

D. Risk Factors

Important factors that could cause actual financial, business, research or operating results to differ materially from expectations are disclosed in this annual report, including without limitation the following risk factors. In addition to the risks listed below, we may be subject to other material risks that as of the date of this report are not currently known to us or that we deem immaterial at this time.

Risks Relating to Legal and Regulatory Matters

We rely on our patents and proprietary rights to provide exclusive rights to market certain of our products, and if such patents and other rights were limited or circumvented, our financial results could be materially and adversely affected.

Through patent and other proprietary rights such as data exclusivity or supplementary protection certificates in Europe, we hold exclusivity rights for a number of our research-based products. However, the protection that we are able to obtain varies from product to product and country to country and may not be sufficient to maintain effective product exclusivity because of local differences in the patents, in national laws or legal systems, development in law or jurisprudence, or inconsistent judgments.

Moreover, patent rights are limited in time and do not always provide effective protection for our products. Indeed, competitors may successfully avoid patents, for example, through design innovation, and we may not hold sufficient evidence of infringement to bring suit. Manufacturers of generic products are also increasingly seeking to challenge patents before they expire, and our infringement claims may not result in a decision that our rights are valid, enforceable or infringed.

Also, some countries are becoming more likely to consider granting a compulsory license to patents protecting an innovator's product which limits the protection granted to these products.

We are involved in litigation worldwide to enforce certain of our patent rights against generics and proposed generics (see "Item 8. Financial Information – A. Consolidated Financial Statements and Other Financial Information – Information on Legal or Arbitration Proceedings" for additional information) of our small molecule and biologics pharmaceutical products. Even in cases where we ultimately prevail in an infringement claim, legal remedies available for harm caused to us by infringing products may be inadequate to make us whole. A competitor may launch a generic product "at risk" before the initiation or completion of the court proceedings, and the court may decline to grant us a preliminary injunction to halt further "at risk" sales and remove the infringing product from the market. Additionally, while we would be entitled to obtain damages in such a case, the amount that we may ultimately be awarded and able to collect may be insufficient to compensate all harm caused to us. A successful result against a competing product for a given patent or in a specific country is not necessarily predictive of our future success against another competing product or in another country because of local variations in the patents and patent laws.

Further, we have increased the proportion of biologic therapeutics in our pipeline relative to traditional small molecule pharmaceutical products. With the statutory pathways provided in the U.S. and Europe for biosimilars, biosimilars can be a threat to our exclusivity of any biological therapeutics we sell, similar to the small molecule generic threat described hereinabove (see "Changes in the laws or regulations that apply to us could affect the Group's business, results of operations and financial condition").

However, with our increasing presence in generics and anticipated entry into biosimilars, we will utilize patent challenge strategies against other innovators' patents, similar to those of long established generic companies, but there is no assurance that these strategies would be successful.

In certain cases, we or our partners may be required to obtain licenses from the holders of valid third-party intellectual property rights that cover aspects of our existing and future products in order to manufacture, use or sell them. Any payments under these licenses may reduce our profits from such products and we may not be able to obtain these licenses on favorable terms or at all. If we fail to obtain a required license or are unable to alter the design of our technology to fall outside the scope of third-party intellectual property rights, we may be unable to market some of our products, which may limit our profitability.

Product liability claims could adversely affect our business, results of operations and financial condition.

Product liability is a significant business risk for any pharmaceutical company, and the Group's ongoing diversification could increase our product liability exposure as liability claims relating to our new businesses may differ with regards to their nature, scope and level, from the types of product liability claims that we have handled in the past.

Substantial damage awards and/or settlements have been handed down – notably in the United States and other common law jurisdictions – against pharmaceutical companies based on claims for injuries allegedly caused by the use of their products. Such claims can also be accompanied by consumer fraud claims by customers or third-party payers seeking reimbursement of the cost of the product.

