HALF-YEAR FINANCIAL REPORT 2021

SANOFI

Photo credits: Front cover:©Alvise Busetto/CAPA Pictures

2021 HALF-YEAR FINANCIAL REPORT

Table of Contents

ENGLISH TRANSLATION AND LANGUAGE CONSULTANCY: STEPHEN REYNOLDS & JANE LAMBERT

1. CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS – ASSETS

(€ million)	Note	June 30, 2021	December 31, 2020
Property, plant and equipment owned	**B.2.1.**	9,503	9,365
Property, plant and equipment leased - right-of-use assets	**B.2.2.**	1,473	1,198
Goodwill	**B.3.**	44,979	44,364
Other intangible assets	**B.3.**	19,466	18,421
Investments accounted for using the equity method	**B.5.**	214	201
Other non-current assets	**B.6.**	2,699	2,734
Non-current income tax assets		152	248
Deferred tax assets		4,240	4,212
Non-current assets		**82,726**	**80,743**
Inventories		9,261	8,352
Accounts receivable	**B.7.**	6,802	7,491
Other current assets		3,094	2,737
Current income tax assets		623	1,208
Cash and cash equivalents	**B.9.**	9,722	13,915
Current assets		**29,502**	**33,703**
Assets held for sale or exchange		93	83
TOTAL ASSETS		**112,321**	**114,529**

The accompanying notes on pages 11 to 39 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED BALANCE SHEETS – EQUITY AND LIABILITIES

(€ million)	Note	June 30, 2021	December 31, 2020
Equity attributable to equity holders of Sanofi		63,237	63,001
Equity attributable to non-controlling interests		127	146
Total equity	**B.8.**	**63,364**	**63,147**
Long-term debt	**B.9.**	17,935	19,745
Non-current lease liabilities		1,242	931
Non-current liabilities related to business combinations and to non-controlling interests	**B.11.**	247	387
Non-current provisions and other non-current liabilities		7,022	7,536
Non-current income tax liabilities		1,692	1,733
Deferred tax liabilities		1,674	1,770
Non-current liabilities		**29,812**	**32,102**
Accounts payable		5,374	5,295
Current liabilities related to business combinations and to non-controlling interests	**B.11.**	200	218
Current provisions and other current liabilities		10,493	10,132
Current income tax liabilities		588	604
Current lease liabilities		247	232
Short-term debt and current portion of long-term debt	**B.9.**	2,225	2,767
Current liabilities		**19,127**	**19,248**
Liabilities related to assets held for sale or exchange		18	32
TOTAL EQUITY AND LIABILITIES		**112,321**	**114,529**

The accompanying notes on pages 11 to 39 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

(€ million)	Note	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Net sales	**B.20.**	**17,335**	**17,180**	**36,041**
Other revenues		596	574	1,328
Cost of sales		(5,541)	(5,543)	(12,157)
Gross profit		**12,390**	**12,211**	**25,212**
Research and development expenses		(2,663)	(2,692)	(5,529)
Selling and general expenses		(4,530)	(4,607)	(9,390)
Other operating income	**B.15.**	409	281	696
Other operating expenses	**B.15.**	(709)	(693)	(1,415)
Amortization of intangible assets	**B.3.**	(775)	(883)	(1,681)
Impairment of intangible assets	**B.4.**	(178)	(323)	(330)
Fair value remeasurement of contingent consideration	**B.6. - B.11.**	(4)	54	124
Restructuring costs and similar items	**B.16.**	(327)	(758)	(1,064)
Other gains and losses, and litigation	**B.17.**	—	136	136
Gain on Regeneron investment arising from transaction of May 29, 2020		—	7,382	7,382
Operating income		**3,613**	**10,108**	**14,141**
Financial expenses	**B.18.**	(189)	(198)	(390)
Financial income	**B.18.**	28	31	53
Income before tax and investments accounted for using the equity method		**3,452**	**9,941**	**13,804**
Income tax expense	**B.19.**	(682)	(994)	(1,813)
Share of profit/(loss) from investments accounted for using the equity method		26	354	359
Net income		**2,796**	**9,301**	**12,350**
Net income attributable to non-controlling interests		20	20	36
Net income attributable to equity holders of Sanofi		**2,776**	**9,281**	**12,314**
Average number of shares outstanding (million)	**B.8.7.**	1,250.3	1,251.7	1,253.6
Average number of shares after dilution (million)	**B.8.7.**	1,255.6	1,258.2	1,260.1
– Basic earnings per share (in euros)		2.22	7.41	9.82
– Diluted earnings per share (in euros)		2.21	7.38	9.77

The accompanying notes on pages 11 to 39 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(€ million)	Note	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Net income		**2,796**	**9,301**	**12,350**
Attributable to equity holders of Sanofi		*2,776*	*9,281*	*12,314*
Attributable to non-controlling interests		*20*	*20*	*36*
Other comprehensive income:				
▪ Actuarial gains/(losses)	**B.8.8.**	328	(146)	(268)
▪ Change in fair value of equity instruments included in financial assets	**B.8.8.**	67	299	320
▪ Tax effects	**B.8.8.**	(15)	(89)	(40)
Subtotal: items not subsequently reclassifiable to profit or loss (A)		**380**	**64**	**12**
▪ Change in fair value of debt instruments included in financial assets	**B.8.8.**	(17)	4	15
▪ Change in fair value of cash flow hedges	**B.8.8.**	(4)	29	4
▪ Change in currency translation differences	**B.8.8.**	1,061	(944)	(3,978)
▪ Tax effects	**B.8.8.**	34	9	(63)
Subtotal: items subsequently reclassifiable to profit or loss (B)		**1,074**	**(902)**	**(4,022)**
Other comprehensive income for the period, net of taxes (A+B)		**1,454**	**(838)**	**(4,010)**
Comprehensive income		**4,250**	**8,463**	**8,340**
Attributable to equity holders of Sanofi		*4,228*	*8,451*	*8,324*
Attributable to non-controlling interests		*22*	*12*	*16*

The accompanying notes on pages 11 to 39 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(€ million)	Share capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Stock options and other share-based payments	Other comprehensive income	Attributable to equity holders of Sanofi	Attributable to non-controlling interests	Total equity
Balance at January 1, 2019	**2,495**	**13**	**(153)**	**53,093**	**3,596**	**(168)**	**58,876**	**159**	**59,035**
Other comprehensive income for the period	—	—	—	(162)	—	813	651	(1)	650
Net income for the period	—	—	—	2,806	—	—	2,806	31	2,837
Comprehensive income for the period	**—**	**—**	**—**	**2,644**	**—**	**813**	**3,457**	**30**	**3,487**
Dividend paid out of 2018 earnings (€3.07 per share)	—	—	—	(3,834)	—	—	(3,834)	—	(3,834)
Payment of dividends to non-controlling interests	—	—	—	—	—	—	—	(14)	(14)
Share repurchase program [(a)]	—	—	(12)	—	—	—	(12)	—	(12)
Share-based payment plans:									
▪ Exercise of stock options	6	141	—	—	—	—	147	—	147
▪ Issuance of restricted shares and vesting of existing restricted shares [(b)]	7	(7)	153	(153)	—	—	—	—	—
▪ Proceeds from sale of treasury shares on exercise of stock options	—	—	3	—	—	—	3	—	3
▪ Value of services obtained from employees	—	—	—	—	252	—	252	—	252
▪ Tax effects of the exercise of stock options	—	—	—	—	15	—	15	—	15
Other changes arising from issuance of restricted shares [(c)]	—	—	—	30	—	—	30	—	30
Change in non-controlling interests without loss of control	—	—	—	(7)	—	—	(7)	(1)	(8)
Other [(d)]	—	—	—	7	—	—	7	—	7
Balance at December 31, 2019	**2,508**	**147**	**(9)**	**51,780**	**3,863**	**645**	**58,934**	**174**	**59,108**

(€ million)	Share capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Stock options and other share-based payments	Other comprehensive income	Attributable to equity holders of Sanofi	Attributable to non-controlling interests	Total equity
Balance at January 1, 2020	**2,508**	**147**	**(9)**	**51,780**	**3,863**	**645**	**58,934**	**174**	**59,108**
Other comprehensive income for the period	—	—	—	64	—	(894)	(830)	(8)	(838)
Net income for the period	—	—	—	9,281	—	—	9,281	20	9,301
Comprehensive income for the period	**—**	**—**	**—**	**9,345**	**—**	**(894)**	**8,451**	**12**	**8,463**
Dividend paid out of 2019 earnings (€3.15 per share)	—	—	—	(3,937)	—	—	(3,937)	—	(3,937)
Payment of dividends to non-controlling interests	—	—	—	—	—	—	—	(4)	(4)
Share repurchase program [(a)]	—	—	(361)	—	—	—	(361)	—	(361)
Share-based payment plans:									
▪ Exercise of stock options	1	37	—	—	—	—	38	—	38
▪ Issuance of restricted shares and vesting of existing restricted shares [(b)]	3	(3)	126	(126)	—	—	—	—	—
▪ Value of services obtained from employees	—	—	—	—	165	—	165	—	165
▪ Tax effects of the exercise of stock options	—	—	—	—	12	—	12	—	12
Other changes arising from issuance of restricted shares [(c)]	—	—	—	2	—	—	2	—	2
Balance at June 30, 2020	**2,512**	**181**	**(244)**	**57,064**	**4,040**	**(249)**	**63,304**	**182**	**63,486**
Other comprehensive income for the period	—	—	—	(51)	—	(3,109)	(3,160)	(12)	(3,172)
Net income for the period	—	—	—	3,033	—	—	3,033	16	3,049
Comprehensive income for the period	**—**	**—**	**—**	**2,982**	**—**	**(3,109)**	**(127)**	**4**	**(123)**
Payment of dividends to non-controlling interests	—	—	—	—	—	—	—	(40)	(40)
Share repurchase program [(a)]	—	—	(461)	—	—	—	(461)	—	(461)
Share-based payment plans:									
▪ Exercise of stock options	1	12	—	—	—	—	13	—	13
▪ Employee share ownership plan	5	169	—	—	—	—	174	—	174
▪ Value of services obtained from employees	—	—	—	—	109	—	109	—	109
• Tax effects of the exercise of stock options	—	—	—	—	(11)	—	(11)	—	(11)
Balance at December 31, 2020	**2,518**	**362**	**(705)**	**60,046**	**4,138**	**(3,358)**	**63,001**	**146**	**63,147**

(€ million)	Share capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Stock options and other share-based payments	Other comprehensive income	Attributable to equity holders of Sanofi	Attributable to non-controlling interests	Total equity
Balance at January 1, 2021	**2,518**	**362**	**(705)**	**60,046**	**4,138**	**(3,358)**	**63,001**	**146**	**63,147**
Other comprehensive income for the period	—	—	—	380	—	1,072	1,452	2	1,454
Net income for the period	—	—	—	2,776	—	—	2,776	20	2,796
Comprehensive income for the period	**—**	**—**	**—**	**3,156**	**—**	**1,072**	**4,228**	**22**	**4,250**
Dividend paid out of 2020 earnings (€3.20 per share)	—	—	—	(4,008)	—	—	(4,008)	—	(4,008)
Payment of dividends to non-controlling interests	—	—	—	—	—	—	—	(41)	(41)
Share repurchase program [(a)]	—	—	(140)	—	—	—	(140)	—	(140)
Share-based payment plans:									
• Exercise of stock options	—	4	—	—	—	—	4	—	4
• Issuance of restricted shares and vesting of existing restricted shares [(b)]	4	(4)	148	(148)	—	—	—	—	—
• Value of services obtained from employees	—	—	—	—	134	—	134	—	134
• Tax effects of the exercise of stock options	—	—	—	—	18	—	18	—	18
Balance at June 30, 2021	**2,522**	**362**	**(697)**	**59,046**	**4,290**	**(2,286)**	**63,237**	**127**	**63,364**

(a) See Note B.8.2.
(b) This line includes restricted share awards fulfilled using existing shares.
(c) Issuance of restricted shares to former employees of the Animal Health business and the European Generics business subsequent to the date of divestment.
(d) This line includes the impact of the settlement of a put option granted to non-controlling interests in connection with a divestment.

The accompanying notes on pages 11 to 39 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(€ million)	Note	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Net income attributable to equity holders of Sanofi		**2,776**	**9,281**	**12,314**
Non-controlling interests		20	20	36
Share of undistributed earnings from investments accounted for using the equity method		(8)	(327)	(339)
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets		1,726	2,013	3,684
Gains and losses on disposals of non-current assets, net of tax [(a)]		(105)	(177)	(301)
Gain on Regeneron investment arising from transaction of May 29, 2020, net of tax		—	(6,870)	(6,880)
Net change in deferred taxes		(134)	(296)	(214)
Net change in non-current provisions and other non-current liabilities [(b)]		(151)	317	(142)
Cost of employee benefits (stock options and other share-based payments)		134	168	274
Impact of the workdown of acquired inventories remeasured at fair value		—	36	53
Other profit or loss items with no cash effect		(39)	155	(711)
Operating cash flow before changes in working capital		**4,219**	**4,320**	**7,774**
(Increase)/decrease in inventories		(821)	(1,023)	(593)
(Increase)/decrease in accounts receivable		751	516	(134)
Increase/(decrease) in accounts payable		(89)	(325)	86
Net change in other current assets and other current liabilities		694	438	316
Net cash provided by/(used in) operating activities [(c)]		**4,754**	**3,926**	**7,449**
Acquisitions of property, plant and equipment and intangible assets	B.2. - B.3.	(1,018)	(682)	(2,114)
Acquisitions of consolidated undertakings and investments accounted for using the equity method [(d)]	B.1.	(1,520)	(2,360)	(5,336)
Acquisitions of other equity investments		(71)	(17)	(137)
Proceeds from disposals of property, plant and equipment, intangible assets and other non-current assets, net of tax [(e)]		299	709	918
Net proceeds from sale of Regeneron shares on May 29, 2020 [(f)]		—	10,512	10,370
Net change in other non-current assets		(29)	(87)	(113)
Net cash provided by/(used in) investing activities		**(2,339)**	**8,075**	**3,588**
Issuance of Sanofi shares	B.8.1.	23	38	203
Dividends paid:				
▪ to shareholders of Sanofi		(4,008)	(3,937)	(3,937)
▪ to non-controlling interests		(41)	(4)	(44)
Additional long-term debt contracted	B.9.1.	1	2,014	2,019
Repayments of long-term debt	B.9.1.	(2,211)	(3,954)	(3,952)
Repayment of lease liabilities		(106)	(121)	(234)
Net change in short-term debt and other financial instruments		(134)	923	282
Acquisitions of treasury shares	B.8.2	(140)	(361)	(822)
Net cash provided by/(used in) financing activities		**(6,616)**	**(5,402)**	**(6,485)**
Impact of exchange rates on cash and cash equivalents		**8**	**(57)**	**(64)**
Net change in cash and cash equivalents		**(4,193)**	**6,542**	**4,488**
Cash and cash equivalents, beginning of period		**13,915**	**9,427**	**9,427**
Cash and cash equivalents, end of period	**B.9.**	**9,722**	**15,969**	**13,915**

(a) Includes non-current financial assets.

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

(c) Of which:

	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
▪ Income tax paid	(220)	(383)	(2,051)
▪ Interest paid	(180)	(174)	(315)
▪ Interest received	1	29	37

(d) This line item includes payments made in respect of contingent consideration identified and recognized as a liability in business combinations.For the six months ended June 30, 2021, it includes the net cash outflow arising from the acquisitions of Kymab, Kiadis and Tidal (see Note B.1.).

(e) This line item includes proceeds from disposals of investments in consolidated entities and of other non-current financial assets, net of tax (including €10 million of deferred taxes as of June 30, 2021). For the six months ended June 30, 2021, it includes the divestment of operations relating to certain established prescription products for a selling price of €84 million before taxes. For the six months ended June 30, 2020 and the year ended December 31, 2020 it includes (i) the sale of operations relating to the Seprafilm® product to Baxter (for a selling price of €313 million before taxes as of June 30, 2020 and €311 million before taxes as of December 31, 2020); (ii) the divestment of certain established prescription products (for a selling price of €105 million before taxes as of June 30, 2020 and €97 million before taxes as of December 31, 2020); and (iii) contingent consideration of €167 million before taxes relating to a past divestment.

(f) The net proceeds from the sale of Regeneron shares as of December 31, 2020 are presented net of taxes.

NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

INTRODUCTION

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

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

The condensed consolidated financial statements for the six months ended June 30, 2021 were reviewed by the Sanofi Board of Directors at the Board meeting on July 28, 2021.

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, 2020.

The accounting policies used in the preparation of the consolidated financial statements as of June 30, 2021 comply with international financial reporting standards (IFRS) as endorsed by the European Union and as issued by the International Accounting Standards Board (IASB). IFRS as endorsed by the European Union as of June 30, 2021 are available via the following web link:

https://www.efrag.org/Endorsement

The accounting policies applied effective January 1, 2021 are identical to those presented in the consolidated financial statements for the year ended December 31, 2020.

As a reminder, Sanofi early adopted the Phase 2 amendment to IFRS 9 relating to interest rate benchmark reform in its consolidated financial statements for the year ended December 31, 2020.

A.2. USE OF ESTIMATES

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

- amounts deducted from sales for projected sales returns, chargeback incentives, rebates and price reductions;
- impairment of property, plant and equipment and intangible assets;
- the valuation of goodwill and the valuation and useful life of acquired intangible assets;
- the measurement of contingent consideration receivable in connection with asset divestments and of contingent consideration payable;
- the measurement of financial assets at amortized cost;
- the amount of post-employment benefit obligations;
- the amount of liabilities or provisions for restructuring, litigation, tax risks and environmental risks; and
- the amount of deferred tax assets resulting from tax losses available for carry-forward and deductible temporary differences.

Actual results could differ from these estimates.

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

A.3. SEASONAL TRENDS

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

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

In 2021, Sanofi continues to account for subsidiaries in Venezuela using the full consolidation method, on the basis that the criteria for control as specified in IFRS 10 (Consolidated Financial Statements) are still met. In 2018, following a change to the foreign exchange system, the "DICOM" rate was replaced by the "PETRO" rate (with a floating US dollar/bolivar parity) and the strong bolivar ("VEF") by a new currency known as the sovereign bolivar ("VES"), reflecting a 1-for-100,000 devaluation. Consequently, the contribution of the Venezuelan subsidiaries to the Sanofi consolidated financial statements is immaterial.

In Argentina and Lebanon, the cumulative rate of inflation over the last three years is in excess of 100%, based on a combination of indices used to measure inflation in those countries. Consequently, Sanofi has treated Argentina (since July 1, 2018) and Lebanon (since January 1, 2020) as hyperinflationary economies, and applied IAS 29. The impact on the financial statements of adjustments required for the application of IAS 29 in respect of Argentina and Lebanon as of June 30, 2021 is immaterial.

A.5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Under IFRS 13 (Fair Value Measurement) and IFRS 7 (Financial Instruments: Disclosures), fair value measurements must be classified using a hierarchy based on the inputs used to measure the fair value of the instrument. This hierarchy has three levels:

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

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

Note	Type of financial instrument	Measurement principle	Level in fair value hierarchy	Valuation technique	Method used to determine fair value			
						Market data		
					Valuation model	Exchange rate	Interest rate	Volatilities
B.6.	Financial assets measured at fair value (quoted equity instruments)	Fair value	1	Market value	Quoted market price	N/A		
B.6.	Financial assets measured at fair value (quoted debt instruments)	Fair value	1	Market value	Quoted market price	N/A		
B.6.	Financial assets measured at fair value (unquoted equity instruments)	Fair value	3	Amortized cost/ Peer comparison (primarily)	If cost ceases to be a representative measure of fair value, an internal valuation based primarily on peer comparison is used.			
B.6.	Financial assets at fair value (contingent consideration receivable)	Fair value	3	Revenue-based approach	Under IFRS 9, contingent consideration receivable on a divestment is a financial asset. The fair value of such assets is determined by adjusting the contingent consideration at the end of the reporting period using the method described in Note D.7.3. to the consolidated financial statements for the year ended December 31, 2020.			
B.6.	Long-term loans and advances and other non-current receivables	Amortized cost	N/A	N/A	The amortized cost of long-term loans and advances and other non-current receivables at the end of the reporting period is not materially different from their fair value.			
B.6.	Financial assets recognized under the fair value option[(a)]	Fair value	1	Market value	Quoted market price	N/A		
B.9.	Investments in mutual funds	Fair value	1	Market value	Net asset value	N/A		
B.9.	Negotiable debt instruments, commercial paper, instant access deposits and term deposits	Amortized cost	N/A	N/A	Because these instruments have a maturity of less than 3 months, amortized cost is regarded as an acceptable approximation of fair value as disclosed in the notes to the consolidated financial statements.			
B.9.	Debt	Amortized cost[(b)]	N/A	N/A	In the case of debt with a maturity of less than 3 months, amortized cost is regarded as an acceptable approximation of fair value as reported in the notes to the consolidated financial statements. For debt with a maturity of more than 3 months, fair value as reported in the notes to the consolidated financial statements is determined either by reference to quoted market prices at the end of the reporting period (quoted instruments) or by discounting the future cash flows based on observable market data at the end of the reporting period (unquoted instruments).			
B.9.	Lease liabilities	Amortized cost	N/A	N/A	Future lease payments are discounted using the incremental borrowing rate.			
B.10.	Forward currency contracts	Fair value	2	Revenue-based approach	Present value of future cash flows	Mid Market Spot	< 1 year: Mid Money Market > 1 year: Mid Zero Coupon	N/A
B.10.	Interest rate swaps[(c)]	Fair value	2		Present value of future cash flows	Mid Market Spot	< 1 year: Mid Money Market and LIFFE interest rate futures > 1 year: Mid Zero Coupon	N/A
B.10.	Cross-currency swaps[(c)]	Fair value	2		Present value of future cash flows	Mid Market Spot	< 1 year: Mid Money Market and LIFFE interest rate futures > 1 year: Mid Zero Coupon	N/A
B.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	Revenue-based approach	Under IAS 32, contingent consideration payable in a business combination is a financial liability. The fair value of such liabilities is determined by adjusting the contingent consideration at the end of the reporting period using the method described in Note B.11.			

