in Emerging Markets(1) (+19.7% at constant exchange rates, at €581 million), especially in Latin America (+21.4% at constant exchange rates), the Middle East (+22.5% at constant exchange rates) and China (+14.9% at constant exchange rates). In Western Europe, net sales rose by 6.2% at constant exchange rates to €453 million. A biosimilar of Lantus® was launched in some small Eastern European markets in July 2015.

First-half net sales of **Apidra®** totaled €184 million, up 11.2% at constant exchange rates, driven by a strong performance in Emerging Markets (+29.4% at constant exchange rates, at €46 million) and in Western Europe (+8.5% at constant exchange rates, at €51 million).

Net sales of **Amaryl®** were virtually unchanged year-on-year (+0.5% at constant exchange rates, at €206 million), reflecting a good performance in Emerging Markets (+6.5% at constant exchange rates, at €168 million) but also the effect of generic competition in Japan (-20.3% at constant exchange rates, at €24 million).

Lyxumia® generated first-half net sales of €18 million, up 54.5% at constant exchange rates.

Toujeo®, launched in the United States in March 2015 and in Germany in the second quarter, posted first-half net sales of €20 million.

Afrezza® (partnership with MannKind) was launched in the United States in February 2015, and recorded net sales of €3 million in the first half.

Oncology business

The **Oncology** business generated net sales of €747 million, down 1.9% at constant exchange rates. Good performances from Jevtana®, Mozobil® and Zaltrap® were offset by the ongoing impact of generic versions of Taxotere® in Japan.

Net sales of **Jevtana®** totaled €159 million in the first half of 2015, up 10.6% at constant exchange rates, propelled by a strong performance in the United States (+16.7% at constant exchange rates, at €60 million) and by sales in Japan (€7 million) where the product was launched in September 2014.

Net sales of **Thymoglobulin®** rose by 2.8% at constant exchange rates to €124 million, as sales advanced in the United States (+14.0% at constant exchange rates, at €70 million) but fell in Emerging Markets (-18.8% at constant exchange rates, at €27 million).

Taxotere® saw net sales decline by 24.3% at constant exchange rates to €115 million, reflecting competition from generics in Emerging Markets (-11.6% at constant exchange rates, at €69 million) and Japan (-35.0% at constant exchange rates, at €32 million). Net sales of **Eloxatin®** were 5.4% higher at constant exchange rates in the first half at €111 million, lifted by sales growth in China (+13.3% at constant exchange rates).

(1) World excluding United States, Canada, Western Europe, Japan, South Korea, Australia and New Zealand.

Net sales of **Mozobil®** reached €69 million, up 19.6% at constant exchange rates, mainly on sales growth in the United States (+18.5% at constant exchange rates, at €39 million).

Zaltrap® (aflibercept, developed in collaboration with Regeneron) recorded net sales of €40 million, up 19.4% at constant exchange rates. A surge in sales in Western Europe (+50.0% at constant exchange rates, at €25 million) on the back of recent launches more than offset lower sales in the United States (-28.6% at constant exchange rates, at €12 million).

Genzyme business

The **Genzyme** business generated net sales of €1,728 million, up 28.6% at constant exchange rates, driven by strong growth in sales of Aubagio® and the launch progress of Lemtrada®.

Rare Diseases posted net sales of €1,260 million, up 12.3% at constant exchange rates.

In Gaucher disease, net sales of **Cerezyme®** advanced by 5.5% at constant exchange rates to €388 million; strong growth in Emerging Markets (+22.3% at constant exchange rates, at €142 million) more than compensated for lower sales in the United States (-10.0% at constant exchange rates, at €99 million) following the launch of Cerdelga®. **Cerdelga®** reported net sales of €26 million, of which €25 million was generated in the United States.

Net sales of **Myozyme®/Lumizyme®** rose by 16.5% at constant exchange rates to €321 million, mainly as a result of an increase in the number of patients in the United States (+25.0% at constant exchange rates, at €99 million) and Emerging Markets (+27.3% at constant exchange rates, at €59 million).

Fabrazyme® achieved net sales growth of 14.9% at constant exchange rates, to €287 million. Net sales rose by 12.3% at constant exchange rates in the United States (to €147 million) and by 18.9% at constant exchange rates in Western Europe (to €64 million).

In multiple sclerosis, net sales of **Aubagio®** surged by 84.0% at constant exchange rates to €374 million. Net sales in the United States reached €265 million, up 64.1% at constant exchange rates. In Western Europe, the product continues to extend its geographical reach, with net sales totaling €82 million in the first half of 2015 (versus €38 million a year earlier). First-half net sales of **Lemtrada®** amounted to €94 million, including €39 million in Western Europe (primarily in Germany and the United Kingdom) and €45 million in the United States, where the product was launched at the end of 2014.

Other prescription products

Net sales of **Plavix®** were up 2.1% at constant exchange rates at €1,028 million. Growth was driven by Japan (+7.9% at constant exchange rates, at €406 million) and Emerging Markets (+5.1% at constant exchange rates, at €504 million), especially China (+8.4% at constant exchange rates, at €315 million). However, these positive effects were mitigated by generic competition in Western Europe (-24.1% at constant exchange rates, at €89 million). As expected, numerous generic versions of Plavix® were introduced in Japan at the end of June 2015. Sales of Plavix® in the United States and Puerto Rico are handled by BMS under the terms of the Sanofi-BMS alliance(1).

First-half net sales of **Lovenox®** were virtually unchanged, edging up by 0.4% at constant exchange rates to €871 million. Lower net sales in the United States as a result of generic competition (-42.6% at constant exchange rates, at €43 million) were offset by a good performance in Emerging Markets (+8.2% at constant exchange rates, at €320 million), especially in Latin America and Africa. Sales of the generic version of Lovenox® launched by Sanofi in 2012 are recorded by our Generics business (see below).

(1) See Note C.2 to the consolidated financial statements for the year ended December 31, 2014, on page F-38 of the Annual Report on Form 20-F; this report is available on www.sanofi.com.

Net sales of **Renagel®/Renvela®** rose by 26.5% at constant exchange rates to €457 million on a strong performance in the United States (+36.6% at constant exchange rates, at €339 million), reflecting reduced competition from Impax which since April 2014 has had the right to sell a limited number of authorized generics of Renvela®. Generics are now being sold in some European countries, and we still expect generics to be approved in the United States.