Often the side effect profile of pharmaceutical drugs cannot be fully established based on preapproval clinical studies involving only several hundred to several thousand patients. Routine review and analysis of the continually growing body of post-marketing safety surveillance and clinical trials provide additional information – for example, potential evidence of rare, population-specific or long-term adverse reactions or of drug interactions that were not observed in preapproval clinical studies – and may cause product labeling to evolve, including restrictions of therapeutic indications, new contraindications, warnings or precautions, and occasionally even the suspension or withdrawal of a product marketing authorization. This trend has been reinforced by the new European pharmacovigilance legislation which has entered in force since July 2012. The Company and the European Regulatory Agencies (under the supervision of the PRAC (Pharmacovigilance Risk Assessment Committee)) have implemented systematic and intensive safety signal detection systems which may detect safety issues even with mature products that have been used for a long time. This can result in market authorization suspension or withdrawals, such as the suspension we experienced with our tetrazepam product (Myolastan®) in 2013.

As a result of a recall or a withdrawal, several pharmaceutical companies now face significant product liability claims.

We are currently defending a number of product liability claims (See Note D.22.a) to the consolidated financial statements included at Item 18 of this annual report) and there can be no assurance that the Group will be successful in defending against each of these claims or will not face additional claims in the future.

Furthermore, we commercialize several devices using new technologies which, in case of malfunction, could cause unexpected damages and lead to product liability claims (see "– We are increasingly dependent on information technologies and networks." below).

Although we continue to insure a portion of our product liability with third-party carriers, product liability coverage is increasingly difficult and costly to obtain. This is true particularly in the United States, and especially for genericized products where Sanofi is the innovator, as innovators have been held liable in some U.S. jurisdictions for damages caused by a product commercialized by generic manufacturers. In the future, it is possible that self-insurance may become the sole commercially reasonable means available for managing the product liability financial risk of our pharmaceutical and vaccines businesses (see "Item 4. Information on the Company – B. Business Overview – Insurance and Risk Coverage"). The legal costs that we would bear for handling such claims and potential indemnifications to be paid to claimants could affect our financial condition.

Due to insurance conditions, even when the Group has insurance coverage, recoveries from insurers may not be totally successful. Moreover, the insolvency of a carrier could negatively affect our ability to achieve the practical recovery of the coverage for which we have already paid a premium.

Product liability claims, regardless of their merits or the ultimate success of the Group's defense, are costly, divert management's attention, may harm our reputation and can impact the demand for our products. Substantial product liability claims could adversely affect our business, results of operations and financial condition.

Our products and manufacturing facilities are subject to significant government regulations and approvals, which are often costly and could result in adverse consequences to our business if we fail to comply with the regulations or maintain the approvals.

Each regulatory authority may impose its own requirements either at the time of the filing of the dossier or later during its review in order to grant a license to market the product, including requiring local clinical studies, and may delay or refuse to grant approval, even though a product has already been approved in another country. For example, in December 2013, while the same dossier had been approved in September 2013 by the EMA, Genzyme received a Complete Response Letter from the FDA for its supplemental Biologics License Application seeking approval of Lemtrada™ (alemtuzumab) informing Genzyme that its application was not ready for approval. The FDA took the position that Genzyme had not submitted evidence from adequate and well-controlled studies that demonstrated the benefits of Lemtrada™ outweighed its serious adverse effects.

Health authorities are increasingly focusing on product safety and on the risk/benefit profile of pharmaceutical products. In particular, the FDA and the EMA have increased their requirements particularly in terms of the volume of data needed to demonstrate a product's efficacy and safety.

Even after regulatory approval, marketed products are subject to continual review, risk evaluations or comparative effectiveness studies. These requirements have increased the costs associated with maintaining regulatory approvals and achieving reimbursement for our products. Post-regulatory approval reviews and data analyses can lead to the issuance of recommendations by government agencies, health professional and patient or other specialized organizations regarding the use of products; for example, a recommendation to limit the patient scope of a drug's indication, impose marketing restrictions, or suspend or withdraw the product can result in a reduction in sales volume, as well as an increased risk of litigation.