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

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

(c) The fair value of the Dexcom equity derivatives (see Note B.10.3) is classified as Level 2 because the valuation is based on a generally accepted technique (the Black & Scholes model) that uses inputs from directly observable market parameters (share price, risk free rate and implied volatility).

A.6. NEW PRONOUNCEMENTS ISSUED BY THE IASB AND APPLICABLE FROM JULY 2021 OR LATER

On February 12, 2021, the IASB issued an amendment to IAS 1 concerning accounting policy disclosures, and an amendment to IAS 8 concerning the definition of accounting estimates. On May 7, 2021, the IASB issued an amendment to IAS 12 concerning deferred tax related to assets and liabilities arising from a single transaction. Sanofi does not expect any material impact from the application of these two amendments, which are effective (subject to endorsement by the European Union) for annual reporting periods beginning on or after January 1, 2023. Sanofi will not early adopt these amendments.

On March 31, 2021, the IASB issued a second "Covid-19-Related Rent Concessions" amendment to IFRS 16, effective (subject to endorsement by the European Union) for annual reporting periods beginning on or after July 1, 2021. The amendment enables lessees, subject to certain conditions, to opt out of the requirement to determine whether a Covid-19-related rent concession is a lease modification. Sanofi does not expect a material impact from the application of this amendment.

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

In its April 2021 update, the IFRS IC published an agenda decision clarifying how to calculate the obligation relating to certain defined benefit plans under which the retirement benefit is (i) contingent on the employee being employed by the entity at the time of retirement and (ii) capped at a specified number of years of service. The impacts of this decision on Sanofi are under review.

In its March 2021 update, the IFRS IC published an agenda decision clarifying how to account for costs of configuring or customising a supplier's application software in a Software as a Service (SaaS) arrangement. The impacts of this decision on Sanofi are under review.

A.7. COVID-19 PANDEMIC

As a reminder, Covid-19 – confirmed as a pandemic by the World Health Organisation on March 11, 2020 – had no major impact on the Sanofi consolidated financial statements for the six months ended June 30, 2020 or the year ended December 31, 2020. Specifically, the pandemic did not create any uncertainties that appreciably called into question the estimates and assumptions made by management.

In the first half of 2021, a return to normal activity levels was observed in the principal markets where Sanofi operates. Sanofi will continue to monitor the situation, and to update management's estimates and assumptions accordingly.

Effect of the Covid-19 pandemic on accounts receivable

As of June 30, 2021, Sanofi has identified nothing that would indicate a material increase in expected credit risk, especially as regards its principal customers (see Note B.20.4).

Effect of the Covid-19 pandemic on the liquidity position

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

A.8. AGREEMENTS RELATING TO THE RECOMBINANT COVID-19 VACCINE CANDIDATE DEVELOPED BY SANOFI IN COLLABORATION WITH GSK

On May 27, 2021, Sanofi and GlaxoSmithKline (GSK) initiated an international Phase III trial to evaluate the efficacy of their COVID-19 vaccine candidate.

As of June 30, 2021, that new stage in the development of the vaccine candidate has not altered the funding commitments made by the United States during 2020, or the pre-orders placed by Canada, the United Kingdom or the European Union (see Note A.7. to the consolidated financial statements for the year ended December 31, 2020).

Sanofi has recognized the US government funding as a deduction from the research and development expenses incurred, or from the acquisition cost of the property, plant and equipment acquired, in accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance).

Sanofi did not receive any further amounts during the first half of 2021 in respect of pre-order contracts entered into with Canada, the United Kingdom or the European Union.

B/ SIGNIFICANT INFORMATION FOR THE FIRST HALF OF 2021

B.1. MAIN ACQUISITIONS OF THE PERIOD

Acquisition of Kymab

On April 8, 2021, Sanofi acquired the entire share capital of Kymab for an upfront payment of $1.1 billion (€973 million) and up to $350 million contingent upon reaching certain development milestones.

Sanofi elected to apply the optional test to identify concentration of fair value under paragraph B7A of IFRS 3. The transaction was accounted for as an asset acquisition given that the principal asset (the KY1005 project, currently in phase II clinical development, and relating to the human monoclonal antibody OX40L, an essential regulator of the immune system) concentrates substantially all of the fair value of the acquired set of activities and assets.

Of the total acquisition price paid, €956 million was allocated to ***Other intangible assets*** in accordance with IAS 38. The difference between that amount and the acquisition price corresponds to the other assets acquired and liabilities assumed as part of the transaction.

The impact of this acquisition as reflected within the line item ***Acquisitions of consolidated undertakings and investments accounted for using the equity method*** in the consolidated statement of cash flows is a net cash outflow of €922 million.

Acquisition of Kiadis

On November 2, 2020, Sanofi and Kiadis, a biopharmaceutical company developing novel "off-the-shelf" natural killer (NK) cell therapies for patients with life-threatening diseases, entered into a definitive agreement whereby Sanofi was to make a public offer to acquire the entire share capital of Kiadis, 61,084,776 shares, at a cash price of €5.45 per share.

The acquisition was approved unanimously by the Boards of Directors of Sanofi and Kiadis, and 95.03% of the share capital of Kiadis had been tendered into the offer as of April 16, 2021. As of the end of the post-closing acceptance period on April 29, 2021, Sanofi held 97.39% of the share capital of Kiadis, and launched a statutory public buy-out procedure in order to obtain 100% of the share capital.

Sanofi elected to apply the optional test to identify concentration of fair value under paragraph B7A of IFRS 3. The transaction was accounted for as an asset acquisition given that the principal asset (the K-NK technology platform) concentrates substantially all of the fair value of the acquired set of activities and assets.

Of the total acquisition price paid, €333 million was allocated to ***Other intangible assets*** in accordance with IAS 38. The difference between that amount and the acquisition price corresponds to the other assets acquired and liabilities assumed as part of the transaction.

The impact of this acquisition as reflected within the line item ***Acquisitions of consolidated undertakings and investments accounted for using the equity method*** in the consolidated statement of cash flows is a net cash outflow of €319 million.

Acquisition of Tidal

On April 9, 2021, Sanofi acquired Tidal Therapeutics, a privately owned, pre-clinical stage biotech company with a unique mRNA-based approach for in vivo reprogramming of immune cells. The new technology platform will expand Sanofi's research capabilities in immuno-oncology and inflammatory diseases, and may have applicability to other disease areas as well.

Tidal Therapeutics was acquired for an upfront payment of $160 million (€136 million), and up to $310 million contingent upon reaching certain development milestones.

Sanofi elected to apply the optional test to identify concentration of fair value under paragraph B7A of IFRS 3. The transaction was accounted for as an asset acquisition given that the principal asset (the unique mRNA-based in vivo reprogramming technology) concentrates substantially all of the fair value of the acquired set of activities and assets.

Of the total acquisition price paid, €130 million was allocated to ***Other intangible assets*** in accordance with IAS 38. The difference between that amount and the acquisition price corresponds to the other assets acquired and liabilities assumed as part of the transaction.

The impact of this acquisition as reflected within the line item ***Acquisitions of consolidated undertakings and investments accounted for using the equity method*** in the consolidated statement of cash flows is a net cash outflow of €135 million.

B.2. PROPERTY, PLANT AND EQUIPMENT

B.2.1. Property, plant and equipment owned

The table below sets forth acquisitions and capitalized interest by operating segment for the first half of 2021:

(€ million)	June 30, 2021	December 31, 2020
Acquisitions	**523**	**1,310**
Pharmaceuticals	356	831
Industrial facilities	*232*	*634*
Research sites	*72*	*152*
Other	*52*	*45*
Vaccines	140	384
Consumer Healthcare	27	95
Capitalized interest	**6**	**11**

Firm orders for property, plant and equipment stood at €764 million as of June 30, 2021.

B.2.2. Property, plant and equipment leased - right-of-use assets

In December 2018, Sanofi signed two leases on real estate assets in the United States (at Cambridge, Massachusetts) for an initial lease term of 15 years. The first lease, relating to office space, began in April 2021. Consequently, Sanofi recognized a right-of-use-asset and a lease liability in its balance sheet. As of June 30, 2021, the right-of-use asset amounted to €313 million.

The second lease, relating to laboratory facilities, began on July 1, 2021. The undiscounted, non-cancellable obligation amounted to €479 million as of June 30, 2021.

B.3. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill amounted to €44,979 million as of June 30, 2021, versus €44,364 million as of December 31, 2020. The movement during the period was mainly due to the impact of changes in exchange rates.

Movements in other intangible assets during the first half of 2021 were as follows:

(€ million)	Acquired R&D	Products, trademarks and other rights	Software	Total other intangible assets
Gross value at January 1, 2021	**9,600**	**61,074**	**1,748**	**72,422**
Changes in scope of consolidation [(a)]	1,337	82	—	1,419
Acquisitions and other increases	277	63	74	414
Disposals and other decreases	—	(68)	(13)	(81)
Currency translation differences	229	803	12	1,044
Transfers	(7)	10	(5)	(2)
Gross value at June 30, 2021	**11,436**	**61,964**	**1,816**	**75,216**
Accumulated amortization and impairment at January 1, 2021	**(3,508)**	**(49,345)**	**(1,148)**	**(54,001)**
Amortization expense	—	(797)	(71)	(868)
Impairment losses, net of reversals [(b)]	(137)	(41)	—	(178)
Disposals and other decreases	1	37	12	50
Currency translation differences	(50)	(693)	(10)	(753)
Accumulated amortization and impairment at June 30, 2021	**(3,694)**	**(50,839)**	**(1,217)**	**(55,750)**
Carrying amount at January 1, 2021	**6,092**	**11,729**	**600**	**18,421**
Carrying amount at June 30, 2021	**7,742**	**11,125**	**599**	**19,466**

(a) See Note B.1.
(b) See Note B.4.

Acquisitions of other intangible assets (excluding software) in the first half of 2021 totaled €340 million. The main items were upfront and milestone payments within the Specialty Care and Vaccines GBUs.

“Products, trademarks and other rights” mainly comprises:

- marketed products, with a carrying amount of €10.5 billion as of June 30, 2021 (versus €11.4 billion as of December 31, 2020) and a weighted average amortization period of approximately 10 years;
- technological platforms brought into service, with a carrying amount of €0.4 billion as of June 30, 2021 (versus €0.2 billion as of December 31, 2020) and a weighted average amortization period of approximately 13 years; and
- trademarks, with a carrying amount of €0.1 billion as of June 30, 2021 (versus €0.1 billion as of December 31, 2020) and a weighted average amortization period of approximately 12 years.

B.4. IMPAIRMENT OF INTANGIBLE ASSETS

The results of impairment tests on other intangible assets led to the recognition of a net impairment loss of €178 million in the first half of 2021.

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

B.5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method consist of associates and joint ventures (see Note B.1. to the consolidated financial statements for the year ended December 31, 2020), and comprise:

(€ million)	% interest	June 30, 2021	December 31, 2020
Infraserv GmbH & Co. Höchst KG [(a)]	31.2	69	72
MSP Vaccine Company [(b)]	50.0	67	44
Other investments	—	78	85
Total		**214**	**201**

(a) Joint venture.
(b) Joint venture. MSP Vaccine Company owns 100% of MCM Vaccine B.V.

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

(€ million)	June 30, 2021	June 30, 2020	December 31, 2020
Sales [(a)]	31	52	75
Royalties and other income [(a)]	26	65	97
Accounts receivable and other receivables	66	7	50
Purchases and other expenses (including research expenses) [(a)]	124	605	747
Accounts payable and other payables	17	5	15

(a) For 2020, these amounts include transactions between Sanofi and Regeneron for the period from January 1 through May 29, 2020. The table above does not include the repurchase by Regeneron of its own shares from Sanofi (see Note D.1. to the consolidated financial statements for the year ended December 31, 2020).

B.6. OTHER NON-CURRENT ASSETS

Other non-current assets comprise:

(€ million)	June 30, 2021	December 31, 2020
Equity instruments at fair value through other comprehensive income	669	588
Debt instruments at fair value through other comprehensive income	409	426
Other financial assets at fair value through profit or loss	836	890
Pre-funded pension obligations	179	177
Long-term prepaid expenses	77	92
Long-term loans and advances and other non-current receivables	508	537
Derivative financial instruments	21	24
Total	**2,699**	**2,734**

B.7. ACCOUNTS RECEIVABLE

Accounts receivable break down as follows:

(€ million)	June 30, 2021	December 31, 2020
Gross value	6,932	7,633
Allowances	(130)	(142)
Carrying amount	**6,802**	**7,491**

The impact of allowances against accounts receivable in the first half of 2021 was a net expense of €2 million (versus a net expense of €40 million for the first half of 2020).

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

(€ million)	Overdue accounts gross value	Overdue by <1 month	Overdue by 1-3 months	Overdue by 3-6 months	Overdue by 6-12 months	Overdue by > 12 months
June 30, 2021	427	78	105	96	33	115
December 31, 2020	549	271	97	52	34	95

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.8.6. to the consolidated financial statements for the year ended December 31, 2020 and hence were derecognized was €522 million as of June 30, 2021 (versus €18 million as of December 31, 2020). The residual guarantees relating to those transfers were immaterial as of June 30, 2021.

B.8. CONSOLIDATED SHAREHOLDERS' EQUITY

B.8.1. SHARE CAPITAL

As of June 30, 2021, the share capital was €2,521,571,560 and consisted of 1,260,785,780 shares (the total number of shares outstanding) with a par value of €2.

Treasury shares held by Sanofi are as follows:

	Number of shares (million)	% of share capital for the period
June 30, 2021	8.25	0.655%
December 31, 2020	8.28	0.658%
June 30, 2020	2.59	0.207%
January 1, 2020	0.02	0.002%

A total of 62,396 shares were issued in the first half of 2021 as a result of the exercise of Sanofi stock subscription options.

A total of 1,751,646 shares vested under Sanofi restricted share plans during the first half of 2021, either by issuance of new shares or by vesting of existing restricted shares.

B.8.2. REPURCHASE OF SANOFI SHARES

On April 30, 2021, the Annual General Meeting of Sanofi shareholders authorized a share repurchase program for a period of 18 months. Sanofi did not use that authorization during the first half of 2021.

On April 28, 2020, the Annual General Meeting of Sanofi shareholders authorized a share repurchase program for a period of 18 months. Under that program (and that program alone), Sanofi repurchased 1,758,569 of its own shares during the first half of 2021 for a total amount of €140 million.

B.8.3. REDUCTIONS IN SHARE CAPITAL

No decision to cancel treasury shares was made by the Sanofi Board of Directors during the first half of 2021.

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, 2020. The principal features of the plans awarded in 2021 are set forth below:

	2021
Type of plan	Performance share plan
Date of Board meeting approving the plan	April 30, 2021
Total number of shares subject to a 3-year service period	3,484,420
Of which with no market condition	2,209,901
Fair value per share awarded (€) [(a)]	77.27
Of which with market condition	1,274,519
Fair value per share awarded (€) [(b)]	71.30
Fair value of plan at the date of grant (€ million)	**262**

(a) Quoted market price per share at the date of grant, adjusted for dividends expected during the vesting period.
(b) Weighting between (i) fair value determined using the Monte Carlo model and (ii) market price of Sanofi shares at the date of grant, adjusted for dividends expected during the vesting period.

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

	June 30, 2021	June 30, 2020
Total expense for restricted share plans (€ million)	83	113
Number of shares not yet fully vested	9,996,495	10,900,815
Under 2021 plans	*3,484,420*	—
Under 2020 plans	*3,175,084*	*3,340,501*
Under 2019 plans	*3,252,099*	*3,545,507*
Under 2018 plans	*84,892*	*4,014,807*

B.8.5. CAPITAL INCREASES

On February 4, 2021, the Sanofi Board of Directors approved a capital increase reserved for employees, offering the opportunity for them to subscribe for new Sanofi shares at a price of €69.38 per share. The subscription period was open from June 7 through June 25, 2021. Sanofi employees subscribed for a total of 2,438,590 shares, and this capital increase was supplemented by the immediate issuance of a further 124,112 shares for the employer's contribution. The total expense recognized for this capital increase in the first half of 2021 was €51 million, determined in accordance with IFRS 2 (Share-Based Payment) on the basis of the discount granted to the employees.

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

B.8.6. STOCK SUBSCRIPTION OPTION PLANS

No stock subscription option plans were awarded in the first half of 2021 or 2020.

The expense recognized through equity for stock option plans is immaterial.

The table below provides summary information about options outstanding and exercisable as of June 30, 2021:

	Outstanding			Exercisable	
Range of exercise prices per share	Number of options	Weighted average residual life (years)	Weighted average exercise price per share (€)	Number of options	Weighted average exercise price per share (€)
From €50.00 to €60.00 per share	163,367	0.68	56.44	163,367	56.44
From €60.00 to €70.00 per share	168,784	6.85	65.84	—	—
From €70.00 to €80.00 per share	1,499,313	3.60	74.10	1,279,313	73.65
From €80.00 to €90.00 per share	634,184	4.86	89.19	634,184	89.19
Total	**2,465,648**			**2,076,864**	

B.8.7. NUMBER OF SHARES USED TO COMPUTE DILUTED EARNINGS PER SHARE

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

(million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Average number of shares outstanding	1,250.3	1,251.7	1,253.6
Adjustment for stock options with dilutive effect	0.3	0.4	0.4
Adjustment for restricted shares	5.0	6.1	6.1
Average number of shares used to compute diluted earnings per share	**1,255.6**	**1,258.2**	**1,260.1**

As of June 30, 2021, 0.6 million stock options were not taken into account in computing diluted earnings per share because they had no dilutive effect, compared with 0.6 million as of December 31, 2020 and 0.7 million as of June 30, 2020.

B.8.8. OTHER COMPREHENSIVE INCOME

Movements within other comprehensive income are shown below:

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Actuarial gains/(losses):			
▪ Actuarial gains/(losses) excluding investments accounted for using the equity method	328	(146)	(267)
▪ Actuarial gains/(losses) of investments accounted for using the equity method, net of taxes	—	—	(1)
▪ Tax effects	(11)	(19)	45
Equity instruments included in financial assets:			
▪ Change in fair value (excluding investments accounted for using the equity method)	70	365	358
▪ Change in fair value (investments accounted for using the equity method, net of taxes)	—	(13)	(14)
▪ Equity risk hedging instruments designated as fair value hedges	(3)	(53)	(24)
▪ Tax effects	(4)	(70)	(85)
Items not subsequently reclassifiable to profit or loss	**380**	**64**	**12**
Debt instruments included in financial assets:			
▪ Change in fair value (excluding investments accounted for using the equity method) [(a)]	(17)	4	15
▪ Change in fair value (investments accounted for using the equity method, net of taxes)	—	—	—
▪ Tax effects	4	(1)	(3)
Cash flow hedges:			
▪ Change in fair value (excluding investments accounted for using the equity method) [(b)]	(4)	29	4
▪ Change in fair value (investments accounted for using the equity method, net of taxes)	—	—	—
▪ Tax effects	—	(9)	(2)
Change in currency translation differences:			
▪ Currency translation differences on foreign subsidiaries (excluding investments accounted for using the equity method)	1,171	(590)	(3,872)
▪ Currency translation differences (investments accounted for using the equity method) [(b)]	(3)	24	32
▪ Currency translation differences related to the investment in Regeneron and reclassified to profit or loss [(c)]	—	(318)	(318)
▪ Hedges of net investments in foreign operations [(b)]	(107)	(60)	180
▪ Tax effects	30	19	(58)
Items subsequently reclassifiable to profit or loss	**1,074**	**(902)**	**(4,022)**

(a) Includes reclassifications to profit or loss: €4 million in the first half of 2021, and €5 million in 2020.

(b) Includes reclassifications to profit or loss: €4 million in the first half of 2021, and €1 million in 2020 (all of which was reclassified in the first half of 2020).

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

B.9. DEBT, CASH AND CASH EQUIVALENTS

Changes in financial position during the period were as follows:

(€ million)	June 30, 2021	December 31, 2020
Long-term debt	17,935	19,745
Short-term debt and current portion of long-term debt	2,225	2,767
Interest rate and currency derivatives used to manage debt	70	119
Total debt	**20,230**	**22,631**
Cash and cash equivalents	(9,722)	(13,915)
Interest rate and currency derivatives used to manage cash and cash equivalents	(41)	74
Net debt [(a)]	**10,467**	**8,790**

(a) Net debt does not include lease liabilities, which amounted to €1,489 million as of June 30, 2021 and €1,163 million as of December 31, 2020.