Net sales of **Aprovel®/CoAprovel®** were more or less stable (+0.5% at constant exchange rates, at €425 million). Generic competition eroded net sales in Western Europe by 30.2% to €75 million, but the effect was offset by growth in Emerging Markets (+19.3% at constant exchange rates, at €268 million), mainly in Latin America and China.

We have no comments on sales of our other prescription medicines.

Consumer Health Care

Net sales for the **Consumer Health Care** business rose by 3.4% at constant exchange rates in the first half of 2015 to €1,869 million.

The main growth drivers were the United States (+6.6% at constant exchange rates, at €496 million) on the back of a strong performance from Allegra® OTC following the launch of a new formulation, and Australia/New Zealand (+17.1% at constant exchange rates).

Net sales of Allegra® OTC were up 11.6% at constant exchange rates, driven mainly by the United States (+12.1% at constant exchange rates). Sales of Doliprane® (€155 million, down 1.9% at constant exchange rates) were hit by a January 2015 price cut in France.

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	Change on a reported basis	Change at constant exchange rates
Allegra®	258	198	+30.3%	+11.6%
Doliprane®	155	158	-1.9%	-1.9%
Essentiale®	95	121	-21.5%	-12.4%
Enterogermina®	93	74	+25.7%	+16.2%
Nasacort®	74	68	+8.8%	-10.3%
Maalox®	54	50	+8.0%	+8.0%
Lactacyd®	68	57	+19.3%	+5.3%
Dorflex®	43	50	-14.0%	-10.0%
No Spa®	44	53	-17.0%	-1.9%
Magné B6®	41	40	+2.5%	+15.0%
Other products	944	832	+13.5%	+4.9%
Total Consumer Health Care	**1,869**	**1,701**	**+9.9%**	**+3.4%**

Generics

The **Generics** business reported 2015 first-half net sales of €998 million, up 9.7% at constant exchange rates.

Emerging Markets generated net sales of €574 million, up 9.1% at constant exchange rates, boosted by Latin America and the Middle East. In the United States, net sales rose by 10.6% at constant exchange rates to €91 million, mainly due to increased sales of authorized generics of Lovenox®. In the Rest of the World region, sales were up 161.1% at constant exchange rates at €49 million, thanks largely to the performance of Allegra® generics in Japan.

2015 first-half Pharmaceuticals net sales by geographical region

(€ million)	Western Europe[1]	Change at constant exchange rates	United States	Change at constant exchange rates	Emerging Markets[2]	Change at constant exchange rates	Rest of the World[3]	Change at constant exchange rates
Lantus®	453	+6.2%	2,093	-14.3%	581	+19.7%	166	+4.1%
Apidra®	51	+8.5%	69	+1.8%	46	+29.4%	18	+12.5%
Amaryl®	8	-20.0%	1	0.0%	168	+6.5%	29	-18.2%
Insuman®	38	-5.0%	1	0.0%	28	+16.7%	—	—
Blood glucose meters	30	+3.4%	—	—	1	0.0%	1	-50.0%
Lyxumia®	10	+42.9%	—	—	3	+200.0%	5	+33.3%
Toujeo®	1	—	18	—	—	—	1	—
Afrezza®	—	—	3	—	—	—	—	—
Other products	—	—	—	—	1	—	1	-66.7%
Total: Diabetes	**591**	**+5.6%**	**2,185**	**-13.0%**	**828**	**+17.7%**	**221**	**-0.5%**
Jevtana®	73	0.0%	60	+16.7%	16	-5.9%	10	+800.0%
Thymoglobulin®	18	+12.5%	70	+14.0%	27	-18.8%	9	0.0%
Taxotere®	4	-62.5%	3	-40.0%	69	-11.6%	39	-33.3%
Eloxatin®	2	0.0%	2	0.0%	65	12.0%	42	-2.5%
Mozobil®	19	+12.5%	39	+18.5%	8	+60.0%	3	0.0%
Zaltrap®	25	+50.0%	12	-28.6%	3	+50.0%	—	—
Other products	27	-6.9%	79	-17.9%	13	-20.0%	10	11.1%
Total: Oncology	**168**	**+3.1%**	**265**	**-0.5%**	**201**	**-4.2%**	**113**	**-7.9%**
Cerezyme®	123	+2.5%	99	-10.0%	142	+22.3%	24	0.0%
Cerdelga®	1	—	25	—	—	—	—	—
Myozyme®/Lumizyme®	142	+6.9%	99	+25.0%	59	+27.3%	21	+31.3%
Fabrazyme®	64	+18.9%	147	+12.3%	37	+12.9%	39	+19.4%
Aldurazyme®	35	+6.3%	20	0.0%	33	+10.3%	10	+11.1%
Other products	23	+9.5%	55	+15.0%	19	+18.8%	43	-14.3%
Sub-total: Rare diseases	**388**	**+7.6%**	**445**	**+14.6%**	**290**	**+20.3%**	**137**	**+5.0%**
Aubagio®	82	+115.8%	265	+64.1%	13	+300.0%	14	+333.3%
Lemtrada®	39	+280.0%	45	—	4	—	6	+400.0%
Sub-total: Multiple sclerosis	**121**	**+150.0%**	**310**	**+92.4%**	**17**	**+433.3%**	**20**	**+350.0%**
Total: Genzyme	**509**	**+24.6%**	**755**	**+37.4%**	**307**	**+25.5%**	**157**	**+16.1%**
Plavix®	89	-24.1%	—	-100.0%	504	+5.1%	435	+7.0%
Lovenox®	461	+1.3%	43	-42.6%	320	+8.2%	47	0.0%
Renagel®/Renvela®	62	-6.2%	339	+36.6%	45	+31.3%	11	+20.0%
Aprovel®/CoAprovel®	75	-30.2%	8*	-33.3%	268	+19.3%	74	0.0%
Synvisc® / Synvisc-One®	15	+7.1%	155	-0.8%	24	+29.4%	7	+20.0%
Multaq®	20	-9.1%	144	+4.5%	5	0.0%	1	+100.0%
Allegra®	6	0.0%	—	—	1	-50.0%	110	-6.3%
Stilnox®/Ambien®/Myslee®	19	-9.5%	35	-14.7%	33	+7.1%	62	-13.2%
Depakine®	70	+1.5%	—	—	135	+8.6%	7	-25.0%
Tritace®	60	-7.7%	—	—	82	+4.1%	3	-40.0%
Lasix®	38	-7.5%	2	0.0%	30	+8.0%	19	+33.3%
Targocid®	40	-2.4%	—	—	38	+13.3%	4	-25.0%
Orudis®	9	-10.0%	—	—	82	+5.6%	2	0.0%
Cordarone®	12	0.0%	—	—	39	+5.6%	16	-11.8%
Xatral®	18	-5.3%	—	—	27	-7.7%	3	0.0%
Actonel®	1	-88.9%	—	—	8	-55.6%	4	-78.6%
Auvi-Q®/Allerject™	1	0.0%	45	+71.4%	—	—	6	+50.0%
Other prescription products	785	+0.4%	164	-31.5%	736	+5.1%	184	-12.4%
Total: Other prescription products	**1,781**	**-4.1%**	**935**	**-0.5%**	**2,377**	**+7.1%**	**995**	**-2.1%**
Consumer Health Care	**363**	**0.0%**	**496**	**+6.6%**	**887**	**+2.1%**	**123**	**+15.0%**
Generics	**284**	**0.7%**	**91**	**+10.6%**	**574**	**+9.1%**	**49**	**+161.1%**
Total Pharmaceuticals	**3,696**	**+1.7%**	**4,727**	**-1.8%**	**5,174**	**+8.4%**	**1,658**	**+2.2%**