Moreover, to monitor our compliance with applicable regulations, the FDA, the EMA and comparable agencies in other jurisdictions routinely conduct inspections of our facilities and may identify potential deficiencies. For example, further to the Warning Letter received from the FDA in July 2012 and following regular inspections conducted at manufacturing facilities in Canada and France, Sanofi Pasteur submitted a remediation plan to the FDA and has begun its implementation. However, if we fail to adequately respond to this or any other warning letter identifying a deficiency, or otherwise fail to comply with applicable regulatory requirements, we could be subject to enforcement, remedial and/or punitive actions by the FDA, the EMA or other regulatory authorities.

In addition, to the extent that new regulations raise the costs of obtaining and maintaining product authorizations, or limit the economic value of a new product to its originator, the growth prospects of our industry and of the Group are diminished. Approximately 60% of our current development portfolio consists of biological products that may in the future bring new therapeutic responses to current unmet medical needs, but that may also lead to more technical constraints and costly investments from an industrial standpoint as biological products are regulated by more stringent international rules than small molecule products. These constraints and costs could adversely affect our business, results of operations and financial condition.

Claims and investigations relating to competition law, marketing practices, pricing, compliance, as well as other legal matters, could adversely affect our business, results of operations and financial condition.

The marketing of our products is heavily regulated. The Group's business covers an extremely wide range of activities worldwide and involves numerous partners. We have adopted a Code of Ethics that calls for employees to comply with applicable legislation and regulations, as well as with the specific values and rules of conduct set forth in that Code. We have also set up policies and procedures which are designed to help ensure that we, our employees, officers, agents, intermediaries and other third parties comply with applicable laws and regulations (including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, the OECD Anti-Bribery Convention and other anti-bribery laws and regulations).

Notwithstanding these efforts, deviations may occur and there can be no assurance that, we will not face liability under laws and regulations for actions taken with respect to our business.

Any failure to comply directly or indirectly (including as a result of a business partners' breach) with law could lead to substantial liabilities and repercussions on the Group's reputation. Governments and regulatory authorities around the world have been strengthening enforcement activities in recent years. Sanofi and certain of its subsidiaries are under investigation by various government entities and are defending a number of lawsuits relating to antitrust and/or pricing and marketing practices (including, for example in the United States), class action lawsuits and whistle blower litigation. In China, the pharmaceutical sector is under scrutiny, the outcome of which is difficult to predict. The Group also faces significant litigation and government investigations or audits, including allegations of securities law violations, corruption, claims related to employment matters, patent and intellectual property disputes, consumer law claims and tax audits. See "Item 8. Financial Information – A. Consolidated Financial Statements and Other Financial Information – Information on Legal or Arbitration Proceedings" and Note D.22. to our consolidated financial statements included at Item 18 of this annual report. Responding to such investigations is costly and distracts management's attention from our business.

Unfavorable outcomes in any of these matters, or in similar matters to be faced in the future, could preclude the commercialization of products, harm our reputation, negatively affect the profitability of existing products and subject us to substantial fines (including treble damages), punitive damages, penalties and injunctive or administrative remedies, potentially leading to the imposition of additional regulatory controls or exclusion from government reimbursement programs or market and could have a material adverse effect on our business, results of operations or financial conditions.

These risks may encourage us to enter into settlement agreements and those settlements may involve significant monetary payments and/or criminal penalties and may include admissions of wrongdoing. Settlement of healthcare fraud cases may require companies to enter into a Corporate Integrity Agreement, which is intended to regulate company behavior for a specified period of years for example, in December 2013, Genzyme Corporation entered into a settlement agreement to resolve civil claims arising out of the investigation into promotional practices of Septrafilm® and paid in that respect approximately U.S.\$23 million. Discussions with the U.S. Government are ongoing to resolve the matter completely, including any potential criminal resolution. As part of this settlement, and as part of the settlement entered into by Sanofi U.S. in December 2012 relating to civil claims arising out of an investigation into sampling of its former product Hyalgan® for which Sanofi U.S. paid U.S.\$109 million the companies expect to enter into a Corporate Integrity Agreement with the Office of the Inspector General of the United States Department of Health and Human Services.