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

B.9.1. NET DEBT AT VALUE ON REDEMPTION

A reconciliation of the carrying amount of net debt in the balance sheet to value on redemption as of June 30, 2021 is shown below:

				Value on redemption	
(€ million)	Carrying amount at June 30, 2021	Amortized cost	Adjustment to debt measured at fair value	June 30, 2021	December 31, 2020
Long-term debt	17,935	64	(15)	17,984	19,794
Short-term debt and current portion of long-term debt	2,225	(2)	2	2,225	2,767
Interest rate and currency derivatives used to manage debt	70	—	17	87	142
Total debt	**20,230**	**62**	**4**	**20,296**	**22,703**
Cash and cash equivalents	(9,722)	—	—	(9,722)	(13,915)
Interest rate and currency derivatives used to manage cash and cash equivalents	(41)	—	—	(41)	74
Net debt [(a)]	**10,467**	**62**	**4**	**10,533**	**8,862**

(a) Net debt does not include lease liabilities, which amounted to €1,489 million as of June 30, 2021 and €1,163 million as of December 31, 2020.

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

	June 30, 2021			December 31, 2020		
(€ million)	non-current	current	Total	non-current	current	Total
Bond issues	17,897	1,938	19,835	19,698	2,280	21,978
Other bank borrowings	87	133	220	96	200	296
Other borrowings	—	2	2	—	2	2
Bank credit balances	—	152	152	—	285	285
Interest rate and currency derivatives used to manage debt	—	87	87	57	85	142
Total debt	**17,984**	**2,312**	**20,296**	**19,851**	**2,852**	**22,703**
Cash and cash equivalents	—	(9,722)	(9,722)	—	(13,915)	(13,915)
Interest rate and currency derivatives used to manage cash and cash equivalents	—	(41)	(41)	6	68	74
Net debt	**17,984**	**(7,451)**	**10,533**	**19,857**	**(10,995)**	**8,862**

Principal financing and debt reduction transactions during the period

Sanofi did not carry out any bond issues in the first half of 2021.

Two bond issues were redeemed during the first half of 2021:

a. a March 2011 fixed-rate bond issue of $2 billion, which matured on March 29, 2021; and

b. a September 2015 bond issue of €500 million, redeemed on June 22, 2021 ahead of the contractual maturity date.

Sanofi had the following arrangements in place as of June 30, 2021 to manage its liquidity in connection with current operations:

- a syndicated credit facility of €4 billion, drawable in euros and in US dollars, the maturity of which was extended to December 4, 2022 following the exercise of a second extension option in June 2021, and which includes a further one-year extension option; and
- a syndicated credit facility of €4 billion, drawable in euros and in US dollars, expiring December 2025, which includes two further extension options of one year each.

As of June 30, 2021, there were no drawdowns under either facility.

Sanofi also has a €6 billion Negotiable European Commercial Paper program in France and a $10 billion Commercial Paper program in the United States. During the first half of 2021 only the US program was used, with an average drawdown of $1.2 billion.

The financing in place as of June 30, 2021 at the level of the holding company (which manages most of Sanofi's financing needs centrally) is not subject to any financial covenants, and contains no clauses linking credit spreads or fees to the credit rating.

B.9.2. MARKET VALUE OF NET DEBT

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

(€ million)	June 30, 2021	December 31, 2020
Market value	11,811	10,500
Value on redemption	10,533	8,862

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, 2021. The notional amount is translated into euros at the relevant closing exchange rate.

June 30, 2021			Of which derivatives designated as cash flow hedges			Of which derivatives not eligible for hedge accounting	
(€ million)	Notional amount	Fair value	Notional amount	Fair value	Of which recognized in equity	Notional amount	Fair value
Forward currency sales	**3,777**	**(43)**				**3,777**	**(43)**
of which US dollar	*1,558*	*(30)*				*1,558*	*(30)*
of which Chinese yuan renminbi	*628*	*(8)*				*628*	*(8)*
of which Singapore dollar	*210*	*(2)*				*210*	*(2)*
of which Japanese yen	*145*	*(1)*				*145*	*(1)*
of which Mexican peso	*89*	*(2)*				*89*	*(2)*
Forward currency purchases	**2,068**	**28**				**2,068**	**28**
of which US dollar	*1,059*	*21*				*1,059*	*21*
of which Singapore dollar	*406*	*6*				*406*	*6*
of which Pound sterling	*61*	*—*				*61*	*—*
of which Hungarian forint	*53*	*—*				*53*	*—*
of which Chinese yuan renminbi	*50*	*1*				*50*	*1*
Total	**5,845**	**(15)**				**5,845**	**(15)**

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, 2021 and recognized in the balance sheet at that date. Gains and losses on hedging instruments (forward contracts) are calculated and recognized in parallel with the recognition of gains and losses on the hedged items. Due to this hedging relationship, the commercial foreign exchange difference on those items (hedging instruments and hedged transactions) will be immaterial in the second half of 2021.

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

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

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

The table below shows financial currency hedging instruments in place as of June 30, 2021. The notional amount is translated into euros at the relevant closing exchange rate.

	June 30, 2021		
(€ million)	Notional amount	Fair value	Maximum expiry date
Forward currency sales	**5,525**	**(78)**	
of which US dollar	*4,203* [(a)]	*(66)*	*2022*
of which Mexican peso	*266*	*(7)*	*2021*
of which Brazilian real	*102* [(b)]	*(5)*	*2022*
Forward currency purchases	**7,984**	**30**	
of which US dollar	*4,347* [(c)] [(d)]	*14*	*2022*
of which Singapore dollar	*3,018* [(e)]	*12*	*2022*
of which Japanese yen	*295*	*1*	*2021*
Total	**13,509**	**(48)**	

(a) Includes forward sales with a notional amount of $3,615 million expiring in 2021, designated as a hedge of Sanofi's net investment in Bioverativ. As of June 30, 2021, the fair value of these forward contracts represented a liability of €57 million; the opposite entry was recognized in ***Other comprehensive income****, with the impact on financial income and expense being immaterial.*

(b) *Includes forward sales with a notional amount of BRL 600 million expiring in 2022, designated as a hedge of Sanofi's net investment in Medley Farmaceutica. As of June 30, 2021, the fair value of these forward contracts represented a liability of €7 million; the opposite entry was recognized in* ***Other comprehensive income****, with the impact on financial income and expense being immaterial.*

(c) *Includes forward purchases with a notional amount of $1,000 million expiring in 2021 and 2022, designated as a fair value hedge of USD bond issues against fluctuations in the EUR/USD spot rate. As of June 30, 2021, the fair value of these contracts represented a liability of €5 million, with €0.3 million of that amount credited to* ***Other comprehensive income*** *to recognise the hedging cost.*

(d) *Includes currency swaps with a notional amount of $1,000 million, receive 0.22% pay EUR -0.63% expiring in 2022, designated as a cash flow hedge of $1,000 million of bond issues. As of June 30, 2021, the fair value of the swaps was a liability of €13 million.*

(e) *Includes forward purchases with a notional amount of SGD 1,870 million expiring in 2021, designated as fair value hedges of an equivalent portion of an intra-group loan against fluctuations in the EUR/SGD spot rate. As of June 30, 2021, the fair value of these contracts represented a liability of €2 million, of which €0.5 million was credited to* ***Other comprehensive income*** *to recognise the hedging cost.*

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

The table below shows instruments of this type in place as of June 30, 2021:

								Of which designated as fair value hedges		Of which designated as cash flow hedges		
(€ million)	2021	2022	2023	2024	2025 and beyond	Total	Fair value	Notional amount	Fair value	Notional amount	Fair value	Of which recognized in equity
Interest rate swaps												
pay capitalized Eonia / receive 0.06%	—	2,000	—	—	—	2,000	16	2,000	16	—	—	—
pay -0.57% / receive capitalized Eonia	—	600	—	—	—	600	3	—	—	600	3	1
pay capitalized SOFR USD / receive 1.03%	—	—	—	—	422	422	1	422	1	—	—	—
receive capitalized Eonia / pay 1.48% [(a)]	—	42	57	—	—	99	(3)	99	(3)	—	—	—
Total	**—**	**2,642**	**57**	**—**	**422**	**3,121**	**17**	**2,521**	**14**	**600**	**3**	**1**

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

B.10.3. EQUITY DERIVATIVES

During 2019, Sanofi contracted derivative instruments (collars) on 593,712 shares of Dexcom, Inc. The collars were designated as fair value hedges of the Dexcom shares, and had a fair value as of June 30, 2021 of €29 million, recognized in full within ***Other comprehensive income***.

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

For a description of the nature of the liabilities reported in the line item ***Liabilities related to business combinations and to non-controlling interests***, refer to Note B.8.4. to the consolidated financial statements for the year ended December 31, 2020.

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

Movements in liabilities related to business combinations and to non-controlling interests in the first half of 2021 are shown below:

(€ million)	Bayer contingent consideration arising from the acquisition of Genzyme	MSD contingent consideration (European Vaccines business)	Other [b]	Total [a]
Balance at January 1, 2021	**104**	**312**	**189**	**605**
New transactions	—	—	17	17
Payments made	(7)	—	(147)	(154)
Fair value remeasurements through profit or loss: (gain)/loss (including unwinding of discount) [c]	(20)	20	(29)	(29)
Other movements	—	—	—	—
Currency translation differences	2	4	2	8
Balance at June 30, 2021	**79**	**336**	**32**	**447**
Of which:				
• Current portion				200
• Non-current portion				247

(a) As of January 1, 2021, this comprised a non-current portion of €387 million and a current portion of €218 million.
(b) The contingent consideration liability due to True North Therapeutics as a result of Sanofi's acquisition of Bioverativ was settled in the first half of 2021.
*(c) Amounts mainly reported within the income statement line item **Fair value remeasurement of contingent consideration.***

As of June 30, 2021, ***Liabilities related to business combinations and to non-controlling interests*** mainly comprised:

- The Bayer contingent consideration liability arising from the acquisition of Genzyme in 2011. As of June 30, 2021, Bayer was still entitled to receive the following potential payments:

– a percentage of sales of alemtuzumab up to a maximum of $1,250 million or over a maximum period of 10 years, whichever is achieved first;

– milestone payments based on specified levels of worldwide sales of alemtuzumab beginning in 2021.

The fair value of this liability was measured at €79 million as of June 30, 2021, versus €104 million as of December 31, 2020. The fair value of the Bayer liability is determined by applying the above contractual terms to sales projections which have been weighted to reflect the probability of success, and discounted. If the discount rate were to fall by one percentage point, the fair value of the Bayer liability would increase by approximately 1%.

- The MSD contingent consideration liability arising from the 2016 acquisition of the Sanofi Pasteur activities carried on within the former Sanofi Pasteur MSD joint venture, which amounted to €336 million as of June 30, 2021 versus €312 million as of December 31, 2020. The fair value of this contingent consideration is determined by applying the royalty percentage stipulated in the contract to discounted sales projections. If the discount rate were to fall by one percentage point, the fair value of the MSD contingent consideration would increase by approximately 2%.

B.12. NON-CURRENT PROVISIONS

The table below shows movements in provisions:

(€ million)	Provisions for pensions & other post-employment benefits	Provisions for other long-term benefits	Restructuring provisions	Other provisions	Total
Balance at January 1, 2021	**3,497**	**879**	**868**	**1,975**	**7,219**
Increases in provisions and other liabilities	107	87	4	90	288
Provisions utilized	(63)	(74)	(4)	(58)	(199)
Reversals of unutilized provisions	(4)	(1)	(1)	(83) [(a)]	(89)
Transfers	(3)	(2)	(159) [(b)]	(28)	(192)
Net interest related to employee benefits, and unwinding of discount	22	1	—	4	27
Currency translation differences	37	13	1	16	67
Actuarial gains and losses on defined-benefit plans	(328)	—	—	—	(328)
Balance at June 30, 2021	**3,265**	**903**	**709**	**1,916**	**6,793**

(a) Amounts charged during the first half of 2021 relate mainly to provisions for products, litigation and other liabilities.
(b) This movement includes transfers between current and non-current.

Provisions for pensions and other post-employment benefits

For an analysis of the sensitivity of obligations in respect of pensions and other employee benefits as of December 31, 2020, and of the assumptions used as of that date, see Note D.19.1. to the consolidated financial statements for the year ended December 31, 2020.

The principal assumptions used (in particular, changes in discount and inflation rates and in the market value of plan assets) for the euro zone, the United States and the United Kingdom were reviewed as of June 30, 2021 to take into account changes during the first half of the year.

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

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Actuarial gains/(losses) on plan assets	(24)	308	696
Actuarial gains/(losses) on benefit obligations	352 [(a)]	(454) [(b)]	(963)

(a) Includes the effects of (i) the change in discount rates (in a range between +0.50% and +0.30%) and (ii) the change in the inflation rate in the United Kingdom (+0.20%) and in the Eurozone (+0.25%) in the first half of 2021.
(b) Includes the effects of (i) the change in the discount rate in the United Kingdom and the United States (-0.50%) and (ii) the change in the inflation rate in the United Kingdom (-0.05%) in the first half of 2020.

B.13. OFF BALANCE SHEET COMMITMENTS

Off balance sheet commitments to third parties as of December 31, 2020 are presented in Note D.21.1. to the consolidated financial statements for the year ended December 31, 2020.

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

- In January 2021, Sanofi entered into a license agreement with Biond Biologics, a biopharmaceutical company developing novel immunotherapies for cancer and a platform enabling the intra-cellular delivery of biologics, for the development and commercialization of BND-22 (a humanized IgG4 antagonist antibody targeting the Ig-like transcript 2 (ILT2) receptor, in development for the treatment of solid tumors). Under the terms of the agreement, Sanofi made an upfront payment of $125 million, and could pay up to $1 billion contingent on the attainment of certain objectives.
- On April 8, 2021, Sanofi acquired the entire share capital of Kymab (see Note B.1). The acquisition price includes milestone payments of up to $350 million contingent on the attainment of certain development objectives.
- On April 9, 2021, Sanofi acquired Tidal Therapeutics (see Note B.1). The acquisition price includes milestone payments of up to $310 million contingent on the attainment of certain development objectives.
- On April 16, 2021, Sanofi acquired Kiadis company, thereby terminating the 2020 license agreement.

B.14. LITIGATION AND ARBITRATION PROCEEDINGS

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

The matters discussed below constitute the most significant developments since publication of the disclosures concerning legal proceedings in the Company's financial statements for the year ended December 31, 2020.

B.14.1. PRODUCTS

ZANTAC® LITIGATION IN THE US

On June 30 and July 8, 2021, the Federal MDL Court entered orders granting in part and denying in part Defendants' motions to dismiss various aspects of Plaintiffs' amended complaints. The rulings significantly narrowed the scope of plaintiffs' complaints and saw the dismissal of all retailers and generic manufacturers from the MDL, leaving branded manufacturers GSK, Pfizer, Boehringer Ingelheim, and Sanofi as the defendants. As of the end of June 2021, there were 1,321 personal injury cases in the MDL, comprising 1,753 personal injury plaintiffs alleging claims against Sanofi. Separately, and as of the end of June 2021, there were 54 cases pending in California state court comprising 1,063 plaintiffs. Other cases are pending in various state courts. These state court cases still include numerous retail and generics manufacturing defendants in addition to branded manufacturers.

Overall between State and federal filings there are currently 1,501 product liability "complaints" filed. These complaints encompass 2,878 individual product liability "plaintiffs" who have all filed against Sanofi. Additional cases may be filed. It is not possible, at this stage, to assess reliably the outcome of these lawsuits or the potential financial impact on Sanofi.

DEPAKINE® PRODUCT LITIGATION IN FRANCE

Administrative Actions

In July 2020, a court had recognized the responsibility of the State in 3 administrative proceedings initiated by families against the State. In March 2021, the Administrative Court did not retain any lack of information of the mother regarding the risk of neurodevelopmental disorders at the time of pregnancies occurred in 1998 and in 2001, based on the state of scientific knowledge at these dates. However, liabilities were retained against the State, the healthcare professionals and Sanofi, notably for discrepancy between the SmPC (Summary of the Product Characteristics) and the patient leaflet regarding the risk of malformations. Given that Sanofi-Aventis France (SAF) was not a party to these administrative proceedings, SAF's arguments (i.e. notably several requests from SAF to the Health Authorities to reinforce warnings to healthcare professionals and patients in relation to Depakine®) were not considered. SAF has filed requests for voluntary intervention in these proceedings to present its arguments before the Administrative Court of Appeal.

Civil Proceedings

On July 21, 2021, a Judicial Tribunal in France dismissed a claim for damages brought against SAF regarding a child born in 1995. The Judicial Tribunal considered that the risk of occurrence of neurodevelopmental disorders in children born to mother exposed to

sodium valproate during pregnancy was not evidenced by the state of scientific knowledge at the time of her pregnancy. This decision might be appealed.

B.14.2. PATENTS

RAMIPRIL® CANADA PATENT LITIGATION

At the request of the parties, in June 2021, the Court ordered that the action be stayed in view of the lower court's decision in March in the Apotex vs. Lilly case. In the Lilly case, the Court dismissed Apotex's Statute of Monopolies claim by way of summary judgment. If upheld on appeal, this decision may end Apotex's claim against Sanofi, also based on the Statute of Monopolies. It is anticipated that the appeals process, through finality will take approximately 24 months.

PRALUENT® (ALIROCUMAB)-RELATED AMGEN PATENT LITIGATION IN THE US

In April 2021, Amgen filed a petition with the Court of Appeals for the Federal Circuit ("CAFC") seeking rehearing of the February 2021 ruling. In June 2021, the CAFC denied Amgen's petition for rehearing.

DUPIXENT® (DUPILUMAB)-RELATED AMGEN INTER PARTES REVIEWS AND PATENT LITIGATION IN THE US

Amgen filed a Petition for Writ of Certiorari to the U.S. Supreme Court challenging the Federal Circuit's affirmance that all claims of U.S. Patent No. 8,679,487 are invalid, which petition the Court denied in June 2021. Amgen's '487 patent is invalid with no further possibility of appeal. The associated district court case should be dismissed in the near term, bringing all US patent disputes involving Dupixent® to a close.

B.14.3. OTHER LITIGATION

PLAVIX® (clopidogrel) - ATTORNEY GENERAL ACTION IN HAWAII

In February 2021, the Court issued its decision, imposing penalties in the total amount of $834,012,000 against both Sanofi and Bristol Myers Squibb (BMS), with $417,006,000 being apportioned to each company. In June 2021, Sanofi and BMS appealed this judgment. To the extent this judgment or possibly a reduced judgment remains after the appeal, the judgment would be split evenly with BMS.

PLAVIX® (clopidogrel) - ATTORNEY GENERAL ACTION IN NEW MEXICO

In September 2016, the New Mexico Attorney General (AG) filed a complaint, claiming that Sanofi and Bristol Meyers Squibb (BMS) engaged in unfair and deceptive practices related to the marketing and labelling of Plavix®. The New Mexico AG specifically alleged that Plavix® had a diminished effect in patients of certain genetic backgrounds and that the Companies failed to make an earlier disclosure of this information. Discovery is underway, with a jury trial set on the court's April 2022 trial docket.

340-B DRUG PRICING PROGRAM IN THE UNITED STATES

Sanofi is currently involved in a number of matters relating to the 340B Drug Pricing Program (a US federal program that requires drug manufacturers to supply certain products to healthcare authorities at reduced prices) in the United States.

In two of those matters, one filed in October 2020 in the United States District Court for the District of Columbia, and one in December 2020 in the US District Court for the Northern District of California, certain 340B Covered Entities and advocacy groups filed lawsuits against the US Department of Health and Human Services ("HHS"), its Secretary, its agency the Health Resources and Services Administration ("HRSA"), and HRSA's administrator alleging that the 340B statute requires drug manufacturers, like Sanofi, to supply Contract Pharmacies with drugs discounted under the 340B Program and prohibits manufacturers from imposing conditions on the provision of such drugs to Contract Pharmacies. Plaintiffs seek, in these actions, to have the defendant agencies and their officials enforce plaintiffs' interpretation of the 340B statute. Sanofi, along with certain other drug manufacturers, have filed a motion to intervene in these lawsuits. The lawsuit pending in the District of Columbia is currently stayed and the lawsuit pending in the Northern District of California was dismissed without prejudice.

In January 2021, an advocacy group, on behalf of a number of Covered Entities, filed an Administrative Dispute Resolution ("ADR") proceeding before HRSA against Sanofi and two other drug manufacturers seeking to require the named manufacturers to supply Contract Pharmacies with drugs discounted under the 340B Program without imposing conditions.

In February 2021, the Vermont Attorney General issued a Civil Investigative Subpoena seeking certain information about Sanofi's 340B program participation.

In addition to these matters, in January 2021, Sanofi filed a lawsuit against HHS, its Secretary, its General Counsel, HRSA, and HRSA's administrator in the US District Court for the District of New Jersey. Sanofi's lawsuit challenges: (i) under the Administrative Procedure Act, an Advisory Opinion issued by the HHS Office of General Counsel on December 30, 2020, which concludes that drug manufacturers are legally obligated to provide drugs discounted under the 340B program to Contract Pharmacies and that

drug manufacturers may not impose conditions on the provision of such drugs to Contract Pharmacies; and (ii) under the United States Constitution and the Administrative Procedure Act, an ADR Rule, issued by HHS on December 10, 2020, which establishes certain procedures for disputes between Covered Entities and drug manufacturers participating in the 340B Program.

On February 2, 2021, Sanofi filed a motion for a preliminary injunction, seeking to enjoin the ADR Rule on the basis of Sanofi's constitutional injuries. On March 16, 2021, while Sanofi's motion was still pending, a district court in the Southern District of Indiana granted the drug manufacturer Eli Lilly's motion for a preliminary injunction against the ADR Rule. On April 19, 2021, the government filed a motion to dismiss the amended complaint and for summary judgment.