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

Human Vaccines (Vaccines)

Vaccines segment net sales for the first half of 2015 amounted to €1,584 million, up 17.7% on a reported basis and 2.5% at constant exchange rates. This reflects on the downside the expected fall in influenza vaccine sales due to delays in the vaccination campaign in the southern hemisphere, and on the upside stronger U.S. sales due to fine performances from Menactra® and VaxServe (a Sanofi Pasteur company that supplies vaccines in the United States).

After stripping out influenza vaccine sales, first-half net sales for the rest of the Vaccines portfolio grew by 8.2% year-on-year at constant exchange rates.

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	Change on a reported basis	Change at constant exchange rates
Polio/Pertussis/Hib Vaccines (incl. Pentacel® and Pentaxim®)	555	495	+12.1%	-1.4%
Influenza Vaccines (including Vaxigrip® and Fluzone®)	136	194	-29.9%	-32.0%
Meningitis/Pneumonia Vaccines (including Menactra®)	242	171	+41.5%	+19.3%
Adult Booster Vaccines (including Adacel®)	213	164	+29.9%	+10.4%
Travel and Other Endemics Vaccines	179	178	+0.6%	-9.0%
Other Vaccines (including Vaxserve)	259	144	+79.9%	+47.2%
Total Vaccines	**1,584**	**1,346**	**+17.7%**	**+2.5%**

Net sales of **Polio/Pertussis/Hib** vaccines fell slightly year-on-year (-1.4% at constant exchange rates) to €555 million. In the United States, sales held fairly steady (+1.2% at constant exchange rates, at €207 million), despite a tough comparative with the first half of 2014. Emerging Markets generated net sales of €279 million, up 6.7% at constant exchange rates, driven largely by the performance of Pentaxim® in China. In the Rest of the World region, sales fell by 38.0% at constant exchange rates to €52 million, reflecting lower Japanese sales of Polio and Hib vaccines and Imovax®.

Net sales of **Influenza vaccines** were down 32.0% (at constant exchange rates) at €136 million. This was mainly due to reduced sales in Brazil (due to delays in shipments to the Butantan Institute following a technology transfer agreement with Sanofi Pasteur) and the absence of pandemic influenza vaccine sales in the United States during the first half of 2015. Emerging Markets net sales slipped by 25.6% at constant exchange rates to €122 million.

Meningitis/Pneumonia vaccines posted net sales of €242 million, up 19.3% at constant exchange rates, buoyed by the United States (+16.0% at constant exchange rates, at €187 million) and Emerging Markets (+29.7% at constant exchange rates, at €50 million).

Net sales of **Adult Booster vaccines** advanced by 10.4% at constant exchange rates to €213 million. Net sales of **Travel and Other Endemics vaccines** fell by 9.0% at constant exchange rates, to €179 million.

Other Vaccines saw net sales rise by 47.2% at constant exchange rates, thanks mainly to the performance of VaxServe, a Sanofi Pasteur company that supplies vaccines in the United States.

In addition to the Vaccines activity reflected in our consolidated net sales, sales generated by Sanofi Pasteur MSD, our joint venture with Merck & Co., Inc. in Europe, reached €300 million in the first half of 2015, down 4.2% (on a reported basis), mainly on a decline in sales of Gardasil® (-17.2% on a reported basis). Sales generated by Sanofi Pasteur MSD are not included in our consolidated net sales.

2015 first-half Vaccines net sales by geographical region

(€ million)	Western Europe[1]	Change at constant exchange rates	United States	Change at constant exchange rates	Emerging Markets[2]	Change at constant exchange rates	Rest of the World[3]	Change at constant exchange rates
Polio/Pertussis/Hib Vaccines (*including Pentacel® and Pentaxim®*)	17	+41.7%	207	+1.2%	279	+6.7%	52	-38.0%
Influenza Vaccines (*including Vaxigrip® and Fluzone®*)	1	0.0%	(2)	-104.8%	122	-25.6%	15	+8.3%
Meningitis/Pneumonia Vaccines (*including Menactra®*)	1	—	187	+16.0%	50	+29.7%	4	0.0%
Adult Booster Vaccines *(including Adacel®)*	13	-18.8%	159	+4.9%	31	+61.1%	10	+42.9%
Travel and Other Endemics Vaccines	14	+7.7%	50	-10.9%	84	-14.1%	31	+3.7%
Other Vaccines (including Vaxserve)	(1)	-200.0%	246	+50.8%	6	-16.7%	8	+80.0%
Total Vaccines	**45**	**+4.7%**	**847**	**+11.1%**	**572**	**-3.1%**	**120**	**-15.8%**

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

Animal Health

Net sales for the **Animal Health** segment for the first half of 2015 were €1,349 million, up 28.0% on a reported basis and 13.9% at constant exchange rates.