Changes in the laws or regulations that apply to us could affect the Group's business, results of operations and financial condition.

All aspects of our business, including research and development, manufacturing, marketing, pricing or sales are subject to extensive legislation and regulation. Changes in applicable laws could have a material adverse effect on our business.

For example, governmental authorities are increasingly looking to facilitate generic and biosimilar competition to existing products through new regulatory proposals intended to, or resulting in, changes to the scope of patent or data exclusivity rights and use of accelerated regulatory pathways for generic and biosimilar drug approvals. Such regulatory proposals could make prosecution of patents for new products more difficult and time consuming or could adversely affect the exclusivity period for our products (see "We rely on our patents and proprietary rights to provide exclusive rights to market certain of our products, and if such patents and other rights were limited or circumvented, our financial results could be materially and adversely affected" above).

This new competitive environment and potential regulatory changes may further limit the exclusivity enjoyed by innovative products on the market and directly impact pricing and reimbursement levels, which may adversely affect our business and future results. See "Item 4. Information on the Company – B. Business Overview – Competition" and "Item 4. Information on the Company – B. Business Overview – Regulatory framework".

In addition, changes in tax laws or in their application with respect to matters such as tax rates, transfer pricing, dividends, controlled companies or a restriction in certain forms of tax relief, could affect our effective tax rate and our future results. Also due to the complexity of tax contingencies, the ultimate resolution of any tax matters may result in payments greater or lesser than amounts accrued.

For information regarding risks related to changes in environmental rules and regulations, see "– Environmental liabilities and compliance costs may have a significant adverse effect on our results of operations" below.

Risks Relating to Our Business

Our research and development efforts may not succeed in adequately renewing our product portfolio.

Discovering and developing a new product is a costly, lengthy and uncertain process. To be successful in the highly competitive pharmaceutical industry, we must commit substantial resources each year to research and development in order to develop new products to take the place of products facing expiration of patent and regulatory data exclusivity or competition from new products that are perceived as being superior. In 2013, we spent €4,770 million on research and development, amounting to 14.5% of our net sales.

Our industry is driven by the imperative need for constant innovation, but we may not be investing in the right technology platforms, therapeutic areas, and products classes in order to build a robust pipeline and fulfill unmet medical needs. Fields of discovery and especially biotechnology are highly competitive and characterized by significant and rapid technological changes. Numerous companies are working on the same targets and a product considered as promising at the very beginning may become less attractive if a competitor addressing the same unmet need reaches the market earlier.

The research and development process typically takes from 10 to 15 years from discovery to commercial product launch. This process is conducted in various stages in order to test, along with other features, the effectiveness and safety of a product. There can be no assurance that any of these compounds will be proven safe or effective. See "Item 4. Information on the Company – B. Business Overview – Pharmaceutical Research & Development".

Accordingly, there is a substantial risk at each stage of development – including clinical studies – that we will not achieve our goals of safety and/or effectiveness and that we will have to abandon a product in which we have invested substantial amounts and human resources, even in late stage development (Phase III).

Decisions concerning the studies to be carried out can have a significant impact on the marketing strategy for a given product. Multiple in-depth studies can demonstrate that a product has additional benefits, facilitating the product's marketing, but such studies are expensive and time consuming and may delay the product's submission to health authorities for approval. Our ongoing investments in new product launches and research and development for future products could therefore result in increased costs without a proportionate increase in revenues, which would negatively affect our operating results.

There can be no assurance that our research and development strategy will deliver the expected result in the targeted timeframe or at all, which could affect our profitability in the future.

Following each product marketing approval, the medical need served by the product and the corresponding reimbursement rate are evaluated by other governmental agencies, requiring in some cases additional studies, including comparative studies, which may both effectively delay marketing of the new product and add to its development costs.

A substantial share of the revenue and income of the Group continues to depend on the performance of certain flagship products.