On May 17, 2021, the HRSA sent Sanofi a letter indicating that HRSA had determined that Sanofi's initiative violates Section 340B and that Sanofi had overcharged certain covered entities. HRSA's letter threatened Sanofi with enforcement actions, including civil monetary penalties ("CMPs"), if Sanofi continued to operate its initiative. Five other manufacturers received a similar letter. On June 1, 2021, Sanofi sent a response to HRSA stating that the legality of Sanofi's initiative was being litigated in court and explaining why it complies with the 340B statute, why HRSA's letter violates the Administrative Procedure Act ("APA") and why CMPs would be inappropriate.

In June 2021, the District of Delaware entered summary judgment in AstraZeneca's favor on its APA claim that the Advisory Opinion is arbitrary and capricious and vacated the Advisory Opinion.

B.15. OTHER OPERATING INCOME AND EXPENSES

Other operating income amounted to €409 million in the first half of 2021 (versus €281 million in the first half of 2020), and ***Other operating expenses*** to €709 million (versus €693 million in the first half of 2020).

The main items included in ***Other operating income*** in the first half of 2021 were: (i) income from pharmaceutical partners of €100 million (versus €92 million in the first half of 2020), of which €88 million came from Regeneron (versus €79 million in the first half of 2020, see table below); (ii) gains on disposals of assets and operations of €156 million, primarily on divestments of mature products (versus €147 million in the first half of 2020); and (iii) a payment of €119 million from Daiichi Sankyo relating to the ending of a collaboration on vaccines in Japan.

Other operating expenses for the first half of 2021 included €643 million of expenses relating to the alliance with Regeneron (versus €525 million in the first half of 2020), as shown in the table below.

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Income & expense related to profit/loss sharing under the Monoclonal Antibody Alliance	(521)	(341)	(727)
Additional share of profit paid by Regeneron towards development costs	51	35	75
Reimbursement to Regeneron of selling expenses incurred	(116)	(176)	(349)
Total: Monoclonal Antibody Alliance	**(586)**	**(482)**	**(1,001)**
Immuno-Oncology Alliance	**37**	**44**	**89**
Other (mainly Zaltrap®)	**(6)**	**(8)**	**(14)**
Other operating income/(expenses), net related to Regeneron Alliance	**(555)**	**(446)**	**(926)**
of which amount presented in ***Other operating income***	**88**	**79**	**164**

B.16. RESTRUCTURING COSTS AND SIMILAR ITEMS

Restructuring costs and similar items comprise the following:

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Employee-related expenses	72	642	690
Charges, gains or losses on assets[(a)]	65	62	149
Compensation for early termination of contracts (other than contracts of employment)	10	11	40
Decontamination costs	—	—	(2)
Other restructuring costs	180	43	187
Total	**327**	**758**	**1,064**

(a) This line consists of impairment losses and accelerated depreciation charges related to site closures (including leased sites), and gains or losses on divestments of assets arising from reorganization decisions made by Sanofi.

The €431 million year-on-year decrease in restructuring costs and similar items mainly reflects a reduction in employee-related expenses, which were higher in the first half of 2020 following the June 2020 announcement of plans to adapt Sanofi's organization (primarily in Europe) in line with the new "Play to Win" strategy. That effect was partly offset by increased costs relating to transformational projects, primarily those associated with the creation of the new standalone Consumer Healthcare entity and of EUROAPI (the new European market leader in active pharmaceutical ingredients), and with the implementation of Sanofi's new digital strategy.

B.17. OTHER GAINS AND LOSSES, AND LITIGATION

No items were recorded within ***Other gains and losses, and litigation*** in the first half of 2021. This compares with a net gain of €136 million in the first half of 2020, mainly comprising a gain on the sale of operations related to the Seprafilm® product.

B.18. FINANCIAL EXPENSES AND INCOME

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

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Cost of debt [(a)]	(168)	(166)	(328)
Interest income [(b)]	30	66	103
Cost of net debt	**(138)**	**(100)**	**(225)**
Non-operating foreign exchange gains/(losses)	4	2	(6)
Unwinding of discounting of provisions [(c)]	(5)	(6)	(11)
Net interest cost related to employee benefits	(23)	(32)	(59)
Gains/(losses) on disposals of financial assets	3	—	6
Net interest expense on lease liabilities	(15)	(19)	(38)
Other	13	(12)	(4)
Net financial income/(expenses)	**(161)**	**(167)**	**(337)**
comprising: Financial expenses	**(189)**	**(198)**	**(390)**
Financial income	**28**	**31**	**53**

(a) Includes net gain/(loss) on interest rate and currency derivatives used to manage debt: €5 million in the first half of 2021, €58 million in the first half of 2020, and €93 million over the whole of 2020.

(b) Includes net gain/(loss) on interest rate and currency derivatives used to manage cash and cash equivalents: €28 million in the first half of 2021, €37 million in the first half of 2020, and €66 million over the whole of 2020.

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

The impact of the ineffective portion of hedging relationships was not material in either 2021 or 2020.

B.19. INCOME TAX EXPENSE

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

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

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Current taxes	(806)	(1,127)	(1,912)
Deferred taxes	124	133	99
Total	**(682)**	**(994)**	**(1,813)**
Income before tax and investments accounted for using the equity method	**3,452**	**9,941**	**13,804**

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

(as a percentage)	June 30, 2021 (6 months)[(a)]	June 30, 2020 (6 months)[(a)]	December 31, 2020 (12 months)
Standard tax rate applicable in France	28.4	32.0	32.0
Difference between the standard French tax rate and the rates applicable to Sanofi [(b)]	(10.1)	(20.2)	(18.2)
Revisions to tax exposures and settlements of tax disputes	1.0	0.2	0.5
Fair value remeasurement of contingent consideration liabilities	0.2	(0.1)	—
Other [(c)]	0.3	(1.9)	(1.2)
Effective tax rate	**19.8**	**10.0**	**13.1**

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

(b) *The difference between the French tax rate and tax rates applicable to foreign subsidiaries reflects the fact that Sanofi has operations in many countries, most of which have lower tax rates than France. For 2020, this line includes the difference between the standard French tax rate and the tax rate applicable to the gain on divestment of Regeneron shares.*

(c) In determining the amount of the deferred tax liability for 2020, Sanofi look into account changes in the ownership structure of certain subsidiaries.

B.20. SEGMENT INFORMATION

As indicated in Note B.26. to the consolidated financial statements for the year ended December 31, 2020, Sanofi has three operating segments: Pharmaceuticals, Vaccines and Consumer Healthcare.

The Pharmaceuticals segment comprises, for all geographical territories, the commercial operations of the following global franchises: Specialty Care (Dupixent®, Neurology & Immunology, Rare Diseases, Oncology, and Rare Blood Disorders) and General Medicines (Diabetes, Cardiovascular, and Established Prescription Products), together with research, development and production activities dedicated to the Pharmaceuticals segment. This segment also includes associates whose activities are related to pharmaceuticals. Following the transaction of May 29, 2020, Regeneron is no longer an associate of Sanofi (see Note D.1. to our consolidated financial statements for the year ended December 31, 2020). Consequently, the Pharmaceuticals segment no longer includes Sanofi's equity-accounted share of Regeneron's profits for all the periods presented in that note.

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

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

Inter-segment transactions are not material.

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

Following the Capital Markets Day held in February 2021, Sanofi changed the presentation of net sales within the General Medicines and Consumer Healthcare GBUs, and also reallocated certain expenses. In particular, IT costs relating to our new digital organization – previously allocated to the Pharmaceuticals, Vaccines, and Consumer Healthcare segments – are now included within the "Other" segment. The 2020 segmental results presented below have been amended for comparative purposes in order to reflect those adjustments.

B.20.1. SEGMENT RESULTS

B.20.1.1. Analysis of net sales

The table below sets forth net sales for the six months ended June 30, 2021 and June 30, 2020:

(€ million)		Europe	United States	Other countries	June 30, 2021	Europe	United States	Other countries	June 30, 2020
Pharmaceuticals		**3,575**	**4,892**	**4,729**	**13,196**	**3,347**	**4,806**	**4,867**	**13,020**
General Medicines		**2,228**	**1,262**	**3,728**	**7,218**	**2,232**	**1,458**	**3,928**	**7,618**
of which	Lantus®	246	429	614	1,289	281	474	662	1,417
	Toujeo®	195	120	185	500	188	143	165	496
	Praluent®	75	5	24	104	56	68	22	146
	Multaq®	12	132	7	151	12	135	7	154
	Lovenox®	368	15	385	768	298	15	317	630
	Plavix® (1)	60	5	420	485	66	4	438	508
	Generics (1)	4	70	320	394	5	75	341	421
Specialty Care		**1,347**	**3,630**	**1,001**	**5,978**	**1,115**	**3,348**	**939**	**5,402**
of which	Aubagio®	264	666	64	994	231	775	62	1,068
	Cerezyme®	124	83	136	343	125	90	153	368
	Myozyme/Lumizyme®	200	180	103	483	193	178	101	472
	Fabrazyme®	111	190	111	412	98	206	109	413
	Eloctate®	—	216	62	278	—	234	96	330
	Jevtana®	75	119	46	240	92	123	56	271
	Dupixent®	289	1,740	261	2,290	174	1,310	150	1,634
Vaccines		**244**	**626**	**1,067**	**1,937**	**281**	**491**	**1,064**	**1,836**
of which	Polio/Pertussis/Hib vaccines	145	241	667	1,053	162	183	714	1,059
	Influenza vaccines	18	—	178	196	5	13	161	179
Consumer Healthcare (2)		**653**	**570**	**979**	**2,202**	**717**	**583**	**1,024**	**2,324**
of which	Allergy	34	200	109	343	36	214	131	381
	Pain Care	250	91	187	528	244	98	207	549
	Digestive Wellness	200	61	312	573	192	36	263	491
Total net sales		**4,472**	**6,088**	**6,775**	**17,335**	**4,345**	**5,880**	**6,955**	**17,180**

(1) Sanofi has altered the presentation of net third-party sales by franchise at the level of the General Medicines GBU. Industrial sales (primarily of active ingredients and semi-finished products) to third parties such as CMOs are now grouped together separately. Previously, such sales were presented within the Diabetes franchise and the Cardiovascular & Established Prescription Products franchises, on the line for the relevant product.

(2) For the Consumer Healthcare GBU, Sanofi has adopted a more granular presentation by introducing new sub-categories that reflect consumer trends and the strengths and opportunities of the portfolio.

B.20.1.2. Business operating income

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

Certain costs have been reclassified from operating segments to the "Other" segment for 2020.

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

- the amounts reported in the line items ***Restructuring costs and similar items, Fair value remeasurement of contingent consideration*** (relating to business combinations or divestments) and ***Other gains and losses, and litigation*** are eliminated;
- amortization and impairment losses charged against intangible assets (other than software and other rights of an industrial or operational nature) are eliminated;
- the share of profits/losses from investments accounted for using the equity method is added (for 2020, this excludes Regeneron for the period to May 29, 2020 - see Note D.1. to the consolidated financial statements for the year ended December 31, 2020);
- net income attributable to non-controlling interests is deducted;

- other acquisition-related effects (primarily the workdown of acquired inventories remeasured at fair value at the acquisition date, and the impact of acquisitions on investments accounted for using the equity method) are eliminated;
- restructuring costs relating to investments accounted for using the equity method are eliminated; and
- for 2020, the gain on the divestment of Regeneron shares dated May 29, 2020 is eliminated (this elimination does not include the gain on the remeasurement of the 400,000 retained shares at market value as of that date).

Segment results are shown in the table below:

	June 30, 2021 (6 months)				
(€ million)	Pharmaceuticals	Vaccines	Consumer Healthcare	Other	Total
Net sales	**13,196**	**1,937**	**2,202**	**—**	**17,335**
Other revenues	108	461	27	—	596
Cost of sales	(3,403)	(1,254)	(753)	(131)	(5,541)
Research and development expenses	(2,041)	(316)	(69)	(237)	(2,663)
Selling and general expenses	(2,480)	(359)	(700)	(991)	(4,530)
Other operating income and expenses	(466)	121	23	22	(300)
Share of profit/(loss) from investments accounted for using the equity method	13	8	5	—	26
Net income attributable to non-controlling interests	(16)	—	(4)	—	(20)
Business operating income	**4,911**	**598**	**731**	**(1,337)**	**4,903**

	June 30, 2020 (6 months)				
(€ million)	Pharmaceuticals	Vaccines	Consumer Healthcare	Other	Total
Net sales	**13,020**	**1,836**	**2,324**	**—**	**17,180**
Other revenues	70	474	30	—	574
Cost of sales	(3,406)	(1,176)	(781)	(144)	(5,507)
Research and development expenses	(2,065)	(319)	(69)	(239)	(2,692)
Selling and general expenses	(2,388)	(369)	(744)	(1,106)	(4,607)
Other operating income and expenses	(150)	4	21	(130)	(255)
Share of profit/(loss) from investments accounted for using the equity method	4	—	7	—	11
Net income attributable to non-controlling interests	(17)	—	(4)	—	(21)
Business operating income [(a)]	**5,068**	**450**	**784**	**(1,619)**	**4,683**

(a) 2020 figures have been adjusted to take account of the reallocation of certain expenses (in particular IT costs related to Sanofi's new digital organization) from the Pharmaceuticals, Vaccines and Consumer Healthcare operating segments to the "Other" segment.

	December 31, 2020 (12 months)				
(€ million)	Pharmaceuticals	Vaccines	Consumer Healthcare	Other	Total
Net sales	**25,674**	**5,973**	**4,394**	**—**	**36,041**
Other revenues	128	1,141	59	—	1,328
Cost of sales	(6,980)	(3,312)	(1,528)	(284)	(12,104)
Research and development expenses	(4,170)	(682)	(153)	(524)	(5,529)
Selling and general expenses	(4,926)	(789)	(1,419)	(2,256)	(9,390)
Other operating income and expenses	(490)	4	53	(129)	(562)
Share of profit/(loss) from investments accounted for using the equity method	5	2	9	—	16
Net income attributable to non-controlling interests	(33)	—	(5)	—	(38)
Business operating income [(a)]	**9,208**	**2,337**	**1,410**	**(3,193)**	**9,762**

(a) 2020 figures have been adjusted to take account of the reallocation of certain expenses (in particular IT costs related to Sanofi's new digital organization) from the Pharmaceuticals, Vaccines and Consumer Healthcare operating segments to the "Other" segment.

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

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Business operating income	**4,903**	**4,683**	**9,762**
Share of profit/(loss) from investments accounted for using the equity method [(a)]	(26)	(11)	(16)
Net income attributable to non-controlling interests [(b)]	20	21	38
Amortization and impairment of intangible assets	(953)	(1,206)	(2,011)
Fair value remeasurement of contingent consideration	(4)	54	124
Expenses arising from the impact of acquisitions on inventories	—	(36)	(53)
Restructuring costs and similar items	(327)	(758)	(1,064)
Other gains and losses, and litigation[(c)]	—	136	136
Gain on divestment of Regeneron shares on May 29, 2020[(d)]	—	7,225	7,225
Operating income	**3,613**	**10,108**	**14,141**
Financial expenses	(189)	(198)	(390)
Financial income	28	31	53
Income before tax and investments accounted for using the equity method	**3,452**	**9,941**	**13,804**

(a) Excludes (i) restructuring costs and (ii) expenses arising from the impact of acquisitions on investments accounted for using the equity method.
(b) Excludes (i) restructuring costs and (ii) other adjustments attributable to non-controlling interests.
(c) For 2020, this line mainly comprises the gain on the sale of operations related to the Seprafilm® product to Baxter.
(d) For 2020, this line includes the gain on the sale of (i) 13 million shares of Regeneron common stock in the registered public offering and (ii) the 9.8 million shares repurchased by Regeneron, but does not include the gain arising from the remeasurement of the 400,000 retained shares at market value of May 29, 2020.

B.20.2. OTHER SEGMENT INFORMATION

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

The principal investments accounted for using the equity method in the Pharmaceuticals segment are entities majority owned by MSP Vaccine Company, and Infraserv GmbH & Co. Höchst KG (see Note B.5.).

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

	June 30, 2021			
(€ million)	Pharmaceuticals	Vaccines	Consumer Healthcare	Total
Investments accounted for using the equity method	144	70	—	214
Acquisitions of property, plant and equipment	445	196	27	668
Acquisitions of other intangible assets	263	81	6	350

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

(€ million)	December 31, 2020 Pharmaceuticals	Vaccines	Consumer Healthcare	Total
Investments accounted for using the equity method	154	47	—	201
Acquisitions of property, plant and equipment	755	404	95	1,254
Acquisitions of other intangible assets	532	322	6	860

B.20.3. INFORMATION BY GEOGRAPHICAL REGION

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

In accordance with IFRS 8, the non-current assets reported below exclude financial instruments, deferred tax assets, pre-funded pension obligations, and right-of-use assets as determined under IFRS 16.

(€ million)	June 30, 2021 Total	Europe	of which France	North America	of which United States	Other countries
Net sales	**17,335**	**4,472**	**1,087**	**6,388**	**6,088**	**6,475**
Non-current assets:						
• property, plant and equipment	9,503	5,874	3,162	2,699	1,996	930
• goodwill	44,979	—	—	—	—	—
• other intangible assets	19,466	7,272	—	10,895	—	1,299

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

(€ million)	December 31, 2020 Total	Europe	of which France	North America	of which United States	Other countries
Net sales	**36,041**	**9,151**	**2,223**	**14,060**	**13,465**	**12,830**
Non-current assets:						
• property, plant and equipment	9,365	5,895	3,189	2,542	1,899	928
• goodwill	44,364	—	—	—	—	—
• other intangible assets	18,421	6,278	—	10,675	—	1,468

As stated in Notes B.6.1. and D.5. to the consolidated financial statements for the year ended December 31, 2020, goodwill is not allocated by geographical region.

B.20.4. PRINCIPAL CUSTOMERS AND CREDIT RISK

Sales generated by Sanofi with its biggest customers, in particular certain wholesalers in the United States, represented 24% of net sales in the first half of 2021. Sanofi's three largest customers respectively accounted for approximately 11%, 8% and 5% of consolidated net sales in the first half of 2021, mostly in the Pharmaceuticals segment (versus approximately 9%, 6% and 5% in the first half of 2020).

C/ EVENTS SUBSEQUENT TO JUNE 30, 2021

On July 15, 2021, Sanofi and **Kiadis Pharma N.V.** announced that the conversion of Kiadis from a public limited liability company into a private limited liability company, following the delisting of Kiadis shares on Euronext Amsterdam and Euronext Brussels on May 25, 2021 and the resolution adopted by the company's shareholders at the General Meeting of March 30, 2021 would be postponed until the end of the statutory buy-out procedure initiated by Sanofi at the end of the initial tender offer acceptance period.

2. HALF-YEAR MANAGEMENT REPORT

A/ SIGNIFICANT EVENTS OF THE FIRST HALF OF 2021

A.1. FIRST-HALF OVERVIEW

During the first half of 2021, Sanofi continued to implement its new "**Play to Win**" strategy, involving major decisions and positive actions that will support and rebuild the competitive margins necessary for Sanofi to continue to deliver on its mission. Significant events connected with the implementation of that strategy are described below.

On January 11, 2021, Sanofi and **Kymab**, a clinical-stage biopharmaceutical company developing fully human monoclonal antibodies with a focus on immune-mediated diseases and immuno-oncology therapeutics, announced that they had entered into an agreement under which Sanofi would acquire Kymab for an upfront payment of approximately $1.1 billion and up to $350 million contingent upon attainment of certain development milestones. On April 9, 2021, Sanofi announced that it had successfully completed this acquisition, thereby obtaining full global rights to KY1005, a fully human monoclonal antibody that targets the key immune system regulator OX40L and has the potential to treat a wide variety of immune-mediated diseases and inflammatory disorders.

On January 12, 2021, Sanofi unveiled **EUROAPI** as the name of the new industry-leading European company dedicated to the development, production and marketing of active pharmaceutical ingredients (API). Sanofi also announced the appointment of Karl Rotthier as the future Chief Executive Officer of EUROAPI effective January 18, 2021. Karl Rotthier, aged 53, is a seasoned leader with strong API business experience. He was most recently Chief Executive Officer of Centrient Pharmaceuticals. During a 29-year international career in the Netherlands, Germany, Austria, Belgium and Singapore, he has successfully driven a number of operational carve-outs and spin-offs. Karl will lead the creation of EUROAPI, working with the new company's management team to help EUROAPI deliver on its growth ambitions. An IPO on Euronext Paris is envisaged by 2022, subject to market conditions.

On February 12, 2021, Sanofi announced an all-cash offer to all holders of **Kiadis** shares, to acquire their shares at an offer price of €5.45 (cum dividend). Completion of the acquisition was announced on April 16, 2021. Kiadis is a clinical-stage biopharmaceutical company developing natural killer (NK) cell therapies for patients with potentially life-threatening diseases. NK cells seek and identify malignant cancer cells and have broad application across various tumor types. Kiadis's NK cell-based medicines will be developed alone and in combination with Sanofi's existing pipeline and platforms.