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	Change on a reported basis	Change at constant exchange rates
Companion animals	907	689	+31.6%	+14.7%
Production animals	442	365	+21.1%	+12.3%
Total Animal Health	**1,349**	**1,054**	**+28.0%**	**+13.9%**
Of which fipronil products	*387*	*340*	*+13.8%*	*+1.5%*
Of which vaccines	*391*	*334*	*+17.1%*	*+8.1%*
Of which avermectin products	*288*	*212*	*+35.8%*	*+17.0%*
Of which other products	*283*	*168*	*+68.5%*	*+46.4%*

Net sales for the **Companion Animals** franchise advanced by 14.7% at constant exchange rates at €907 million. This reflects the resilience of the **fipronil** range (+1.5% at constant exchange rates, at €387 million), combined with the success of the new product NexGard™ (sales of which were more than double the 2014 first-half level) and a strong performance from Heartgard® as a result of supply shortages for rival products.

Sales of **Production Animals** franchise products increased by 12.3% at constant exchange rates to €442 million. The main factors were an increase in sales of products for ruminants in the United States on the back of the success of the parasite control product LongRange™, and a recovery in the avian market (especially in Asia).

2015 first-half Animal Health net sales by geographical region

(€ million)	Western Europe(1)	Change at constant exchange rates	United States	Change at constant exchange rates	Emerging Markets(2)	Change at constant exchange rates	Rest of the World(3)	Change at constant exchange rates
Fipronil products	121	+6.3%	192	-4.9%	57	+20.0%	17	-15.8%
Vaccines	87	-1.1%	94	+5.6%	173	+7.2%	37	+59.1%
Avermectin products	27	-3.6%	191	+25.0%	29	+17.4%	41	+5.4%
Other Animal Health products	53	+15.9%	175	+59.6%	36	+29.6%	19	+125.0%
Total Animal Health	**288**	**+4.4%**	**652**	**+17.8%**	**295**	**+13.0%**	**114**	**+25.6%**

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

C.3.1.2. Net Sales by Geographical Region

(€ million)	June 30, 2015 (6 months)	June 30, 2014 (6 months)	Change on a reported basis	Change at constant exchange rates
United States	6,226	4,984	+24.9%	+1.5%
Emerging Markets[1]	6,041	5,294	+14.1%	+7.4%
of which Eastern Europe, Russia and Turkey	*1,202*	*1,239*	*-3.0%*	*+5.7%*
of which Asia (excl. Pacific region)	*1,783*	*1,368*	*+30.3%*	*+9.0%*
of which Latin America	*1,828*	*1,618*	*+13.0%*	*+7.1%*
of which Africa	*544*	*486*	*+11.9%*	*+8.2%*
of which Middle East	*588*	*520*	*+13.1%*	*+3.8%*
Western Europe[2]	4,029	3,906	+3.1%	+1.9%
Rest of the world[3]	1,892	1,733	+9.2%	+2.0%
of which Japan	*1,114*	*1,062*	*+4.9%*	*-0.5%*
Total	**18,188**	**15,917**	**+14.3%**	**+3.6%**

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

In the **United States**, net sales rose by 1.5% at constant exchange rates to €6,226 million on solid performances by Genzyme (+37.4% at constant exchange rates), Vaccines (+11.1% at constant exchange rates) and Animal Health (+17.8% at constant exchange rates), more than offsetting a fall in Diabetes division sales (-13.0% at constant exchange rates).

In **Emerging Markets**, net sales reached €6,041 million, up 7.4% at constant exchange rates, driven by Diabetes (+17.7% at constant exchange rates), Genzyme (+25.5% at constant exchange rates), Generics (+9.1% at constant exchange rates) and Animal Health (+13.0% at constant exchange rates). The Vaccines segment (-3.1% at constant exchange rates) was adversely affected by delays in the influenza vaccination campaign in the southern hemisphere.

Net sales in Latin America advanced by 7.1% at constant exchange rates to €1,828 million. Growth was boosted by buying patterns associated with local market conditions in Venezuela (+73.4% at constant exchange rates, at €399 million), but hampered by Brazil (-12.7% at constant exchange rates, at €617 million) due to lower vaccine sales. In China, net sales were up 8.5% at constant exchange rates at €1,021 million, reflecting strong performances in Diabetes, Animal Health and Vaccines, and also in Other Prescription Products (especially Plavix®). Eastern Europe posted sales of €1,202 million, up 5.7% at constant exchange rates, driven largely by Turkey (+19.4% at constant exchange rates, at €235 million). In Russia, net sales fell by 5.9% at constant exchange rates to €291 million in tough economic conditions.

Net sales in **Western Europe** fell by 1.9% at constant exchange rates to €4,029 million. The effects of ongoing generic competition for Plavix® and Aprovel® were partly offset by the performances of the Genzyme business (+24.6% at constant exchange rates) and the Diabetes division (+5.6% at constant exchange rates).

In the **Rest of the World**, net sales were up 2.0% at constant exchange rates at €1,892 million, driven by Generics, Consumer Health Care and Animal Health. In Japan, net sales were €1,114 million (-0.5% at constant exchange rates) due to the adverse impact of competition from generics of Taxotere®, Myslee® and Amaryl® combined with lower vaccine sales, partly offset by a good performance from Generics and increased sales of Plavix®.

C.3.2. Other revenues

Other revenues, which mainly comprise royalties under licensing agreements contracted in connection with ongoing operations, rose by 5.8% to €163 million (versus €154 million in the first half of 2014). At constant exchange rates, other revenues fell year-on-year, reflecting a drop in royalties received from Amgen on sales of Enbrel® in Europe.

C.3.3. Gross profit

Gross profit amounted to €12,627 million in the first half of 2015 (69.4% of net sales), versus €10,947 million in the first half of 2014 (68.8% of net sales). This represents a year-on-year increase of 15.3%, and an improvement of 0.6 of a point in the gross margin ratio.

The gross margin ratio for the Pharmaceuticals segment was 0.7 of a point higher at 71.7%, reflecting on the downside a dip in royalty revenue (0.1 of a point), but on the upside an improvement in the ratio of cost of sales to net sales (0.8 of a point), due largely to the favorable effect of exchange rates.

The gross margin ratio for the Vaccines segment was 0.3 of a point lower at 48.7%, reflecting a less favorable product mix.

The gross margin ratio for the Animal Health segment increased by 2.2 points to 67.7%, mainly as a result of favorable exchange rate effects.

C.3.4. Research and development expenses

Research and development (R&D) expenses amounted to €2,489 million in the first half of 2015 (versus €2,327 million in the first half of 2014) and represented 13.7% of net sales (versus 14.6% in the first half of 2014). The overall year-on-year increase of €162 million (+7.0%) included €118 million for the Pharmaceuticals segment (+5.8%), €32 million for the Vaccines segment (+13.9%) and €12 million for the Animal Health segment (+16.7%).

The majority of this increase was attributable to the adverse impact of exchange rates. At constant exchange rates, R&D expenses fell slightly year-on-year, due mainly to lower spend in the Diabetes and Oncology businesses.

C.3.5. Selling and general expenses

Selling and general expenses totaled €5,086 million (28.0% of net sales), compared with €4,333 million in the first half of 2014 (27.2% of net sales). This represents a year-on-year increase of €753 million (+17.4%), most of which was due to adverse exchange rate effects.

By segment, the year on-year increase was €589 million (+15.8%) for Pharmaceuticals, €73 million (+26.9%) for Vaccines and €91 million (+26.7%) for Animal Health. In addition to adverse exchange rate effects, the overall increase also reflects investment in new product launches in the Genzyme business (in multiple sclerosis), the Diabetes division, and Animal Health.

C.3.6. Other operating income and expenses

Overall, other operating income and expenses represented a net expense of €87 million in the first half of 2015, versus net income of €29 million in the first half of 2014. This year-on-year adverse movement of €116 million was attributable mainly to an operating foreign exchange loss of €100 million relating to the Group's Venezuelan operations during the first half of 2015.

C.3.7. Amortization of intangible assets

Amortization charged against intangible assets in the first half of 2015 amounted to €1,229 million, versus €1,301 million in the first half of 2014. The overall year-on-year decrease of €72 million reflected a number of factors. On the one hand, there was a reduction in amortization charged against the intangible assets recognized on the acquisition of Aventis (€354 million in the first half of 2015, versus €507 million in the first half of 2014) as some products reached the end of their life cycles. Conversely, there was an increase in amortization charged against the intangible assets recognized on the acquisitions of Genzyme (€449 million in the first half of 2015, versus €420 million in the first half of 2014) and of Merial (€241 million in the first half of 2015, versus €194 million in the first half of 2014), due to the launch of new products and to adverse exchange rate effects.

C.3.8. Impairment of intangible assets

In the first half of 2015 this line item showed impairment losses of €28 million against intangible assets (versus €74 million in the first half of 2014), mainly on the discontinuation of research and development projects.

The impairment losses recognized in the first half of 2014 related primarily to Retinostat® and to the Pseudomonas aeruginosa vaccine (in collaboration with KaloBios).

C.3.9. Fair value remeasurement of contingent consideration liabilities

Fair value remeasurements of contingent consideration liabilities recognized on acquisitions in accordance with the revised IFRS 3 represented a net gain of €71 million in the first half of 2015, versus a net expense of €132 million in the first half of 2014.

This item mainly relates to the contingent value rights (CVRs) issued by Sanofi in connection with the Genzyme acquisition and to the contingent consideration payable to Bayer as a result of an acquisition made by Genzyme prior to the latter's acquisition by Sanofi (see Note B.11. to our condensed half-year consolidated financial statements).

C.3.10. Restructuring costs

Restructuring costs amounted to €381 million in the first half of 2015, compared with €135 million in the first half of 2014.

In the first half of 2015, these costs related to ongoing transformation projects, primarily in France and the rest of Europe. In the first half of 2014, they mainly comprised employee-related expenses arising from headcount adjustment plans in Europe and North America.

C.3.11. Other gains and losses, and litigation

Nothing was recorded on this line in either the first half of 2015 or the first half of 2014.

C.3.12. Operating income

Operating income for the first half of 2015 was €3,398 million, 27.1% higher than the 2014 first-half figure of €2,674 million. This year-on-year change reflects the increase in gross profit, but also higher expenses (mainly selling and general expenses and restructuring costs).

C.3.13. Financial income and expenses

Net financial expense for the period was €209 million, versus €135 million for the first half of 2014, an increase of €74 million.

Financial expenses directly related to debt, net of cash and cash equivalents (see definition in section C.5. below) amounted to €142 million, compared with €144 million in the first half of 2014.

The year-on-year change in net financial expense was attributable mainly to:

- a lower level of gains on disposals of non-current financial assets (€22 million) than in the first half of 2014 (€81 million), when the principal gain arose on the sale by Genzyme of its equity interest in Isis Pharmaceuticals;

- a reduction in the net interest cost relating to defined-benefit pension plans (€58 million, compared with €70 million for the first half of 2014);

- a gain of €35 million arising on the acquisition of shares in Alnylam in February 2014.

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

Income before tax and associates and joint ventures for the first half of 2015 was €3,189 million, compared with €2,539 million for the first half of 2014, a rise of 25.6%.

C.3.15. Income tax expense

Income tax expense was €739 million in the first half of 2015, versus €624 million a year earlier. This year-on-year increase was mainly due to the higher level of income before tax and associates and joint ventures.

The level of income tax expense is significantly impacted by tax gains arising on the amortization and impairment of intangible assets (€441 million in the first half of 2015, versus €477 million in the first half of 2014) and on restructuring costs (€135 million in the first half of 2015, versus €44 million in the first half of 2014). In addition, the tax effect of the fair value remeasurement of contingent consideration liabilities represented a gain of €15 million in the first half of 2015, compared with a gain of €14 million a year earlier. Overall, these effects reduced income tax expense by €26 million.

For interim accounting periods, Sanofi applies an estimated effective tax rate to business operating income, in accordance with IAS 34. The effective tax rate based on business net income[(1)] was 25.0% for the first half of 2015, versus 25.0% for the first half of 2014 and 24.0% for 2014 as a whole. The main impacts on this tax rate are the geographical mix of the results from Group entities, the tax effects of the elimination of intragroup margin on inventory, and settlements of recent proceedings involving the tax authorities in various countries.