On March 31, 2021, Sanofi announced an investment of over €600 million in construction of a **new vaccine manufacturing facility** at its existing site in Toronto, Canada. The new facility will provide additional antigen and filling capacity for Sanofi's Fluzone® High-Dose quadrivalent influenza vaccine, helping to increase supply availability in Canada, the United States and Europe. Sanofi expects this new facility to be operational in 2026, following design, construction, testing and qualification of the facility and equipment. Fluzone® High-Dose quadrivalent influenza vaccine is currently manufactured exclusively by Sanofi Pasteur, Sanofi's vaccines global business unit, at its Swiftwater, Pennsylvania site in the United States. Sanofi Pasteur has an ongoing investment program expanding its manufacturing capabilities for influenza vaccines. Two new facilities, in Swiftwater and in Val-de-Reuil (France), will start to operate in the coming years.

On April 7, 2021, Sanofi's Chief Executive Officer Paul Hudson outlined several key projects that the company will implement to increase the impact of its **Corporate Social Responsibility** (CSR) strategy. Embedded in Sanofi's long-term strategy, the company's commitment is based on four essential pillars in which Sanofi is uniquely positioned to make a difference: access to medicines, support for vulnerable communities, preservation of the environment, and inclusion and diversity of its employees.

On April 9, 2021, Sanofi acquired **Tidal Therapeutics**, a privately owned, pre-clinical stage biotech company with a novel mRNA-based approach for in vivo reprogramming of immune cells. The new technology platform will expand Sanofi's research capabilities in immuno-oncology and inflammatory diseases, and may have applicability to other disease areas as well. Sanofi acquired Tidal Therapeutics for an upfront payment of $160 million and up to $310 million contingent upon attainment of certain development milestones.

On April 12, 2021, Sanofi announced a €400 million investment over five years to create a one-of-a-kind **vaccine production center** in Singapore, pushing the boundaries of operations through cutting edge digital manufacturing technologies. In partnership with the Singapore Economic Development Board (EDB), the new site will mainly supply the Asian region and complement existing Sanofi manufacturing capacities in Europe and North America.

On May 6, 2021, Sanofi announced that it had entered into a three-year research collaboration with **Stanford University School of Medicine**. Together, the two organizations and their scientists will work to advance the understanding of immunology and inflammation through open scientific exchange. Additionally, Sanofi will provide funding and scientific inputs into projects of mutual interest, crossing multiple therapeutic areas including autoimmune diseases and inflammatory conditions.

On June 3, 2021, as part of a long-standing commitment to reduce the environmental footprint of the company's products and activities, Sanofi launched a €3 million **Planet Mobilization fund** to support employee ideas and projects that will further contribute to a healthier environment. This year, three Sanofi teams will have their projects funded.

On June 29, 2021, Sanofi announced that it will invest approximately €400 million annually in a first-of-its-kind **mRNA vaccines** Center of Excellence. The Center will work to accelerate the development and delivery of next-generation vaccines by bringing together approximately 400 dedicated employees and integrating end-to-end mRNA vaccine capabilities with dedicated R&D, digital, and Chemistry, Manufacturing and Controls (CMC) teams across sites at Cambridge, MA (US) and Marcy l'Etoile, Lyon (France).

Net sales for the first half of 2021 amounted to €17,335 million, 0.9% higher than in the first half of 2020. At constant exchange rates (CER)[1], net sales rose by 7.2%, driven mainly by strong performances for Dupixent®. The year-on-year increase also reflects good performances by the Rare Diseases and Oncology franchises, and also from Vaccines as sales of Meningitis Vaccines picked up strongly relative to 2020. Sales of Consumer Healthcare products were up slightly year-on-year, with robust growth for the Digestive Wellness category more than offsetting lower sales in the Cough, Cold and Flu category.

Net income attributable to equity holders of Sanofi amounted to €2,776 million, versus €9,281 million in the first half of 2020. The decrease was mainly due to the recognition during the first half of 2020 of the €7,382 million gain on the divestment of Sanofi's equity investment in Regeneron following the transaction of May 29, 2020. Apart from that impact, operating income increased year-on-year due to reductions in (i) impairment losses taken against intangible assets and (ii) reductions in restructuring costs and similar items compared with the first half of 2020. Earnings per share was €2.22, versus €7.41 for the first half of 2020. Business net income[2] was €3,748 million, up 6.4% on the first half of 2020, while business earnings per share (business EPS[2]) was 6.8% higher than in the first half of 2020 at €3.00.

A.2. RESEARCH AND DEVELOPMENT

Highlights of Sanofi's research and development efforts in the first half of 2021 in the Pharmaceuticals segment included the launch a Phase III trial (XTEND-Kids) evaluating **efanesoctocog alfa** (BIVV001) in pediatric hemophilia A patients, and of a second pivotal trial (AERIFY-2) evaluating **itepekimab** in chronic obstructive pulmonary disease (COPD). In the Vaccines segment, Sanofi and GSK announced the launch of their Phase III clinical study to assess the safety, efficacy, and immunogenicity of their adjuvanted recombinant-protein COVID-19 vaccine candidate. Following encouraging interim results from the recent Phase II study, the companies will also begin clinical studies to assess the ability of the adjuvanted recombinant-protein vaccine candidate to generate a strong booster response regardless of the initial vaccine platform received. The vaccine could be approved in the fourth quarter of 2021, subject to positive Phase III outcomes and regulatory reviews.

Sanofi obtained regulatory marketing approval for a number of products during the first half of 2021. In the United States, the PD-1 inhibitor **Libtayo®** (cemiplimab-rwlc) received full approval for locally advanced basal cell carcinoma (BCC) and accelerated approval in metastatic BCC, following a priority review by the US Food and Drug Administration (FDA). Libtayo® is now approved for the two most common advanced skin cancers in the United States. The European Commission also approved Libtayo® for the treatment of metastatic or locally advanced BCC in adults. The FDA and the European Commission approved Libtayo® for the first-line treatment of patients with advanced non-small cell lung cancer (NSCLC) whose tumors have high PD-L1 expression. The FDA and the European Commission approved **Sarclisa®** (isatuximab-irfc), in combination with carfilzomib and dexamethasone, for adult patients with relapsed and refractory multiple myeloma who have received one to three prior therapies. The European Commission approved **Aubagio®** (teriflunomide) for the treatment of pediatric patients aged 10 to 17 years with relapsing-remitting multiple sclerosis (MS). The approval confirms Aubagio® as the first oral therapy for first-line treatment of children and adolescents with MS in the European Union.

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

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

A.3. OTHER SIGNIFICANT EVENTS

A.3.1 CORPORATE GOVERNANCE

The Annual General Meeting of Sanofi shareholders was held on April 30, 2021 behind closed doors, in accordance with exceptional measures implemented by the French authorities to adapt the rules for holding shareholder meetings in light of the COVID-19 crisis. The meeting, chaired by Serge Weinberg, took place at Sanofi's Paris headquarters. All the resolutions put to the vote were passed. The Annual General Meeting approved the individual company financial statements and the consolidated financial statements for the year ended December 31, 2020, along with the distribution of a cash dividend of €3.20 per share paid on May 7, 2021. The meeting approved the reappointment of Fabienne Lecorvaisier and Melanie Lee as directors; ratified the co-opting of Gilles Schnepp as a director; and approved the appointment of Barbara Lavernos to replace Laurent Attal as a director. On a proposal from the Appointments, Governance and CSR Committee, Rachel Duan was appointed as a member of the Compensation Committee; Lise Kingo as a member of the Appointments, Governance and CSR Committee; and Gilles Schnepp as a member of the Strategy Committee. The Board of Directors also noted the designation of Wolfgang Laux and Yann Tran as directors representing employees, replacing Marion Palme and Christian Senectaire respectively. Following the Annual General Meeting, the Board of Directors has 15 members, seven of whom are women and two of whom are employee representatives. The Board retains a substantial majority of independent directors.

A.3.2. LEGAL AND ARBITRATION PROCEEDINGS

For a description of the most significant developments in legal and arbitration proceedings since publication of the financial statements for the year ended December 31, 2020, refer to Note B.14. to the condensed half-year consolidated financial statements.

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

PATENTS

- **Lantus® Mylan Patent Litigation (United States)**

Regarding the ongoing US Patent Trial and Appeal Board (PTAB) proceedings brought by Mylan challenging the validity of certain claims of U.S. Patent Nos. 8,603,044, 8,679,069, 8,992,486, 9,526,844, and 9,604,008, in May 2021, Mylan's cross appeal concerning U.S. Patent No. 9,604,008 was dismissed by the US Court of Appeals for the Federal Circuit (CAFC).

Regarding the ongoing PTAB proceedings brought by Mylan challenging the validity of the claims of U.S. Patent No. RE47,614, in March 2021, the PTAB issued a written decision invalidating all claims of this patent. In May 2021, Sanofi appealed to the CAFC and the appeal is underway.

- **Cerdelga® Patent Litigation (United States)**

Sanofi-Genzyme has settled the case with all of the defendants (Cipla Limited; Zenara Pharma Private Limited; Teva Pharmaceuticals USA, Inc.; Dr. Reddy's Laboratories, Ltd.; Apotex Inc.; Aizant Drug Research Solutions Private Limited). The case is closed.

GOVERNMENT INVESTIGATIONS AND RELATED LITIGATION

In September 2019, Sanofi US received a Civil Investigative Demand (CID) from the US Department of Justice concerning Dupixent®, Kevzara®, Praluent® and Zaltrap®. In June 2021, the government declined to intervene in the underlying complaint which was filed in November 2018, and unsealed upon the government declination. The Relators who filed the complaint have until September 1, 2021 to serve the complaint on Regeneron and Sanofi, if they choose to proceed. The government investigation into this matter is now closed.

Insulin related litigation (United States)

In *In re Direct Purchaser Insulin Pricing Litigation,* in July 2021, the court issued an order dismissing the antitrust claims against defendants, but allowing the claims under the federal Racketeer Influenced and Corrupt Organizations Act to proceed.

There are two new insulin related litigation matters filed against Sanofi US or its affiliates (and other defendants) regarding the pricing of Lantus®, Apidra®, and Toujeo®. The two lawsuits allege some combination of violations of state unfair/deceptive trade practices statutes, violations of antitrust laws, unjust enrichment, common-law fraud, and civil conspiracy. The status of these matters is as follows.

- *Mississippi vs. Sanofi Aventis US LLC et al* (Mississippi Chancery Court of Hinds County, filed June 7, 2021)
    - Sanofi US has not yet been served with the complaint.

- *Miami, Florida vs. Sanofi US Services, Inc. et al* (State Court in Miami-Dade County, filed June 16, 2021)
    - *Sanofi US Services, Inc.* was served with the complaint on July 8, 2021.

A.3.3. OTHER EVENTS

On June 7, 2021, Sanofi launched "Action 2021", a global employee stock ownership plan open to 92,000 employees across 73 countries. This new plan, in line with similar plans implemented since 2013, clearly demonstrates the ongoing commitment of Sanofi and its Board of Directors to involve all employees, across all geographies, in the company's future development and results.
The shares were offered at a subscription price of €69.38, representing a 20% discount to the average of the 20 opening prices of Sanofi shares from May 6 through June 2, 2021. In addition, for every five shares subscribed, employees are entitled to receive one free share (up to a maximum of four free shares per employee). Finally, each employee is able to subscribe for up to 1,500 Sanofi shares subject to a statutory cap on the amount subscribed, set at 25% of their gross annual salary minus any voluntary payments already made under employee savings schemes (Group Savings Plan and/or Group Retirement Savings Plan) during 2021.

B/ EVENTS SUBSEQUENT TO JUNE 30, 2021

On July 13, 2021, Sanofi announced becoming a Premium Partner of Paris 2024 for the Olympic and Paralympic Games being held in Paris in 2024. For Sanofi, whose headquarters are based in Paris, this commitment to Paris 2024 is a unique opportunity to engage its 100,000 employees in one of the largest sporting events in the world. Sanofi's commitment to Paris 2024 also highlights the company's societal impact strategy and affirms its commitment to the values of inclusion, diversity and openness to the world, as well as its environmental ambition. The company welcomes the desire of Paris 2024 to foster the values of the Games to increase their accessibility to the public and make them more sustainable and intends to contribute by highlighting the benefits of physical activity on health.

On July 29, 2021, Sanofi announced that a pivotal Phase 3 trial evaluating Dupixent® (dupilumab) in patients with moderate-to-severe chronic spontaneous urticaria (CSU), an inflammatory skin disease, met its primary endpoints and all key secondary endpoints at 24 weeks. Adding Dupixent® to standard-of-care antihistamines significantly reduced itch and hives for biologic-naïve patients, compared to those treated with antihistamines alone (placebo) in Study A (the first of two trials) of the LIBERTY CUPID clinical program.

On July 29, 2021, Sanofi announced that Karen Linehan and Philippe Luscan, who have led Legal, Ethics & Business Integrity (LEBI) and Industrial Affairs at Sanofi for the last 14 and 13 years respectively have decided to retire. Karen will retire on December 31, 2021 and Philippe later in 2022. Sanofi has appointed Roy Papatheodorou and Brendan O'Callaghan as their respective replacements, joining the company's Executive Committee. Additionally, Viviane Monges will join EUROAPI, a future leading European company dedicated to the development, production, and marketing of active pharmaceutical ingredients (API), as an independent non-executive Chair of the Supervisory Board. She will serve as Chair of the Board of Directors upon transformation of EUROAPI into a société anonyme, in compliance with applicable corporate governance regulations. Together, these appointments underscore the company's strategy to further increase the diversity and cultural backgrounds of the executives leading Sanofi's modernization.

C/ CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021

Unless otherwise indicated, all financial data in this report are presented in accordance with international financial reporting standards (IFRS), including international accounting standards and interpretations (see Note A.1. to the condensed half-year consolidated financial statements).

Consolidated income statements for the six months ended June 30, 2020 and June 30, 2021

(€ million)	June 30, 2021 (6 months)	as % of net sales	June 30, 2020 (6 months)	as % of net sales
Net sales	**17,335**	**100.0%**	**17,180**	**100.0%**
Other revenues	596	3.4%	574	3.3%
Cost of sales	(5,541)	(32.0)%	(5,543)	(32.3)%
Gross profit	**12,390**	**71.5%**	**12,211**	**71.1%**
Research and development expenses	(2,663)	(15.4)%	(2,692)	(15.7)%
Selling and general expenses	(4,530)	(26.1)%	(4,607)	(26.8)%
Other operating income	409		281	
Other operating expenses	(709)		(693)	
Amortization of intangible assets	(775)		(883)	
Impairment of intangible assets	(178)		(323)	
Fair value remeasurement of contingent consideration	(4)		54	
Restructuring costs and similar items	(327)		(758)	
Other gains and losses, and litigation	—		136	
Gain on Regeneron investment arising from transaction of May 29, 2020	—		7,382	
Operating income	**3,613**	**20.8%**	**10,108**	**58.8%**
Financial expenses	(189)		(198)	
Financial income	28		31	
Income before tax and investments accounted for using the equity method	**3,452**	**19.9%**	**9,941**	**57.9%**
Income tax expense	(682)		(994)	
Share of profit/(loss) from investments accounted for using the equity method	26		354	
Net income	**2,796**	**16.1%**	**9,301**	**54.1%**
Net income attributable to non-controlling interests	20		20	
Net income attributable to equity holders of Sanofi	**2,776**	**16.0%**	**9,281**	**54.0%**
Average number of shares outstanding (million)	1,250.3		1,251.7	
Average number of shares after dilution (million)	1,255.6		1,258.2	
▪ Basic earnings per share (in euros)	2.22		7.41	
▪ Diluted earnings per share (in euros)	2.21		7.38	

C.1. SEGMENT INFORMATION

C.1.1. OPERATING SEGMENTS

In accordance with IFRS 8 (Operating Segments), the segment information reported by Sanofi is prepared on the basis of internal management data provided to our Chief Executive Officer, who is the chief operating decision maker of Sanofi. The performance of those segments is monitored individually using internal reports and common indicators. The operating segment disclosures required under IFRS 8 are provided in Note B.20. to the condensed half-year consolidated financial statements.

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

The Pharmaceuticals segment comprises, for all geographical territories, the commercial operations of the following global franchises: Specialty Care (Dupixent®, Neurology & Immunology, Rare Diseases, Oncology, and Rare Blood Disorders) and General Medicines (Diabetes, Cardiovascular, and Established Prescription Products), together with research, development and production activities dedicated to the Pharmaceuticals segment. This segment also includes associates whose activities are related to pharmaceuticals. Following the transaction of May 29, 2020, Regeneron is no longer an associate of Sanofi (see Note D.1. to our consolidated financial statements for the year ended December 31, 2020). Consequently, the Pharmaceuticals segment no longer includes Sanofi's equity-accounted share of Regeneron's profits for all the periods presented in that note.

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

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

Inter-segment transactions are not material.

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

Following the Capital Markets Day held in February 2021, Sanofi changed the presentation of net sales for certain products in the Pharmaceuticals segment (within the General Medicines GBU) and the Consumer Healthcare segment, and also reallocated certain expenses. In particular, IT costs relating to our new digital organization – previously allocated to the Pharmaceutical, Vaccines, and Consumer Healthcare segments – are now included within the "Other" segment. The 2020 segmental results presented below have been amended for comparative purposes in order to reflect those adjustments.

C.1.2. BUSINESS OPERATING INCOME

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

In the first half of 2021, "Business operating income" amounted to €4,903 million (versus €4,683 million for the first half of 2020), while "Business operating income margin" was 28.3% (versus 27.3% for the first half of 2020). "Business operating income margin" is a non-GAAP financial measure that we define as the ratio of "Business net income" to our consolidated net sales.

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

C.2. BUSINESS NET INCOME

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

"Business net income" for the first half of 2021 amounted to €3,748 million, 6.4% more than in the first half of 2020 (€3,521 million). That represents 21.6% of net sales, versus 20.5% for the first half of 2020.

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

Business EPS was €3.00 for the first half of 2021, 6.8% higher than the 2020 first-half figure of €2.81, based on an average number of shares outstanding of 1,250.3 million for the first half of 2021 and 1,251.7 million for the first half of 2020.

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

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Business operating income	**4,903**	**4,683**	**9,762**
Financial income and expenses	(161)	(167)	(337)
Income tax expense	(994)	(995)	(2,078)
Business net income	**3,748**	**3,521**	**7,347**

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

- amortization and impairment losses charged against intangible assets (other than software and other rights of an industrial or operational nature);
- fair value remeasurements of contingent consideration relating to business combinations or divestments;
- other impacts associated with acquisitions (including impacts of acquisitions on investments accounted for using the equity method);
- restructuring costs and similar items (presented within the line item ***Restructuring costs and similar items***);
- other gains and losses, including gains and losses on major disposals of non-current assets (presented within the line item ***Other gains and losses, and litigation***);
- for 2020, the gain on the divestment of Regeneron shares dated May 29, 2020 (not including the gain on the remeasurement of the 400,000 retained shares at market value as of that date);
- other costs and provisions related to litigation (presented within the line item ***Other gains and losses, and litigation***);
- the tax effects of the items listed above, and the impact of major tax disputes;
- for 2020, the effects of the discontinuation of accounting by the equity method for the investment in Regeneron (see Note D.1. to our consolidated financial statements for the year ended December 31, 2020; and
- the portion attributable to non-controlling interests of the items listed above.

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

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Net income attributable to equity holders of Sanofi	**2,776**	**9,281**	**12,314**
Amortization of intangible assets [(a)]	775	883	1,681
Impairment of intangible assets [(b)]	178	323	330
Fair value remeasurement of contingent consideration	4	(54)	(124)
Expenses arising from the impact of acquisitions on inventories	—	36	53
Restructuring costs and similar items	327	758	1,064
Other gains and losses, and litigation [(c)]	—	(136)	(136)
Gain on divestment of Regeneron shares on May 29, 2020 [(d)]	—	(7,225)	(7,225)
Tax effects of the items listed above:	(311)	(1)	(264)
▪ *amortization and impairment of intangible assets*	*(230)*	*(302)*	*(541)*
▪ *fair value remeasurement of contingent consideration*	*3*	*2*	*39*
▪ *expenses arising from the impact of acquisitions on inventories*	—	*(5)*	*(8)*
▪ *tax effects of restructuring costs and similar items*	*(84)*	*(232)*	*(293)*
▪ *gain on divestment of Regeneron shares on May 29, 2020*	—	*475*	*477*
▪ *other tax effects*	—	*61*	*62*
Share of items listed above attributable to non-controlling interests	(1)	(1)	(3)
Investments accounted for using the equity method: restructuring costs and expenses arising from the impact of acquisitions	—	(30)	(30)
Effect of discontinuation of equity method for investment in Regeneron [(e)]	—	(313)	(313)
Business net income	**3,748**	**3,521**	**7,347**
Average number of shares outstanding (million)	1,250.3	1,251.7	1,253.6
Basic earnings per share (in euros)	2.22	7.41	9.82
Reconciling items per share (in euros)	0.78	(4.60)	(3.96)
Business earnings per share (in euros)	3.00	2.81	5.86

(a) Includes amortization expense related to accounting for business combinations: €729 million in the six months ended June 30, 2021; €839 million in the six months ended June 30, 2020; and €1,592 million in the year ended December 31, 2020.

(b) This line mainly includes impairment losses related to in-house and partnered R&D programs within the Specialty Care and Vaccines GBUs, and for the six months ended June 30, 2020 to the discontinuation of certain R&D programs and collaboration agreements in Diabetes in line with the strategy announced by Sanofi in December 2019.