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

Associates and joint ventures contributed a net loss of €66 million in the first half of 2015, versus net income of €7 million in the comparable period of 2014.

Since April 2014, this line item has included our share of the profits and losses of Regeneron (expense of €82 million in the first half of 2015, versus €7 million in the first half of 2014), including the impact of the fair value remeasurement of our share of the acquired intangible assets of Regeneron. It also includes our share of after-tax profits from territories managed by BMS under the Plavix® and Avapro®

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

alliance (€20 million, versus €11 million in the first half of 2014), plus individually immaterial amounts for our share of profits and losses from other associates and joint ventures.

C.3.17. Net income

Net income for the first half of 2015 was €2,384 million, compared with €1,922 million for the first half of 2014.

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

Net income attributable to non-controlling interests for the first half of 2015 amounted to €59 million, against €61 million for the first half of 2014. This line item mainly comprises the share of pre-tax profits paid to BMS from territories managed by Sanofi (€48 million, versus €57 million in the first half of 2014); the year-on-year fall was directly related to competition from generics of clopidogrel (the active ingredient of Plavix®) and of irbesartan (the active ingredient of Aprovel®) in Europe.

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

Net income attributable to equity holders of Sanofi amounted to €2,325 million in the first half of 2015, compared with €1,861 million in the first half of 2014.

Basic earnings per share (EPS) came to €1.78, 26.2% higher than the 2014 first-half figure of €1.41, based on an average number of shares outstanding of 1,307.2 million in the first half of 2015 and 1,317.2 million in the first half of 2014. Diluted EPS was €1.76, versus €1.40 for the first half of 2014, based on a number of shares after dilution of 1,322.0 million in the first half of 2015 and 1,333.8 million in the first half of 2014.

C.3.20. Business operating income

Business operating income (refer to the appendix in section F. for a definition) was €4,964 million in the first half of 2015, compared with €4,290 million in the first half of 2014, an increase of 15.7%. It represented 27.3% of net sales, compared with 27.0% in the first half of 2014.

The table below shows trends in business operating income by business segment for the first half of 2015 and the first half of 2014:

(€ million)	June 30, 2015	June 30, 2014
Pharmaceuticals	4,449	3,838
Vaccines	168	166
Animal Health	402	294
Other	(55)	(8)
Business operating income	**4,964**	**4,290**

C.3.21. Business net income

Business net income (refer to the appendix in section F. for a definition) amounted to €3,566 million in the first half of 2015 versus €3,084 million in the first half of 2014, an increase of 15.6%. It represented 19.6% of net sales, compared with 19.4% in the first half of 2014.

Business EPS for the first half of 2015 was €2.73, 16.7% higher than the 2014 first-half figure of €2.34, based on an average number of shares outstanding of 1,307.2 million in the first half of 2015 and 1,317.2 million in the first half of 2014.

C.4. CONSOLIDATED STATEMENT OF CASH FLOWS

Condensed consolidated statement of cash flows

(€ million)	June 30, 2015	June 30, 2014
Net cash provided by/(used in) operating activities	3,405	2,534
Net cash provided by/(used in) investing activities	(1,027)	(2,152)
Net cash provided by/(used in) financing activities	(5,060)	(4,339)
Impact of exchange rates on cash and cash equivalents	42	6
Net change in cash and cash equivalents	**(2,640)**	**(3,951)**

Net cash provided by operating activities came to €3,405 million in the first half of 2015, against €2,534 million in the first half of 2014.

Operating cash flow before changes in working capital for the first half of 2015 was €3,650 million, versus €3,211 million in the first half of 2014, reflecting improved first-half results. Working capital requirements rose by €245 million during the period, compared with a rise of €677 million a year earlier; this favorable trend was mainly due to an increase in other current liabilities during the first half of 2015.

Net cash used in investing activities totaled €1,027 million in the first half of 2015, compared with €2,152 million in the first half of 2014.

Acquisitions of property, plant and equipment and intangible assets amounted to €935 million (versus €637 million in the first half of 2014); the main items were investments in industrial and research facilities (€593 million), together with contractual payments for intangible rights under license and collaboration agreements (€280 million).

Acquisitions of investments during the first half of 2015 totaled €169 million, net of cash acquired and after including assumed liabilities and commitments. The main items were acquisitions of equity interests in Alnylam and Voyager Therapeutics, plus contingent consideration paid to Bayer in connection with the Genzyme acquisition. In the first half of 2014, acquisitions of investments amounted to €1,679 million, net of cash acquired and after including assumed liabilities and commitments, the main items being acquisitions of equity interests in Regeneron and Alnylam.

After-tax proceeds from disposals were €92 million in the first half of 2015, and arose on the divestment of various financial assets and product rights. In the first half of 2014, after-tax proceeds from disposals amounted to €182 million, and arose mainly from the sale of the equity interest in Isis Pharmaceuticals and a payment from Tolmar for the transfer of U.S. rights in respect of Eligard®.

Net cash used in financing activities amounted to €5,060 million in the first half of 2015, compared with €4,339 million in the first half of 2014. The 2015 first-half figure includes net external debt finance repaid (i.e. net change in short-term and long-term debt) of €570 million; this compares with net external debt finance raised of €115 million in the first half of 2014. It also includes the dividend payout to our shareholders (€3,694 million, versus €3,676 million in the first half of 2014), and the €781 million effect of changes in our share capital (repurchase and sale of own shares, net of capital increases).

The **net change in cash and cash equivalents** in the first half of 2015 was a decrease of €2,640 million, compared with a decrease of €3,951 million in the first half of 2014.

C.5. CONSOLIDATED BALANCE SHEET

Total assets stood at €97,923 million as of June 30, 2015, compared with €97,392 million as of December 31, 2014, an increase of €531 million.

Debt, net of cash and cash equivalents stood at €9,726 million as of June 30, 2015, compared with €7,171 million as of December 31, 2014. We define "debt, net of cash and cash equivalents" as (i) the sum total of short term debt, long term debt and interest rate and currency derivatives used to hedge debt, minus (ii) the sum total of cash and cash equivalents and interest rate and currency derivatives used to hedge cash and cash equivalents. The gearing ratio (a non-GAAP financial measure that we define as the ratio of debt, net of cash and cash equivalents, to total equity) rose from 12.7% as of December 31, 2014 to 17.1% as of June 30, 2015. For analyses of debt as of June 30, 2015 and December 31, 2014, refer to Note B.9. to our condensed half-year consolidated financial statements.