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

(d) This line includes, for the six months ended June 30, 2020, the gain on the sale of (i) 13 million shares of Regeneron common stock in the registered public offering and (ii) the 9.8 million shares repurchased by Regeneron, but does not include the gain arising from the remeasurement of the 400,000 retained shares at market value as of May 29, 2020.

(e) "Business net income" no longer includes Sanofi's share of profits from its equity investment in Regeneron (see Note D.1. to our consolidated financial statements for the year ended December 31, 2020), which is reflected on this line.

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

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

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

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

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

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

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

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

C.3. NET SALES

Net sales for the first half of 2021 amounted to €17,335 million, 0.9% higher than in the first half of 2020. Exchange rate fluctuations had a negative effect of 6.3 percentage points overall, due mainly to adverse trends in the euro exchange rate against the US dollar, Brazilian real and Japanese yen. At constant exchange rates (CER, see definition below), net sales rose by 7.2%, driven mainly by strong performances for Dupixent®. The year-on-year increase also reflects good performances by the Rare Diseases and Oncology franchises, and also from Vaccines as sales of Meningitis Vaccines picked up strongly relative to 2020. Sales of Consumer Healthcare products were up slightly year-on-year, with robust growth for the Digestive Wellness category more than offsetting lower sales in the Cough, Cold and Flu category.

Reconciliation of net sales to net sales at constant exchange rates

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	Change
Net sales	**17,335**	**17,180**	**+0.9%**
Effect of exchange rates	1,075		
Net sales at constant exchange rates	**18,410**	**17,180**	**+7.2%**

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

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

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

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

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

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

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	Change on a reported basis	Change at constant exchange rates
Specialty Care GBU	5,978	5,402	+10.7%	+18.7%
General Medicines GBU	7,218	7,618	-5.3%	-0.1%
Pharmaceuticals segment	**13,196**	**13,020**	**+1.4%**	**+7.7%**
Vaccines GBU/segment	**1,937**	**1,836**	**+5.5%**	**+10.8%**
Consumer Healthcare GBU/segment	**2,202**	**2,324**	**-5.2%**	**+1.2%**
Total net sales	**17,335**	**17,180**	**+0.9%**	**+7.2%**

C.3.2. NET SALES BY GEOGRAPHICAL REGION AND PRODUCT

Following our February 2021 Capital Markets Day, we have changed how we present our sales within the General Medicines and Consumer Healthcare GBUs. We have introduced a separate line for “Industrial sales”, which essentially comprises sales of active ingredients and semi-finished products to third parties. Such sales were previously reported within the Diabetes and Cardiovascular & Established Prescription Products franchises on the line for the relevant product, and on the “Generics” line. For the Consumer Healthcare GBU, we have adopted a more granular presentation by introducing new sub-categories that reflect consumer trends and the strengths and opportunities of our portfolio.

For comparative purposes, the 2020 figures used to compute the year-on-year movements presented below have been adjusted to reflect those changes.

(€ million)	Net sales	Change (CER)	Change (reported)	United States	Change (CER)	Europe	Change (CER)	Rest of the World	Change (CER)
Dupixent®	**2,290**	**+51.4%**	**+40.1%**	**1,740**	**+45.5%**	**289**	**+65.5%**	**261**	**+86.7%**
Aubagio®	994	-0.7%	-6.9%	666	-5.9%	264	+14.3%	64	+8.1%
Lemtrada®	43	-30.9%	-36.8%	20	-37.1%	11	-38.9%	12	-6.7%
Kevzara®	113	+1.7%	-3.4%	50	-14.1%	41	+10.8%	22	+43.8%
Total Neurology & Immunology	**1,150**	**-2.2%**	**-8.2%**	**736**	**-7.8%**	**316**	**+10.5%**	**98**	**+11.8%**
Cerezyme®	343	+1.4%	-6.8%	83	+1.1%	124	-0.8%	136	+3.3%
Cerdelga®	123	+13.9%	+7.0%	64	+11.1%	51	+13.3%	8	+42.9%
Myozyme®/ Lumizyme®	483	+7.4%	+2.3%	180	+10.7%	200	+3.6%	103	+8.9%
Fabrazyme®	412	+6.8%	-0.2%	190	+1.0%	111	+13.3%	111	+11.9%
Aldurazyme®	123	+8.2%	+0.8%	26	+7.7%	43	+10.3%	54	+7.0%
Total Rare Diseases	**1,529**	**+6.5%**	**-0.2%**	**543**	**+5.5%**	**530**	**+6.0%**	**456**	**+8.3%**
Jevtana®	240	-5.9%	-11.4%	119	+5.7%	75	-18.5%	46	-10.7%
Fasturtec®	74	+8.3%	+2.8%	43	+4.4%	22	+10.0%	9	+28.6%
Libtayo®	59	+122.2%	+118.5%	—	—	48	+100.0%	11	+300.0%
Sarclisa®	74	+1460.0%	+1380.0%	28	+500.0%	27	—	19	—
Total Oncology	**447**	**+25.6%**	**+19.2%**	**190**	**+19.7%**	**172**	**+26.5%**	**85**	**+39.4%**
Alprolix®	200	-4.0%	-11.5%	162	+9.9%	—	—	38	-38.5%
Eloctate®	278	-8.5%	-15.8%	216	+0.9%	—	—	62	-31.3%
Cablivi®	84	+71.2%	+61.5%	43	+42.4%	40	+110.5%	1	—
Total Rare Blood Disorders	**562**	**—%**	**-7.6%**	**421**	**+7.5%**	**40**	**+110.5%**	**101**	**-32.9%**
Specialty Care GBU	**5,978**	**+18.7%**	**+10.7%**	**3,630**	**+18.7%**	**1,347**	**+20.7%**	**1,001**	**+16.3%**
Lantus®	1,289	-3.2%	-9.0%	429	-0.8%	246	-12.1%	614	-1.2%
Toujeo®	500	+6.5%	+0.8%	120	-7.7%	195	+3.7%	185	+21.8%
Soliqua® / Suliqua®	90	+29.3%	+20.0%	53	+23.4%	14	+27.3%	23	+47.1%
Other Diabetes	442	-2.3%	-7.9%	87	-5.0%	130	-3.7%	225	-0.4%
Total Diabetes	**2,321**	**-0.1%**	**-6.0%**	**689**	**-1.2%**	**585**	**-4.7%**	**1,047**	**+3.2%**
Lovenox®	768	+27.6%	+21.9%	15	+13.3%	368	+24.5%	385	+31.2%
Plavix®	485	-1.2%	-4.5%	5	+25.0%	60	-7.6%	420	-0.5%
Multaq®	151	+6.5%	-1.9%	132	+6.7%	12	—%	7	+14.3%
Praluent®	104	-27.4%	-28.8%	5	-91.2%	75	+33.9%	24	+13.6%
Aprovel®	200	-32.7%	-34.6%	3	-75.0%	47	-11.3%	150	-35.3%
Mozobil®	110	+17.2%	+11.1%	60	+12.1%	29	+11.5%	21	+46.7%
Thymoglobulin®	172	+22.8%	+15.4%	101	+25.0%	16	+23.1%	55	+18.8%
Generics	394	+4.5%	-6.4%	70	+2.7%	4	—%	320	+5.0%
Other Prescription Products	2,133	-5.4%	-9.8%	158	-15.9%	697	-12.1%	1,278	+0.1%
Total Cardiovascular & Established Prescription Products	**4,517**	**-0.4%**	**-5.5%**	**549**	**-9.2%**	**1,308**	**-0.7%**	**2,660**	**+1.8%**
Industrial Sales	**380**	**+5.1%**	**+2.2%**	**24**	**-15.6%**	**335**	**+17.1%**	**21**	**-54.2%**
General Medicines GBU	**7,218**	**-0.1%**	**-5.3%**	**1,262**	**-5.1%**	**2,228**	**+0.5%**	**3,728**	**+1.5%**
Total Pharmaceuticals	**13,196**	**+7.7%**	**+1.4%**	**4,892**	**+11.4%**	**3,575**	**+7.3%**	**4,729**	**+4.4%**
Polio / Pertussis / Hib vaccines	1,053	+3.8%	-0.6%	241	+43.7%	145	-9.9%	667	-3.4%
Adult Booster vaccines	206	+11.9%	+6.7%	113	+28.1%	66	-10.8%	27	+17.4%
Meningitis / Pneumonia vaccines	314	+53.2%	+42.7%	207	+76.6%	1	—%	106	+20.9%
Influenza vaccines	196	+14.0%	+9.5%	—	-100.0%	18	+260.0%	178	+15.5%
Travel and Other Endemics vaccines	133	-9.7%	-13.6%	36	-7.0%	13	-65.8%	84	+17.8%
Total Vaccines	**1,937**	**+10.8%**	**+5.5%**	**626**	**+39.1%**	**244**	**-12.8%**	**1,067**	**+3.9%**
Allergy	343	-2.6%	-10.0%	200	+2.8%	34	-5.6%	109	-10.7%
Cough, Cold and Flu	110	-46.0%	-47.9%	—	—%	46	-56.9%	64	-34.3%
Pain	528	+2.4%	-3.8%	91	+2.0%	250	+3.3%	187	+1.4%
Digestive Wellness	573	+24.6%	+16.7%	61	+86.1%	200	+5.2%	312	+30.4%
Physical Wellness	159	-4.6%	-8.6%	—	—%	13	+8.3%	146	-5.6%
Mental Wellness	107	+21.3%	+13.8%	23	+8.7%	55	+21.7%	29	+32.0%
Personal Care	252	+1.5%	-6.7%	191	+0.5%	2	—%	59	+5.0%
Other	130	-10.4%	-15.6%	4	—%	53	-30.3%	73	+9.5%
Total Consumer Healthcare	**2,202**	**+1.2%**	**-5.2%**	**570**	**+7.2%**	**653**	**-8.1%**	**979**	**+4.2%**
Total Sanofi	**17,335**	**+7.2%**	**+0.9%**	**6,088**	**+13.3%**	**4,472**	**+3.4%**	**6,775**	**+4.3%**

C.3.3. PHARMACEUTICALS SEGMENT

In the first half of 2021, net sales for our **Pharmaceuticals** segment reached €13,196 million, up 1.4% on a reported basis and 7.7% at constant exchange rates.

The year-on-year rise of €176 million builds in negative exchange rate effects of €829 million, and the following effects at constant exchange rates:

- positive performances from Dupixent® (+€840 million), the Rare Diseases franchise (+€100 million), the Oncology franchise (+€96 million), and Industrial Sales (+€19 million); and
- negative performances from the Neurology & Immunology franchise (-€27 million), the Cardiovascular & Established Prescription Products franchise (-€20 million) and the Diabetes franchise (-€3 million).

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

SPECIALTY CARE GBU

DUPIXENT®

Dupixent® (developed in collaboration with Regeneron) generated net sales of €2,290 million in the first half of 2021, up 40.1% on a reported basis and 51.4% at constant exchange rates. In the United States, sales of Dupixent® reached €1,740 million in the first half of 2021, driven by continuing strong demand in the treatment of atopic dermatitis in adults, adolescents and children aged 6 to 11 years, and by ongoing uptake in asthma and nasal polyps. In Europe, the product's net sales for the first half of 2021 totaled €289 million, up 65.5% CER, driven by further growth in atopic dermatitis in key markets and launches in asthma in new European markets. In the Rest of the World region, Dupixent® posted net sales of €261 million (+86.7% CER), including €128 million in Japan. In China, Dupixent® was approved in June 2020 for the treatment of moderate-to-severe atopic dermatitis in adults, and has been included in the National Drug Reimbursement List (NDRL) since March 2021. The product generated net sales of €18 million in China in the first half of 2021. By the end of the first half of 2021, Dupixent® had been launched in 53 countries.

NEUROLOGY AND IMMUNOLOGY

In the first half of 2021, the **Neurology and Immunology** franchise reported net sales of €1,150 million, down 8.2% on a reported basis and 2.2% CER, mainly on lower sales of Lemtrada®.

Net sales of **Aubagio®** amounted to €994 million, down 0.7% CER. This reflected a decrease in sales in the United States (-5.9% CER at €666 million) due to increased competition, though the effect was partly offset by the performance in Europe (+14.3% CER at €264 million), driven by increased demand following clinical trials and by price increases. In June 2021, the European Commission approved Aubagio® for the treatment of pediatric patients aged 10 to 17 years with relapsing-remitting multiple sclerosis (MS).

First-half net sales of **Lemtrada®** were down 30.9% CER at €43 million, on lower sales in the United States (-37.1% CER at €20 million) and in Europe (-38.9% CER at €11 million), primarily due to the COVID-19 pandemic, which has led to a decrease in infused immune reconstitution therapies such as Lemtrada®.

First-half net sales of **Kevzara®** (developed in collaboration with Regeneron) were €113 million (+1.7% CER). Growth in net sales of the product in Europe (+10.8% CER at €41 million) and the Rest of the World region (+43.8% CER at €22 million) more than compensated for a decrease in US sales (-14.1% CER at €50 million) following the recent strategic decision to reduce promotional efforts.

RARE DISEASES

In the first half of 2021, net sales of the **Rare Diseases** franchise were €1,529 million, down 0.2% on a reported basis but up 6.5% at constant exchange rates. Sales rose across all three geographies: by 6.0% CER to €530 million in Europe, by 5.5% CER to €543 million in the United States, and by 8.3% CER to €456 million in the Rest of the World region.

Net sales of **Cerezyme®** rose slightly in the first half of 2021 (+1.4% CER at €343 million), helped by a solid performance in the Rest of the World region (+3.3% CER at €136 million). Sales of **Cerdelga®** increased sharply (+13.9% CER at €123 million), driven by new patient accruals in the three geographic regions. Overall, sales for the Gaucher disease franchise (Cerezyme® and Cerdelga®) were up 4.3% CER at €466 million.

Net sales of **Myozyme® / Lumizyme®** for the treatment of Pompe disease increased by 7.4% CER in the first half of 2021 to €483 million, supported by sales growth in all three geographies, especially the United States (+10.7% CER at €180 million) and the Rest of the World region (+8.9% CER at €103 million), supported primarily by new patient accruals and improved treatment compliance.

In the first half of 2021, net sales of the **Fabry disease** treatment **Fabrazyme®** amounted to €412 million, up 6.8% CER, driven by Europe (+13.3% CER at €111 million) and the Rest of the World region (+11.9% CER at €111 million). Sales in the United States were relatively stable year-on-year, rising by 1.0% CER to €190 million.

ONCOLOGY

First-half net sales for the **Oncology** franchise were up 19.2% on a reported basis and by 25.6% at constant exchange rates at €447 million, as launches of Sarclisa® and Libtayo® more than offset the effects of generic competition for Jevtana® in Europe.

Jevtana® reported net sales of €240 million in the first half of 2021, down 5.9% CER, following the launch of competing generics in some European countries after the March 2021 loss of regulatory exclusivity in Europe, where sales were down 18.5% CER at €75 million. Sales of the product also decreased in the Rest of the World region (-10.7% CER at €46 million). In the United States, sales rose by 5.7% CER to €119 million. Between May and July 2020, Sanofi filed patent infringement suits against all generic filers on Jevtana® under Hatch-Waxman in the U.S. District Court for the District of Delaware asserting two method of use patents (US 10,583,110 and US 10, 716,777), both of which expire in October 2030. Sanofi has reached settlement agreements with some of the defendants and the suit against the remaining defendants currently stayed.

Sales of **Libtayo®** (developed in collaboration with Regeneron) outside the United States amounted to €59 million (+122.2% CER) in the first half of 2021, driven by increased demand in the treatment of metastatic cutaneous squamous cell carcinoma (CSCC) and by the launch of the product for that indication in new countries. In Europe, Libtayo® posted net sales of €48 million (+100.0% CER), and was approved by the European Commission as the first immunotherapy indicated for patients with advanced basal cell carcinoma and as first-line treatment of patients with advanced non-small cell lung cancer (NSCLC) with ≥50% PD-L1 expression. In the United States, where Libtayo® was also approved in those two new indications during the period, sales of the product are consolidated by Regeneron under the terms of our alliance with Regeneron (see Note C.1. “Alliance arrangements with Regeneron Pharmaceuticals, Inc. (Regeneron)” to our consolidated financial statements for the year ended December 31, 2020, at Item 18 of our 2020 Annual Report on Form 20-F).

Sarclisa® generated net sales of €74 million in the first half of 2021, driven by product launches in new countries. Sales reached €28 million in the United States, €27 million in Europe, and €19 million in the Rest of the World region driven by strong performance in Japan. Sarclisa®, initially approved in 2020 for the treatment of adults with relapsed or refractory multiple myeloma (RRMM) who have received at least two prior therapies, was also approved by the United States FDA and the European Commission in the first half of 2021 in combination with carfilzomib and dexamethasone, for adult patients with RRMM.

RARE BLOOD DISORDERS

In the first half of 2021, the **Rare Blood Disorders** franchise generated net sales of €562 million, down 7.6% on a reported basis but unchanged at constant exchange rates. Excluding industrial sales of Alprolix® and Eloctate® to Swedish Orphan Biovitrum AB (Sobi), which commercializes the two products in Europe, Russia, the Middle East and some North African countries, sales for the Rare Blood Disorders franchise rose by 11.1% CER in the first half of 2021, boosted by the performances of Cablivi® and Alprolix®. As previously announced, industrial sales of Alprolix® and Eloctate® to Sobi are expected to be significantly lower in 2021 than in 2020, due to a change in the supply agreement.

Eloctate®, indicated in the treatment of hemophilia A, generated net sales of €278 million in the first half of 2021, down 8.5% at constant exchange rates. Excluding industrial sales to Sobi, net sales of Eloctate® were up 1.7% CER at €276 million. In the United States, sales were €216 million (+0.9% CER). In the Rest of the World region, Eloctate® sales (excluding industrial sales to Sobi) were up 4.9% CER at €60 million.

In the first half of 2021, sales of **Alprolix®**, indicated in the treatment of hemophilia B, amounted to €200 million, down 4.0% CER. Excluding industrial sales to Sobi, net sales of Alprolix® were up 9.3% CER at €195 million. Growth was driven by the United States, where sales of the product were up 9.9% CER at €162 million; this reflects mainly patient switches from standard half-life factors and prophylaxis conversion. In the Rest of the World region, Alprolix® sales (excluding industrial sales to Sobi) advanced by 6.1% CER to €33 million, of which €23 million (+4.2% CER) was generated in Japan.

Cablivi®, a treatment for adults with the rare blood disorder acquired thrombotic thrombocytopenic purpura (aTTP), posted net sales of €84 million in the first half of 2021 (+71.2% CER), including €43 million in the United States (+42.4% CER) due to growing awareness of the disease and treatment, and new recommendations on aTTP from the International Society on Thrombosis and Haemostasis (ISTH). In Europe, sales reached €40 million (+110.5%), propelled by launches in new countries.

GENERAL MEDICINES GBU

In the first half of 2021, net sales of the General Medicines GBU were virtually unchanged year-on-year at €7,218 million. Following the February 2021 Capital Markets Day, Sanofi decided to prioritize core products within its General Medicines portfolio that have differentiated or established profiles and significant opportunity for growth in key markets; these include Toujeo®, Soliqua®, Praluent®, Multaq®, Lovenox® and Plavix®. Sales of core products in the first half of 2021 were up 7.9% CER at €2,902 million, driven by a good performance from Lovenox®. Non-core products posted sales of €3,936 million, down 5.6% CER, reflecting a streamlining of the portfolio and lower sales of Lantus® and Aprovel®/Avapro®. First-half industrial sales, mainly comprising sales of active ingredients and semi-finished products to third parties, rose by 5.1% CER to €380 million. Excluding portfolio streamlining, first-half General Medicines GBU sales were up 1.2% CER.

DIABETES

In the first half of 2021, global **Diabetes** sales were €2,321 million, down 6.0% on a reported basis and 0.1% at constant exchange rates, as lower sales of Lantus® were partly offset by the performances of Toujeo® and Soliqua®. Sales in the Rest of the World region were up 3.2% CER at €1,047 million, propelled by the launch of Toujeo® in China and the performance of Soliqua®. Diabetes

net sales in the United States totaled €689 million, down 1.2% CER, reflecting an ongoing decline in average net prices of insulin glargines in the territory. Over the same period, European sales were down 4.7% CER at €585 million on lower sales of Lantus®.

Toujeo® posted 2021 first-half net sales of €500 million, up 6.5% CER, boosted by strong performances in the Rest of the World region (+21.8% CER at €185 million) driven by the product's launch in China and Europe (+3.7% CER at €195 million), as patients switched from Lantus® to Toujeo®. Sales in the United States were down 7.7% CER at €120 million, mainly due to net price decreases and in spite of continued volume growth.

Net sales of **Lantus®** in the first half of 2021 were down 3.2% CER at €1,289 million. In the United States, net sales of the product were down slightly (-0.8% CER at €429 million), as higher volumes partly offset lower average net selling prices that are in turn tending to stabilize. In Europe, net sales of Lantus® amounted to €246 million (-12.1% CER), reflecting competition from biosimilars and patients switching to Toujeo®. In the Rest of the World region, first-half net sales of Lantus® were down 1.2% CER at €614 million, largely on lower sales in China as patients switched to Toujeo®.

In the first half of 2021, net sales of **Soliqua® 100/33/Suliqua®** (insulin glargine 100 units/ml and lixisenatide 33 mcg/ml injectable) rose by 29.3% CER to €90 million. Sales of the product were higher in all geographies, reaching €53 million in the United States (+23.4% CER); €23 million in the Rest of the World region (+47.1% CER), where the product was launched in a number of countries; and €14 million in Europe (+27.3% CER).