We expect that the future cash flows generated by our operating activities will be sufficient to repay our debt.

The financing arrangements in place as of June 30, 2015 at the Sanofi parent company level are not subject to covenants regarding financial ratios and do not contain any clauses linking credit spreads or fees to Sanofi's credit rating.

Other key movements in the balance sheet are described below.

Total **equity** was €56,774 million as of June 30, 2015, versus €56,268 million as of December 31, 2014. This increase mainly reflects the following factors:

- increases: our net income for the six months ended June 30, 2015 (€2,384 million) and the net change in currency translation differences (€1,858 million, mainly on the U.S. dollar);

- decreases: the dividend payout to our shareholders in respect of the 2014 financial year (€3,694 million).

As of June 30, 2015, Sanofi held 4.9 million of its own shares, representing 0.37% of the share capital, and recorded as a deduction from equity.

Goodwill and **Other intangible assets** (€55,062 million in total) rose by €1,322 million year-on-year, the main factors being:

- increases: acquisitions of other intangible assets (€368 million), and currency translation differences on assets denominated in foreign currencies (€2,259 million, mainly on the U.S. dollar);

- decreases: amortization and impairment losses recognized during the period (€1,317 million).

Deferred taxes represented a net asset of €1,181 million, versus €755 million as of December 31, 2014, an increase of €426 million. This increase was mainly due to reversals of deferred tax liabilities on the remeasurement of acquired intangible assets (€169 million), tax losses available for carry-forward (€363 million), and movements in provisions for pensions and other post-employment benefits (€119 million reduction in deferred tax assets).

Provisions and other non-current liabilities (€9,206 million) decreased by €372 million, mainly due to movements in actuarial gains and losses on defined-benefit pension plans (reduction of €772 million) and currency translation differences (increase of €198 million).

Liabilities related to business combinations and to non-controlling interests were €9 million higher at €1,273 million. The main reason was the impact of contingent consideration payable to Bayer as a result of an acquisition made by Genzyme prior to the latter's acquisition by Sanofi.

D/ Risk factors and related party transactions

D.1. RISK FACTORS

The risk factors to which Sanofi is exposed are described in our Annual Report on Form 20-F for the year ended December 31, 2014, filed with the U.S. Securities and Exchange Commission on March 11, 2015. The nature of these risks has not significantly changed during the first half of 2015. These risks may materialize during the second half of 2015 or during subsequent periods.

D.2. RELATED PARTY TRANSACTIONS

Our principal related parties are defined in Note D.33. to the consolidated financial statements included at item 18, page F-104 of our Annual Report on Form 20-F for the year ended December 31, 2014[(1)].

Note B.5. to the condensed half-year consolidated financial statements provides a description of the principal transactions and balances for the six months ended June 30, 2015 with associates and joint ventures that qualify as related parties.

During the first half of 2015 we entered into agreements and commitments with Olivier Brandicourt, who took office as our Chief Executive Officer on April 2, 2015; these related to termination benefits, a non-compete indemnity, and membership of the Sanofi top-up retirement plan. These agreements and commitments are described on pages 169 and 170 of our Annual Report on Form 20-F for the year ended December 31, 2014[(1)]. Sanofi did not enter into any other transactions with key management personnel during the first half of 2015.

Financial relations with the Group's principal shareholders fall within the ordinary course of business and were immaterial in the first half of 2015.

(1) This report is available on www.sanofi.com.

E/ Outlook

We anticipate that our 2015 full-year business earnings per share[(1)] at constant average exchange rates will be stable or slightly higher relative to 2014, barring major unforeseen events. In addition, the positive currency impact on 2015 full-year business EPS is estimated to be approximately 10 %, assuming that second-half exchange rates remain identical to June 2015 average exchange rates.

Business net income[(1)] for the year ended December 31, 2014 amounted to €6,847 million, giving business earnings per share of €5.20.

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

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

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

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

Forward-Looking Statements

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

These risks and uncertainties include among other things, the uncertainties inherent in research and development, future clinical data and analysis, including post marketing, decisions by regulatory authorities, such as the FDA or the EMA, regarding whether and when to approve any drug, device or biological application that may be filed for any such product candidates as well as their decisions regarding labeling and other matters that could affect the availability or commercial potential of such product candidates, the absence of guarantee that the product candidates if approved will be commercially successful, the future approval and commercial success of therapeutic alternatives, the Group's ability to benefit from external growth opportunities, trends in exchange rates and prevailing interest rates, the impact of cost containment policies and subsequent changes thereto, the average number of shares outstanding as well as those discussed or identified in the public filings with the Securities and Exchange Commission (SEC) and the *Autorité des marchés financiers* (AMF) made by Sanofi, including those listed under "Risk Factors"[(1)] and "Cautionary Statement Regarding Forward-Looking Statements" in Sanofi's annual report on Form 20-F for the year ended December 31, 2014. For an update on litigation, refer to Note B.14. "Legal and arbitration proceedings" to our condensed half-year consolidated financial statements for the six months ended June 30, 2015, and to section "A.4.2. Legal and arbitration proceedings" and section "D. Risk factors and related party transactions" on pages 36 and 60 respectively of the half-year management report.

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

(1) See pages 4 to 18 of the 2014 Annual Report on Form 20-F; this report is available on www.sanofi.com.

F/ Appendix – Definition of Financial Indicators

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

F.1.1. Net sales at constant exchange rates

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

Reconciliation of 2015 first-half reported net sales to net sales at constant exchange rates

(€ million)	June 30, 2015
Reported net sales for the first half of 2015	**18,188**
Effect of exchange rates	(1,692)
Net sales at constant exchange rates for the first half of 2015	**16,496**

F.1.2. Net sales on a constant structure basis

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

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

F.2. BUSINESS INCOME

F.2.1. Business operating income

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

- the amounts reported in the line items ***Restructuring costs***, ***Fair value remeasurement of contingent consideration liabilities*** and ***Other gains and losses, and litigation*** are eliminated;
- amortization and impairment losses charged against intangible assets (other than software and other rights) are eliminated;
- the share of profits/losses of associates and joint ventures 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 in associates and joint ventures) are eliminated;

- restructuring costs relating to associates and joint ventures are eliminated;
- the additional expense relating to the U.S. Branded Prescription Drug Fee, booked in 2014 following publication in July 2014 of the final IRS regulation on this issue, is eliminated because it is non-recurring and unrelated to segment performance.