CARDIOVASCULAR & ESTABLISHED PRESCRIPTION PRODUCTS

Net sales of the **Cardiovascular & Established Prescription Products** franchise for the first half of 2021 were €4,517 million, down 5.5% on a reported basis and 0.4% at constant exchange rates. Key factors included the impact of divestments and lower sales of Aprovel®/Avapro®, which were only partly offset by strong growth in sales of Lovenox® across all geographies.

Net sales of **Lovenox®** reached €768 million, up 27.6% CER, driven by the Rest of the World region (+31.2% CER at €385 million) and Europe (24.5% CER at €368 million): increased demand as a result of recent recommendations on the use of low molecular weight heparins in patients hospitalized with COVID-19 more than offset the effect of competition from biosimilars.

In the first half of 2021, net sales of **Plavix®** were €485 million, down 1.2% CER, mainly due to lower sales in Europe (-7.6% CER at €60 million) and Japan (-27.6% CER at €39 million) due to lower prices and competition from generics. In China, first-half net sales of Plavix® were up 3.9% CER at €211 million.

Net sales of **Aprovel®/Avapro®** for the first half of 2021 were €200 million, down 32.7% CER, primarily as a result of temporary supply shortages. Sales in China were down 28.4% CER at €78 million due to net price adjustments related to the Value Based Procurement (VBP) program, as previously announced.

In the first half of 2021, net sales of **Praluent®** were €104 million, down 27.4% CER, on lower sales in the United States following the restructuring of the alliance with Regeneron. Since April 1, 2020, Sanofi has sole responsibility for Praluent® outside the United States, while Regeneron has sole responsibility for Praluent® in the United States (see Note C.1. "Alliance arrangements with Regeneron Pharmaceuticals, Inc. (Regeneron)" to our consolidated financial statements for the year ended December 31, 2020, at Item 18 of our 2020 Annual Report on Form 20-F). That effect was partly offset by stronger sales in the Rest of the World region (+13.6% CER at €24 million), due largely to the product's launch in China in April 2020; and in Europe, where Praluent® sales rose by 33.9% CER to €75 million. Praluent® was relaunched in Germany at the start of April 2021.

Net sales of **Multaq®** totaled €151 million in the first half of 2021, up 6.5% CER, mainly on a recovery in US sales (€132 million, +6.7% CER), supported by increased medical consultations and demand for antiarrhythmic drugs with the recovery from the COVID-19 pandemic.

C.3.4. VACCINES SEGMENT/GBU

In the first half of 2021, the Vaccines segment posted net sales of €1,937 million, up 5.5% on a reported basis and 10.8% CER. A recovery in sales of Menactra® and Adult Booster Vaccines relative to the first half of 2020, coupled with good performances from Polio/Pertussis/Hib Vaccines in the United States and Influenza Vaccines in the Rest of the World region, more than offset the adverse impact of COVID-19 on Travel Vaccines sales.

Net sales of **Polio/Pertussis/Hib** vaccines in the first half of 2021 were €1,053 million, up 3.8% CER, due mainly to stronger sales in the United States (+43.7% CER at €241 million), reflecting a favorable pattern of CDC orders for Pentacel® and a soft comparative in the first half of 2020 due to the COVID-19 pandemic. Conversely, the franchise saw sales decrease in the Rest of the World region (-3.4% CER at €667 million), especially in China (-23.0% CER at €183 million), and also in Europe (-9.9% CER at €145 million). **Vaxelis™**, a vaccine co-developed in an alliance between Sanofi and Merck, has been available in the United States since June 2021. Vaxelis™ is the first and only hexavalent vaccine approved in the United States to protect infants and children against six diseases: diphtheria, tetanus, pertussis, polio, hepatitis B, and invasive diseases caused by Hemophilus Influenzae type b. Finished product sales of Vaxelis™ are consolidated by the MSP Vaccine Company joint venture. As Vaxelis™ is expected to partially replace current Pentacel® sales in the United States, Polio/Pertussis/Hib sales in that country are expected to decrease going forward.

Sales of **Meningitis/Pneumonia** vaccines in the first half of 2021 rose by 53.2% CER to €314 million, driven by a recovery in sales of Menactra® in the United States (+76.6% CER at €207 million) relative to 2020, and also by sales growth in the Rest of the World region (+20.9% CER at €106 million) due largely to a successful tender in Brazil. MenQuadfi®, the only quadrivalent meningococcal vaccine approved by the FDA for people aged 2 years and older, was launched in the United States in March 2021.

Net sales of **Adult Booster** vaccines for the period were up 11.9% CER at €206 million on a recovery in sales relative to 2020 in the United States (+28.1% CER at €113 million) and the Rest of the World region (+17.4% CER at €27 million); this more than offset lower sales in Europe (-10.8% CER at €66 million), mainly reflecting the negative effect of COVID-19.

First-half sales of **Influenza vaccines** were up year-on-year (+14.0% CER at €196 million), reflecting sales growth in the Rest of the World zone (+15.5% CER at €178 million) due to strong demand in the southern hemisphere.

First-half net sales of **Travel and Other Endemics vaccines** were €133 million, down 9.7% CER, reflecting travel restrictions associated with the Covid-19 pandemic.

C.3.5. CONSUMER HEALTHCARE SEGMENT/GBU

Net sales from the **Consumer Healthcare** (CHC) segment for the first half of 2021 were down 5.2% on a reported basis but up 1.2% at constant exchange rates, at €2,202 million. Strong sales growth for the Digestive Wellness category (+24.6% CER at €573 million) more than offset lower sales in the Cough, Cold and Flu category (-46.0% CER at €110 million) associated with social distancing and mask-wearing, and with the effects of a high base for comparison in the first half of 2020 reflecting inventory build-ups related to the COVID-19 pandemic.

In the **United States**, Consumer Healthcare first-half net sales increased by 7.2% CER to €570 million, reflecting growth across all categories and especially in Digestive Wellness (+86.1% CER at €61 million) mainly due to the performance of Dulcolax®, as well as in the Allergy category (+2.8% CER at €200 million).

In **Europe**, Consumer Healthcare net sales were down 8.1% CER in the first half of 2021 at €653 million, mainly as a result of weak demand for Cough, Cold and Flu category products associated with social distancing and mask-wearing, and with the effects of a high base for comparison in the first half of 2020 reflecting inventory build-ups related to the COVID-19 pandemic. First-half sales also reflect the impact of divestments of non-core products.

In the **Rest of the World** region, first-half Consumer Healthcare net sales increased by 4.2% CER to €979 million, boosted by strong growth for the Digestive Wellness category (+30.4% CER at €312 million), especially from Enterogermina®, Essentiale® and Buscopan®; this more than offset lower sales in the Cough, Cold and Flu category (-34.3% CER at €64 million) and the Allergy category (-10.7% CER at €109 million).

As part of the efforts to reduce the complexity of our Consumer Healthcare portfolio and accelerate our growth trajectory, Sanofi signed an agreement with STADA in June 2021 to divest 16 Consumer Healthcare products commercialized in Europe. A further agreement was signed with Hypera S.A. in July 2021 to divest eight products commercialized in Latin America.

C.3.6. NET SALES BY GEOGRAPHICAL REGION

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	Change on a reported basis	Change at constant exchange rates
United States	6,088	*5,880*	+3.5%	+13.3%
Europe	4,472	*4,345*	+2.9%	+3.4%
Rest of the World	6,775	6,955	-2.6%	+4.3%
of which China	*1,380*	*1,307*	*+5.6%*	*+6.3%*
of which Japan	*830*	*926*	*-10.4%*	*-2.6%*
of which Brazil	*453*	*460*	*-1.5%*	*+17.4%*
of which Russia	*300*	*364*	*-17.6%*	*-4.9%*
Total net sales	**17,335**	**17,180**	**+0.9%**	**+7.2%**

In the first half of 2021, net sales in the **United States** reached €6,088 million, up 3.5% on a reported basis and 13.3% at constant exchange rates. In the Pharmaceuticals segment, this reflects a strong performance by Dupixent® (+45.5% CER at €1,740 million), which more than offset lower sales from the General Medicines GBU (-5.1% CER at €1,262 million). Net sales from the Vaccines segment for the period were sharply higher (+39.1% CER at €626 million), mainly due to increased sales of Meningitis and Polio/Pertussis/Hib vaccines.

In **Europe**, 2021 first-half net sales increased by 2.9% on a reported basis and 3.4% at constant exchange rates, to €4,472 million. Strong sales growth for Dupixent®, combined with increased sales for all Specialty Care franchises and Lovenox® plus a rise in industrial sales, more than offset a decrease in sales for the Vaccines and Consumer Healthcare GBUs.

In the **Rest of the World** region, first-half net sales were down 2.6% on a reported basis, but rose by 4.3% to €6,775 million at constant exchange rates on solid performances from Dupixent®, Lovenox®, Vaccines and Consumer Healthcare. This more than compensated for reduced sales of Aprovel®/Avapro® and in Rare Blood Disorders. In **China**, net sales advanced by 6.3% CER to €1,380 million, as sales growth for Dupixent®, the Cardiovascular & Established Prescription Products franchise and the Consumer Healthcare GBU more than offset lower sales in Vaccines. In **Japan**, net sales were down 2.6% CER in the first half at €830 million on lower sales for the Cardiovascular & Established Prescription Products franchise (especially Plavix® and Aprovel®), for Consumer Healthcare products and Vaccines, though the effect was lessened by strong growth in sales of Dupixent® and Sarclisa®.

.

C.4. OTHER INCOME STATEMENT ITEMS

C.4.1. OTHER REVENUES

Other revenues increased by 3.8% to €596 million in the first half of 2021 (versus €574 million in the first half of 2020). This line item mainly comprises VaxServe sales of non-Sanofi products (€454 million, versus €471 million for the first half of 2020, within the Vaccines segment). This line item also includes revenues arising from the distribution of Eloctate® and Alprolix® (mainly in Europe) under Sanofi's agreements with Swedish Orphan Biovitrum AB (Sobi).

C.4.2. GROSS PROFIT

Gross profit for the first half of 2021 was €12,390 million, versus €12,211 million for the first half of 2020, a rise of 1.5%. Gross margin was also higher, at 71.5% for the first half of 2021 compared with 71.1% for the first half of 2020.

In the Pharmaceuticals segment, gross margin for the first half of 2021 was up 0.6 of a percentage point at 75.0%, driven by positive effects from good performances in the Specialty Care GBU and industrial productivity gains.

In the Vaccines segment, gross margin for the first half of 2021 was down 2.7 percentage points at 59.1%, reflecting an unfavorable product mix effect and the destruction of vaccine inventories that had become date expired due to the COVID-19 pandemic.

In the Consumer Healthcare segment, gross margin for the first half of 2021 was 0.7 of a percentage point lower at 67.0%, although at constant exchange rates it was broadly unchanged year-on-year (down 0.2 of a percentage point).

C.4.3. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses (R&D expenses) in the first half of 2021 totaled €2,663 million (versus €2,692 million in the first half of 2020). That represents 15.4% of net sales, compared with 15.7% in the first half of 2020. R&D expenses decreased by 1.1%, but rose by 2.7% at constant exchange rates as increased spend on priority development projects (Specialty Care, Vaccines, and recent acquisitions) was only partly offset by cost savings in other areas.

C.4.4. SELLING AND GENERAL EXPENSES

Selling and general expenses amounted to €4,530 million in the first half of 2021 (26.1% of net sales), versus €4,607 million in the first half of 2020 (26.8% of net sales), a reduction of 1.7%. However at constant exchange rates, selling and general expenses were up 3.6% year-on-year, as higher selling expenses in Specialty Care only partly offset the effects of global cost containment and operational excellence measures.

C.4.5. OTHER OPERATING INCOME AND EXPENSES

In the first half of 2021, ***Other operating income*** amounted to €409 million (versus €281 million in the first half of 2020), and ***Other operating expenses*** to €709 million (versus €693 million in the first half of 2020).

Overall, other operating income and expenses represented a net expense of €300 million in the first half of 2021, compared with a net expense of €412 million in the first half of 2020.

(€ million)	June 30, 2021	June 30, 2020	Change
Other operating income	409	281	+128
Other operating expenses	(709)	(693)	-16
Other operating income/(expenses), net	**(300)**	**(412)**	**112**

The overall positive change of €112 million reflects a payment of €119 million from Daiichi Sankyo related to the ending of a vaccines collaboration in Japan, plus higher gains on disposals as a result mainly of divestments of mature products (€156 million in the first half of 2021, versus €147 million in the first half of 2020).

This line item also reflects net expenses with our pharmaceutical alliance partners (€549 million in the first half of 2021, versus €433 million in the first half of 2020), which mainly include the share of profits/losses generated by the alliance with Regeneron under our collaboration agreement (see Note C.1. to our consolidated financial statements for the year ended December 31, 2020), mainly on sales of Dupixent®.

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

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Income & expense related to (profit)/loss sharing under the Monoclonal Antibody Alliance	(521)	(341)	(727)
Additional share of profit paid by Regeneron towards development costs	51	35	75
Reimbursement to Regeneron of selling expenses incurred	(116)	(176)	(349)
Total: Monoclonal Antibody Alliance	**(586)**	**(482)**	**(1,001)**
Immuno-Oncology Alliance	**37**	**44**	**89**
Other (mainly Zaltrap®)	**(6)**	**(8)**	**(14)**
Other operating income/(expenses), net related to Regeneron Alliance	**(555)**	**(446)**	**(926)**

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

C.4.6. AMORTIZATION OF INTANGIBLE ASSETS

Amortization charged against intangible assets in the first half of 2021 was €775 million, versus €883 million in the first half of 2020. This €108 million decrease was mainly due to a reduction in amortization expense generated by (i) intangible assets recognized in connection with the acquisitions of Aventis (€25 million, versus €68 million in the first half of 2020) and of Genzyme (€252 million, versus €295 million in the first half of 2020), as certain products reached the end of their life cycles; (ii) intangible assets recognized in connection with the acquisition of Bioverativ (€158 million, versus €170 million in the first half of 2020); and (iii) the impact of exchange rates on intangible assets denominated in currencies other than the euro.

C.4.7. IMPAIRMENT OF INTANGIBLE ASSETS

In the first half of 2021, this line item showed an impairment loss of €178 million (versus a net impairment loss of €323 million in the first half of 2020), most of which related to in-house and partnered development projects in Specialty Care and Vaccines.

In the first half of 2020, the net impairment loss related mainly to in-house and partnered development projects in Specialty Care and to the discontinuation of a number of R&D programs and collaboration agreements in Diabetes, in line with the strategic roadmap announced in December 2019.

C.4.8. FAIR VALUE REMEASUREMENT OF CONTINGENT CONSIDERATION

Fair value remeasurements of contingent consideration assets and liabilities relating to business combinations (recognized in accordance with IFRS 3) represented a net expense of €4 million in the first half of 2021 versus a net gain of €54 million in the first half of 2020.

This line item mainly comprises remeasurements of contingent consideration (i) payable to Bayer as a result of an acquisition made by Genzyme prior to the latter's acquisition by Sanofi (gain of €20 million in the first half of 2021, versus a loss of €11 million in the first half of 2020); (ii) arising from the dissolution of the Sanofi Pasteur MSD joint venture (net loss of €52 million, versus a net loss of €6 million a year earlier) and (iii) payable to the former shareholders of True North Therapeutics as a result of the acquisition of that company by Bioverativ prior to Sanofi's acquisition of Bioverativ in 2018 (gain of €27 million in the first half of 2021, versus gain of €71 million in the first half of 2020). See Note B.11. to our condensed half-year consolidated financial statements.

C.4.9. RESTRUCTURING COSTS AND SIMILAR ITEMS

Restructuring costs and similar items amounted to a charge of €327 million in the first half of 2021, compared with a charge of €758 million in the first half of 2020. Employee-related expenses were reduced year-on-year (€72 million, versus €642 million in the first half of 2020), reflecting separation costs booked following the June 2020 announcement of plans to adapt Sanofi's organization (primarily in Europe) in line with the new "Play to Win" strategy. That effect was partly offset by increased costs relating to transformational projects, primarily those associated with the creation of the new standalone Consumer Healthcare entity and of EUROAPI (the new European market leader in active pharmaceutical ingredients) and with the implementation of Sanofi's new digital strategy.

C.4.10. OTHER GAINS AND LOSSES, AND LITIGATION

No items were recorded within ***Other gains and losses, and litigation*** in the first half of 2021. This compares with a net gain of €136 million in the first half of 2020, mainly comprising a gain on the sale to Baxter of operations related to the Seprafilm® product..

C.4.11. OPERATING INCOME

Operating income amounted to €3,613 million in the first half of 2021, versus €10,108 million in the first half of 2020. The decrease was mainly due to the recognition during the first half of 2020 of the €7,382 million gain on the divestment of Sanofi's equity investment in Regeneron following the transaction of May 29, 2020. Apart from that impact, operating income also increased year-on-year due to reductions in (i) impairment losses taken against intangible assets and (ii) reductions in restructuring costs and similar items compared with the first half of 2020.

C.4.12. FINANCIAL INCOME AND EXPENSES

Net financial expenses were €161 million for the first half of 2021, €6 million lower than the 2020 first-half figure of €167 million.

Our cost of net debt (see the definition in Section C.7., "Consolidated balance sheet" below) increased to €138 million in the first half of 2021, versus €100 million in the first half of 2020.

In addition, movements in net financial expenses included:

- the fair value remeasurement of certain financial assets (gain of €12 million in the first half of 2021, versus an expense of €13 million in the first half of 2020); and
- a reduction in the net interest cost of pension plans, mainly in France and Germany (€23 million, versus €32 million in the first half of 2020).

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

Income before tax and investments accounted for using the equity method for the first half of 2021 was €3,452 million, versus €9,941 million for the first half of 2020.

C.4.14. INCOME TAX EXPENSE

Income tax expense totaled €682 million in the first half of 2021, versus €994 million in the first half of 2020, giving an effective tax rate (based on consolidated net income) of 0.2%, compared with 0.1% in the first half of 2020. The variation in income tax expense and effective tax rate was mainly due to tax effects on the gain on sale of Regeneron shares recognized in the first half of 2020 (€475 million). The year-on-year change is also related to the amortization and impairment of intangible assets (€230 million in the first half of 2021, versus €302 million in the first half of 2020) and to restructuring costs (€84 million in the first half of 2021, versus €232 million in the first half of 2020), as well as to tax effects relating to contingencies arising from business divestitures.

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

When calculated on business net income, our effective tax rate was 21.0% in the first half of 2021, compared with 22.0% in the first half of 2020 and 22.0% for 2020 as a whole.

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

Share of profit/(loss) from investments accounted for using the equity method contributed net income of €26 million in the first half of 2021, versus net income of €354 million in the comparable period of 2020. In the first half of 2020, this line item mainly comprised our share of the profits of Regeneron (€343 million). On May 29, 2020, Sanofi sold its entire equity investment in Regeneron (except for 400,000 Regeneron shares retained by Sanofi to support our ongoing collaboration with Regeneron), which then ceased to be accounted for by the equity method, explaining the significant reduction in this line item in the first half of 2021.

C.4.16. NET INCOME

Net income amounted to €2,796 million in the first half of 2021, versus €9,301 million in the first half of 2020.

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

Net income attributable to non-controlling interests for the first half of 2021 was €20 million, against €20 million for the first half of 2020.

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

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

Net income attributable to equity holders of Sanofi amounted to €2,776 million in the first half of 2021, compared with €9,281 million in the first half of 2020.

Basic earnings per share (EPS) was €2.22 euros, compared with €7.41 for the first half of 2020, based on an average number of shares outstanding of 1,250.3 million for the first half of 2021 and 1,251.7 million for the first half of 2020. Diluted earnings per share was €2.21, versus €7.38 for the first half of 2020, based on an average number of shares after dilution of 1,255.6 million for the first half of 2021 and 1,258.2 million for the first half of 2020.

C.5. SEGMENT RESULTS

In the first half of 2021, our "Business operating income" (see Note B.20.1. to our condensed half-year consolidated financial statements for a definition and further details) was €4,903 million (versus €4,683 million for the first half of 2020), an increase of 4.7%, while "Business operating income margin" was 28.3% (versus 27.3% for the first half of 2020).

The table below shows our "Business operating income" for the six-month periods ended June 30, 2021 and 2020:

(€ million)	June 30, 2021	June 30, 2020 [(a)]	Change
Pharmaceuticals segment	4,911	5,068	-3.1%
Vaccines segment	598	450	+32.9%
Consumer Healthcare segment	731	784	-6.8%
Other	(1,337)	(1,619)	-17.4%
Business operating income	**4,903**	**4,683**	**+4.7%**

(a) 2020 figures have been adjusted to take account of the reallocation of certain expenses (in particular IT costs related to Sanofi's new digital organization) from the Pharmaceuticals, Vaccines and Consumer Healthcare operating segments to the "Other" segment.

C.6. CONSOLIDATED STATEMENTS OF CASH FLOWS

Summarized consolidated statements of cash flows

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	December 31, 2020 (12 months)
Net cash provided by/(used in) operating activities	4,754	3,926	7,449
Net cash provided by/(used in) investing activities	(2,339)	8,075	3,588
Net cash provided by/(used in) financing activities	(6,616)	(5,402)	(6,485)
Impact of exchange rates on cash and cash equivalents	8	(57)	(64)
Net change in cash and cash equivalents	**(4,193)**	**6,542**	**4,488**

Net cash provided by/(used in) operating activities represented a net cash inflow of €4,754 million in the first half of 2021, against €3,926 million in the first half of 2020.