F.2.2. Business net income

"Business net income" is a non-GAAP financial measure that we define as ***Net income attributable to equity holders of Sanofi*** determined under IFRS, excluding:

- amortization and impairment losses of intangible assets (other than software);
- fair value remeasurement of contingent consideration liabilities;
- other impacts associated with acquisitions (including impacts of acquisitions on associates and joint ventures);
- restructuring costs[(1)]
- other gains and losses[(1)];
- costs and provisions related to litigation[(1)];
- the tax effects related to the items listed above, and the effects of major tax disputes;
- the 3% tax on the distribution of dividends to equity holders of Sanofi;
- the additional expense relating to the U.S. Branded Prescription Drug Fee, booked in 2014 following publication in July 2014 of the final IRS regulation on this issue, which is eliminated because it is non-recurring and unrelated to segment performance; and
- the share of non-controlling interests in the items listed above.

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

(1) Reported in the line items ***Restructuring costs*** and ***Other gains and losses, and litigation*** in the consolidated income statement.

G/ Appendix – Research and Development Pipeline

Registration

N **Praluent® (alirocumab)** Anti-PCSK9 mAb Hypercholesterolemia, EU	**Dengue** Mild-to-severe dengue fever vaccine
N **lixisenatide** GLP-1 agonist Type 2 diabetes, U.S.	**PR5i** DTP-HepB-Polio-Hib Pediatric hexavalent vaccine, U.S., EU

Phase III

LixiLan lixisenatide + insulin glargine Fixed-Ratio / Type 2 diabetes	N **patisiran (ALN-TTR02)** siRNA inhibitor targeting TTR Familial amyloid polyneuropathy	**Clostridium difficile** Toxoid vaccine
N **SAR342434** insulin lispro Type 1+2 diabetes	N **revusiran (ALN-TTRsc)** siRNA inhibitor targeting TTR Familial amyloid cardiomyopathy	**Rotavirus** Live attenuated tetravalent Rotavirus oral vaccine
N **sarilumab** Anti-IL6R mAb Rheumatoid arthritis	**Kynamro® (mipomersen)** Apolipoprotein B-100 antisense Severe HeFH, U.S.	**VaxiGrip® QIV IM** Quadrivalent inactivated influenza vaccine
N **dupilumab** Anti-IL4Rα mAb Atopic dermatitis, Asthma	**Jevtana® (cabazitaxel)** Metastatic prostate cancer (1L)	
SYNVISC-ONE® Medical device Pain in hip OA		

Phase II

dupilumab Anti-IL4Rα mAb Nasal polyposis; Eosinophilic oesophagitis	N **isatuximab** Anti-CD38 naked mAb Multiple myeloma	**Rabies VRVg** Purified vero rabies vaccine
N **vatelizumab** Anti-VLA 2 mAb Multiple sclerosis	N **SAR125844** C-MET kinase inhibitor NSCLC	**Meninge ACYW conj.** 2nd generation meningococcal conjugate infant vaccine
N **SAR156597** IL4/IL13 Bi-specific mAb Idiopathic pulmonary fibrosis	N **GZ402671** Oral GCS Inhibitor Fabry Disease	**Tuberculosis** Recombinant subunit vaccine
sarilumab Anti-IL6R mAb Uveitis	N **olipudase alfa** rhASM Niemann-Pick type B	
N Combination **ferroquine / OZ439** Antimalarial		

Phase I

N **GZ402668** GLD52 (anti-CD52 mAb) Relapsing multiple sclerosis	N **SAR566658** Maytansin-loaded anti-CA6 mAb Solid tumors	N **GZ402666** neo GAA Pompe Disease
N **SAR113244** Anti-CXCR5 mAb Systemic lupus erythematosus	N **SAR408701** Anti-CEACAM5 ADC Solid tumors	N **GZ389988** TRKA antagonist Osteoarthritis
N **SAR228810** Anti-protofibrillar AB mAb Alzheimer's disease	N **REGN2810** PD-1 inhibitor Cancer	N **StarGen®** Gene therapy Stargardt disease
N **SAR425899** GLP-1 / GCGR agonist Diabetes	**SAR125844** C-MET kinase inhibitor Solid tumors	N **UshStat®** Gene therapy Usher syndrome 1B
N **SAR439152** Myosin inhibitor Hypertrophic cardiomyopathy		**Streptococcus pneumonia** Meningitis & pneumonia vaccine
		Herpes Simplex Virus Type 2 HSV-2 vaccine

N : New molecular entity

3 STATUTORY AUDITORS' REVIEW REPORT ON THE 2015 HALF-YEAR FINANCIAL INFORMATION

Period from January 1, 2015 to June 30, 2015

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

To the Shareholders,

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

- the review of the accompanying condensed half-year consolidated financial statements of Sanofi, for the period from January 1, 2015 to June 30, 2015;
- the verification of the information contained in the half-year management report.

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

1. Conclusion on the financial statements

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

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

2. Specific verification

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

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

Neuilly-sur-Seine and Paris-La-Défense, July 30, 2015

The statutory auditors

French original signed by

PricewaterhouseCoopers Audit		ERNST & YOUNG et Autres
Philippe Vogt	François Guillon	Nicolas Pfeuty

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

"I hereby certify that, to the best of my knowledge, the condensed half-year consolidated financial statements have been prepared in accordance with the applicable accounting standards and present fairly the assets and liabilities, the financial position and the income of the Company and the entities included in the scope of consolidation, and that the half-year management report on page 33 provides an accurate overview of the significant events of the first six months of the financial year with their impact on the half-year consolidated financial statements, together with the major transactions with related parties and a description of the main risks and uncertainties for the remaining six months of the financial year."

Paris, July 30, 2015

Olivier Brandicourt

Chief Executive Officer

Cover photo: Cedric Arnold / Capa Pictures

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