Operating cash flow before changes in working capital for the first half of 2021 was €4,219 million, versus €4,320 million in the first half of 2020.

Working capital requirements decreased by €535 million in the first half of 2021 (versus an increase of €394 million in the first half of 2020), due largely to a €821 million increase in inventories (mainly of Vaccines and Dupixent®), partly offset by a significant reduction in accounts receivable (€751 million), as well as provisions for discounts, rebates and sales returns.

Net cash provided by/(used in) investing activities represented a net cash outflow of €2,339 million in the first half of 2021, due mainly to the acquisitions of Kymab for €922 million, Kiadis for €319 million and Tidal for €135 million (see Note B.1. to our condensed half-year consolidated financial statements). That compares with a net cash inflow of €8,075 million in the first half of 2020, resulting primarily from the divestment of Regeneron shares on May 29, 2020.

Acquisitions of property, plant and equipment and intangible assets totaled €1,018 million, versus €682 million in the first half of 2020. There were €668 million of acquisitions of property, plant and equipment (versus €502 million in the first half of 2020), most of which (€445 million) were in the Pharmaceuticals segment, primarily in industrial facilities. The Vaccines segment accounted for €196 million of the acquisitions of property, plant and equipment during the period. Acquisitions of intangible assets (€350 million, versus €180 million in the first half of 2020) mainly comprised contractual payments for intangible rights, primarily under license and collaboration agreements.

After-tax proceeds from disposals amounted to €299 million in the first half of 2021, and relate mainly to divestments of various established prescription products. In the first half of 2020, after-tax proceeds from disposals amounted to €709 million, mainly from (i) the sale of operations relating to the Seprafilm® product to Baxter for €313 million; (ii) the divestment of some established prescription products for €105 million; and (iii) contingent consideration of €167 million relating to a past divestment.

Net cash provided by/(used in) financing activities represented a net cash outflow of €6,616 million in the first half of 2021, compared with a net outflow of €5,402 million in the first half of 2020. The 2021 first-half figure includes the dividend payout to our shareholders of €4,008 million (versus €3,937 million in the first half of 2020); net external debt repayments of €2,450 million (versus €1,138 million in the first half of 2020); and movements in Sanofi's share capital (purchases and disposals of treasury shares, net of capital increases) that represented a net outflow of €117 million (versus a net outflow of €323 million in the first half of 2020).

The ***net change in cash and cash equivalents*** in the first half of 2021 was a decrease of €4,193 million, versus an increase of €6,542 million in the first half of 2020.

"Free cash flow" is a non-GAAP financial measure which is reviewed by our management, and which we believe provides useful information to measure the net cash generated from the Company's operations that is available for strategic investments[1] (net of divestments[1]), for debt repayment, and for payments to shareholders. Free cash flow is determined from business net income[2] after adding back (in the case of expenses and losses) or deducting (in the case of income and gains) the following items: depreciation, amortization and impairment, share of undistributed earnings from investments accounted for using the equity method, gains & losses on disposals of non-current assets, net change in provisions (including pensions and other post-employment benefits), deferred taxes, share-based payment expense and other non-cash items. It also includes net changes in working capital, capital expenditures and other asset acquisitions[3] net of disposal proceeds[3] and payments related to restructuring and similar items. Free Cash Flow is not defined by IFRS, and is not a substitute for ***Net cash provided by/(used in) operating activities*** as reported under IFRS. Management recognizes that the term "Free Cash Flow" may be interpreted differently by other companies and under different circumstances.

[1] *Above a cap of €500 million per transaction.*
[2] *Non-GAAP financial measure, as defined in "Business net income" above.*
[3] *Not exceeding a cap of €500 million per transaction.*

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

(€ million)	June 30, 2021 (6 months)	June 30, 2020 (6 months)
Net cash provided by/(used in) operating activities	**4,754**	**3,926**
Acquisitions of property, plant and equipment and software	(673)	(534)
Acquisitions of intangible assets, equity interests and other non-current financial assets [(a)]	(902)	(334)
Proceeds from disposals of property, plant and equipment, intangible assets and other non-current assets, net of tax [(a)]	247	682
Repayment of lease liabilities	(106)	(121)
Other items	33	(51)
Free cash flow	**3,353**	**3,568**

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

C.7. CONSOLIDATED BALANCE SHEET

Total assets were €112,321 million as of June 30, 2021, compared with €114,529 million as of December 31, 2020, a decrease of €2,208 million.

Net debt was €10,467 million as of June 30, 2021, versus €8,790 million as of December 31, 2020. We believe the presentation of this non-GAAP financial measure, which is reviewed by our management, provides useful information to measure our overall liquidity and capital resources. We define "net debt" as (i) the sum total of short-term debt, long-term debt, and interest rate derivatives and currency derivatives used to manage debt, minus (ii) the sum total of cash and cash equivalents and interest rate derivatives and currency derivatives used to manage cash and cash equivalents.

(€ million)	June 30, 2021	December 31, 2020
Long-term debt	17,935	19,745
Short-term debt and current portion of long-term debt	2,225	2,767
Interest rate and currency derivatives used to manage debt	70	119
Total debt	**20,230**	**22,631**
Cash and cash equivalents	(9,722)	(13,915)
Interest rate and currency derivatives used to manage cash and cash equivalents	(41)	74
Net debt [(a)]	**10,467**	**8,790**
Total equity	63,364	63,147
Gearing ratio	**16.5%**	**13.9%**

(a) Net debt does not include lease liabilities, which amounted to €1,490 million as of June 30, 2021 and €1,163 million as of December 31, 2020.

To assess our financing risk, we use the "gearing ratio", another non-GAAP financial measure. This ratio (which we define as the ratio of net debt to total equity) rose from 13.9% as of December 31, 2020 to 16.5% as of June 30, 2021. Analyses of our debt as of June 30, 2021 and December 31, 2020 are provided in Note B.9. to the condensed half-year consolidated financial statements.

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

We expect that the future cash flows generated by our operating activities will be sufficient to repay our debt. The financing arrangements in place as of June 30, 2021 at the Sanofi parent company level are not subject to covenants regarding financial ratios and do not contain any clauses linking credit spreads or fees to Sanofi's credit rating.

Other key movements in the balance sheet are described below.

Total equity was €63,364 million as of June 30, 2021, versus €63,147 million as of December 31, 2020. The net change reflects the following principal factors:

- increases: our net income for the first half of 2021 (€2,796 million), and changes in currency translation differences (€1,061 million, mainly on the US dollar) ; and
- decreases: the dividend payout to our shareholders (€4,008 million) paid on May 7, 2021.

As of June 30, 2021 we held 8.25 million of our own shares, recorded as a deduction from equity and representing 0.655% of our share capital.

Goodwill and other intangible assets (€64,445 million in total) increased by €1,660 million, the main factors being the movements related to our acquisitions of Kymab (€956 million), Kiadis (€333 million) and Tidal (€130 million), reflected in the line item ***Other intangible assets.***

Investments accounted for using the equity method (€214 million) increased by €13 million.

Other non-current assets (€2,699 million) decreased by €35 million.

Net deferred tax assets were €2,566 million as of June 30, 2021, compared with €2,442 million as of December 31, 2020, an increase of €124 million.

Non-current provisions and other non-current liabilities (€7,022 million) decreased by €514 million relative to December 31, 2020, due largely to a reduction in provisions for pensions and other post-employment benefits that arose mainly from actuarial gains of €328 million on defined-benefit plans.

Liabilities related to business combinations and to non-controlling interests (€447 million) decreased by €158 million. The main reason for the change is the settlement during the first half of 2021 of the contingent consideration liability due to True North Therapeutics as a result of Sanofi's acquisition of Bioverativ.

D/ RISK FACTORS AND RELATED PARTY TRANSACTIONS

D.1. RISK FACTORS

The main risk factors to which Sanofi is exposed are described in our Annual Report on Form 20-F for the year ended December 31, 2020, filed with the US Securities and Exchange Commission on March 4, 2021.

Any of those risks, and others that we may not yet have identified, could materialize during the second half of 2021 or during subsequent periods, and could cause actual results to differ materially from those described elsewhere in this report.

D.2. RELATED PARTY TRANSACTIONS

Our principal related parties are defined in Note D.33. to the consolidated financial statements included in our 2020 Annual Report on Form 20-F (page F-90).

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, 2021 with equity-accounted entities that qualify as related parties.

Sanofi did not enter into any transactions with key management personnel during the first half of 2021.

Financial relations with the Group's principal shareholders fall within the ordinary course of business and were immaterial in the first half of 2021.

E/ OUTLOOK

At constant exchange rates, we expect growth in 2021 full-year business earnings per share[1] (business EPS) to be around 12%, barring major unforeseen adverse events. The impact of exchange rates on 2021 business EPS is estimated to be approximately -4% to -5%, based on July 2021 average exchange rates applied over the rest of the year.

Full-year business net income[1] for 2020 was €7,347 million, giving business earnings per share of €5.86.

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

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

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

[1] *For a definition, see Section C.2., "Business net income" above.*

FORWARD-LOOKING STATEMENTS

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

These risks and uncertainties include among other things, the uncertainties inherent in research and development, future clinical data and analysis, including post marketing, decisions by regulatory authorities, such as the FDA or the EMA, regarding whether and when to approve any drug, device or biological application that may be filed for any such product candidates as well as their decisions regarding labelling and other matters that could affect the availability or commercial potential of such product candidates, the fact that product candidates if approved may not be commercially successful, the future approval and commercial success of therapeutic alternatives, Sanofi’s ability to benefit from external growth opportunities, to complete related transactions and/or obtain regulatory clearances, risks associated with intellectual property and any related pending or future litigation and the ultimate outcome of such litigation, trends in exchange rates and prevailing interest rates, volatile economic and market conditions, cost containment initiatives and subsequent changes thereto, and the impact that COVID-19 will have on us, our customers, suppliers, vendors, and other business partners, and the financial condition of any one of them, as well as on our employees and on the global economy as a whole. Any material effect of COVID-19 on any of the foregoing could also adversely impact us. This situation is changing rapidly and additional impacts may arise of which we are not currently aware and may exacerbate other previously identified risks. The risks and uncertainties also include the uncertainties discussed or identified in the public filings with the Securities and Exchange Commission (SEC) and the Autorité des marchés financiers (AMF) made by Sanofi, including those listed under “Risk Factors” and “Cautionary Statement Regarding Forward-Looking Statements” in Sanofi’s Annual Report on Form 20-F for the year ended December 31, 2020. 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, 2021, and to section “A.3.2. Legal and arbitration proceedings”, and section “D/ Risk factors and related party transactions”, of this half-year management report.

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

F/ APPENDIX - RESEARCH AND DEVELOPMENT PIPELINE

R&D Pipeline – Phase III & Registration

Phase III

Name	Description	Indication
amcenestrant	SERD + palbociclib	1L Metastatic breast cancer
Libtayo®(1)	Anti-PD-1 mAb + chemotherapy	1L NSCLC
Libtayo®(1)	Anti-PD-1 mAb	2L Cervical Cancer
Libtayo®(1)	Anti-PD-1 mAb	Adjuvant CSCC
Sarclisa®	Anti-CD38 mAb	1L Newly Diag. MM Ti (IMROZ)
Sarclisa®	Anti-CD38 mAb	1L Newly Diag. MM Te (GMMG)
Sarclisa®	Anti-CD38 mAb	Smoldering MM (ITHACA)
tusamitamab ravtansine	Anti-CEACAM5 ADC	NSCLC 2/3L
Dupixent®(1)	Anti-IL4/IL13 mAb	Atopic Dermatitis 6 months – 5 years old
Dupixent®(1)	Anti-IL4/IL13 mAb	Prurigo Nodularis
Dupixent®(1)	Anti-IL4/IL13 mAb	Eosinophilic Esophagitis
Dupixent®(1)	Anti-IL4/IL13 mAb	Bullous Pemphigoid
Dupixent®(1)	Anti-IL4/IL13 mAb	Chronic Spontaneous Urticaria
Dupixent®(1)	Anti-IL4/IL13 mAb	Chronic Obstructive Pulmonary Disease
Dupixent®(1)	Anti-IL4/IL13 mAb	Chronic Inducible Cold Urticaria
Dupixent®(1)	Anti-IL4/IL13 mAb	Chronic Rhinosinusitis without Nasal Polyps
Dupixent®(1)	Anti-IL4/IL13 mAb	Allergic Fungal Rhinosinusitis
rilzabrutinib	BTK inhibitor	Pemphigus Vulgaris
itepekimab(1)	Anti-IL33 mAb	Chronic Obstructive Pulmonary Disease
venglustat	Oral GCS inhibitor	GM2 Gangliosidosis
Cerdelga®	Oral GCS inhibitor	Gaucher T1, ERT switch, Pediatric
fitusiran	RNAi targeting anti-thrombin	Hemophilia A and B
fitusiran	RNAi targeting anti-thrombin	Hemophilia A and B pediatric
rilzabrutinib	BTK inhibitor	Immune Thrombocytopenia
efanesoctocog alfa (BIVV001)(2)	rFVIIIFc – vWF – XTEN(3)	Hemophilia A
tolebrutinib	BTK inhibitor	Relapsing Multiple Sclerosis (RMS)
tolebrutinib	BTK inhibitor	Primary Progressive MS (PPMS)
tolebrutinib	BTK inhibitor	Secondary Progressive MS (SPMS)
nirsevimab(4)	Monoclonal Antibody	Respiratory Syncytial Virus
SP0253(5)	Recombinant baculovirus vaccine	COVID-19
MenQuadfi™	Meningococcal (A,C,Y,W) conjugate vaccine	Meningitis 6w+ (US / EU)
VerorabVax® (VRVg)	Purified vero rabies vaccine	Rabies

Registration

Name	Description	Indication
Dupixent®(1)	Anti-IL4/IL13 mAb	Asthma 6-11 years old
avalglucosidase alfa	Enzyme replacement therapy	Pompe Disease
sutimlimab	Anti complement C1s mAb	Cold Agglutinin Disease

Oncology
Immuno-inflammation
Rare Diseases
Rare Blood Disorders
Neurology
Vaccines

NSCLC: non small cell lung cancer; CSCC: cutaneous squamous cell carcinoma; Ti: Transplant ineligible; Te: Transplant eligible; MM: Multiple Myeloma; ADC: Antibody Drug Conjugate; BTKi: Bruton's Tyrosine Kinase inhibitor; GCS: Glucosylceramide Synthase; ERT: enzyme replacement therapy

(1) Developed in collaboration with Regeneron
(2) Developed in collaboration with Sobi
(3) Recombinant Coagulation Factor VIII Fc – von Willebrand Factor – XTEN Fusion protein
(4) Developed in collaboration with AstraZeneca
(5) Developed in collaboration with GSK and with funding from Biomedical Advanced Research and Development Authority (BARDA)

As of June 30, 2021

R&D Pipeline – Phase I & II

Phase I

Name	Description	Indication
SAR439459	Anti-TGFb mAb	Advanced Solid Tumors
SAR441000[4]	Cytokine mRNA	Solid tumors
SAR442085	Anti CD38 mAb Fc engineered	Multiple Myeloma
SAR442257	Anti-CD38xCD28xCD3 trispecific mAb	MM / N-H Lymphoma
SAR442720[3]	SHP2 inhibitor mono, combo	Solid tumors
SAR444245[17]	Non-alpha IL-2 mono, combo (PD-1, EGFR)	Solid tumors
SAR444881[18]	Anti-ILT2	Solid tumors
SAR445419[20]	NK-cell-based immunotherapy	Acute Myeloid Leukemia
SAR444727	BTK inhibitor (topical)	Immune mediated diseases
SAR441566	Oral TNF inhibitor	Inflammatory indications
SAR444656[14]	IRAK4 degrader	Atopic dermatitis
SAR442501	FGFR3 antibody	Achondroplasia
ST400[16]	*Ex Vivo* ZFN Gene-Edited Cell Therapy	Beta thalassemia
SAR445136[5,16]	*Ex Vivo* ZFN Gene-Edited Cell Therapy	Sickle Cell Disease
SAR445088[13]	Complement C1s inhibitor	Cold Agglutinin Disease
SAR443820[6,7]	RIPK1[9] inhibitor	Amyotropic Lateral Sclerosis
SP0148[10]	HSV-2 therapeutic vaccine	Herpes Simplex Virus (HSV) Type 2
SP0273[15]	mRNA vaccine	Influenza vaccine

Oncology
Immuno-inflammation
Rare Diseases
Rare Blood Disorders
Neurology
Vaccines
R Registrational Study (other than Phase 3)

MM: Multiple Myeloma; FGFR3: Fibroblast Growth Factor Receptor 3; NSCLC: Non-Small Cell Lung; ALL: Acute Lymphoblastic Leukemia; ASMD: Acid sphingomyelinase deficiency; CIDP: Chronic inflammatory demyelinating polyneuropathy

(1) Formerly known as KY1044
(2) Developed in collaboration with Immunext
(3) Developed in collaboration with Revolution Medicines
(4) Developed in collaboration with BioNTech
(5) Formerly known as BIVV003
(6) Developed in collaboration with Denali
(7) Also known as DNL788
(8) Also known as DNL758
(9) Receptor-Interacting serine/threonine-Protein Kinase 1
(10) Developed in collaboration with Immune Design/Merck
(11) Developed in collaboration with SK
(12) Developed in collaboration with Regeneron
(13) Formerly known as BIVV020
(14) Developed in collaboration with Kymera (KT474)
(15) Developed in collaboration with Translate Bio
(16) Developed in collaboration with Sangamo
(17) Formerly known as THOR707
(18) Developed in collaboration with Biond
(19) Formerly known as KY1005
(20) Formerly known as KDS1001

Phase II

	Name	Description	Indication
R	amcenestrant	SERD	Metastatic Breast Cancer 2/3L
	amcenestrant	SERD	Early Breast Cancer
	SAR445256[1]	Anti-ICOS	Solid tumors
	tusamitamab ravtansine	Anti-CEACAM5 ADC + ramucirumab	2/3L NSCLC
	tusamitamab ravtansine	Anti-CEACAM5 ADC	Exploratory Solid tumors
	tusamitamab ravtansine	Anti-CEACAM5 ADC + pembrolizumab	1L NSCLC
	Sarclisa®	Anti-CD38 mAb+ combinations	Relapsed, Refractory Multiple Myeloma
	Sarclisa®	Anti-CD38 mAb + atezolizumab	Metastatic Colorectal Cancer 1L
R	Sarclisa®	Anti-CD38 mAb	1-2L AML / ALL pediatrics
R	Sarclisa®	Anti-CD38 mAb	Patients awaiting kidney transplantation
	SAR443122[6,8]	RIPK1[9] inhibitor	Cutaneous Lupus Erythematosus
	SAR445229[19]	Anti-Ox40L	Atopic Dermatitis
	Dupixent®[12]	Anti-IL4/IL13 mAb	Peanut allergy
R	Kevzara®[12]	Anti-IL6 mAb	Polyarticular Juvenile Idiopathic Arthritis
R	Kevzara®[12]	Anti-IL6 mAb	Systemic Juvenile Arthritis
	rilzabrutinib	BTK inhibitor	IgG4-related disease
	SAR441344[2]	Anti-CD40L mAb	Sjogren's Syndrome
R	olipudase alfa	rhASM	ASMD ad+ped
	SAR339375	miRNA-21	Alport Syndrome
	venglustat	Oral GCS inhibitor	Fabry Disease
R	venglustat	Oral GCS inhibitor	Gaucher Type 3
	SAR445088[13]	Complement C1s inhibitor	Immune Thrombocytopenia
	SAR445088[13]	Complement C1s inhibitor	CIDP
	SAR441344[2]	Anti-CD40L mAb	Multiple Sclerosis
	SP0218	Vero cell	Yellow fever vaccine
	SP0202[11]	Next Generation Conjugate Vaccine	Pneumococcal
	Fluzone® HD (SP0178)	Inactivated influenza Vaccine (IIV)	Pediatric Flu
	SP0125	Vaccine	Respiratory syncytial virus (infants)
	SP0254[15]	mRNA vaccine	COVID-19
	SP0230	Multicomponent vaccine	Meningitis B

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

Period from January 1 to June 30, 2021

To the Shareholders,

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

- the review of the accompanying (condensed) half-yearly consolidated financial statements of Sanofi, for the period from January 1 to June 30, 2021;
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

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

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

2. Specific verification

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

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

Neuilly-sur-Seine and Paris-La Défense, July 29, 2021

The statutory auditors
French original signed by

PricewaterhouseCoopers Audit		ERNST & YOUNG et Autres	
Dominique Ménard	Cédric Mazille	Alexis Hurtrel	Pierre Chassagne

* This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France

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

"I hereby certify that, to the best of my knowledge, the condensed half-year consolidated financial statements have been prepared in accordance with the applicable accounting standards and present fairly the assets and liabilities, the financial position and the income of the Company and the entities included in the scope of consolidation, and that the half-year management report starting on page 40 provides an accurate overview of the significant events of the first six months of the financial year with their impact on the half-year consolidated financial statements, together with the major transactions with related parties and a description of the main risks and uncertainties for the remaining six months of the financial year."

Paris, July 29, 2021

Paul Hudson

Chief Executive Officer

54, rue La Boétie 75008 Paris – France – Tel.: +33 (0)1 53 77 40 00 – www.sanofi.com