We generate a substantial share of our revenues from the sale of certain key products (see "Item 5. Operating and Financial Review and Prospects – Results of Operations – Year ended December 31, 2013 compared with year ended December 31, 2012 – Net Sales by Product – Pharmaceuticals segment"), which represented 47.3% of the Group's consolidated revenues in 2013. Lantus® is particularly important; it was the Group's leading product with revenues of €5,715 million in 2013, representing 17.3% of the Group's consolidated revenues for the year. Lantus® is a flagship product of the Diabetes division, one of the Group's growth platforms.

In general, if the products referred to above were to encounter problems such as loss of patent protection, material product liability litigation, unexpected side effects, regulatory proceedings, publicity affecting doctor or patient confidence, pressure from existing competitive products, changes in labeling, or if a new, more effective treatment were introduced, or if there were a reduction in sales of one or more of our flagship products or in their growth, the adverse impact on our business, results of operations and financial condition could be significant.

The manufacture of our products is technically complex, and supply interruptions, product recalls or inventory losses caused by unforeseen events may reduce sales, adversely affect our operating results and financial condition, delay the launch of new products and negatively impact our image.

Many of our products are manufactured using technically complex processes requiring specialized facilities, highly specific raw materials and other production constraints. Third parties supply us with a substantial portion of our raw materials, active ingredients and medical devices, which exposes us to the risk of a supply shortage or interruption in the event that these suppliers experience financial difficulties or are unable to manufacture a sufficient supply of our products meeting Group quality standards. It also increases the risk of quality issues, even with the most scrupulously selected suppliers. Further, some raw materials essential to the manufacture of our products are not widely available from sources we consider reliable; for example, we have approved only a limited number of suppliers of heparins for use in the manufacture of Lovenox®. We have also faced price fluctuations with heparin purchase prices. See "Item 4. Information on the Company – B. Business Overview – Production and Raw Materials" for a description of these outsourcing arrangements. Any of these factors could adversely affect our business, operating results or financial condition.

Our products are also increasingly reliant on the use of product-specific devices for administration which may result in technical issues.

We must also be able to produce sufficient quantities of the products to satisfy demand. Our biologic products (including vaccines) in particular are subject to the risk of manufacturing stoppages or the risk of loss of inventory because of the difficulties inherent in the processing of biological materials and the potential unavailability of adequate amounts of raw materials meeting our standards. For example, starting from April 2012 and through 2013, Sanofi Pasteur imposed supply limitations for Pentacel® and Daptacel® vaccines in the U.S. due to a manufacturing delay that temporarily reduced the effective capacity to below the level needed to fully satisfy market demand in the

U.S. There can be no guarantee that we will not face similar issues in the future or that we will successfully manage such issues when they arise.

Additionally, specific conditions must be respected both by the Group and our customers for the storage and distribution of many of our products, for example, cold storage for certain vaccines and insulin-based products.

The complexity of these processes, as well as strict internal and government standards for the manufacture of our products, subject us to risks as the investigation and remediation of any identified or suspected problems can cause production delays, substantial expense, product recalls, lost sales and inventories, and delay the launch of new products, which could adversely affect our operating results and financial condition, cause reputational damage and the risk of product liability (see "— Product liability claims could adversely affect our business, results of operations and financial condition").

When manufacturing disruptions occur, we may not have alternate manufacturing capacity for certain products, particularly for biologic products. For instance, all of our bulk Cerezyme® products are produced solely at our Allston, Massachusetts facility. Even though we aim to have backup sources of supply whenever possible, including by manufacturing backup supplies of our principal active ingredients at a second or third facility when practicable, we cannot be certain they will be sufficient if our principal sources become unavailable. Switching sources and manufacturing facilities require significant time. For instance our protamin product which is the only approved antidote to heparin in France is made from salmon sourced from Japan. Following the Fukushima nuclear disaster, we moved our fishing zone to avoid contamination risks. This change to our supply channel was time consuming and forced us to import a similar ingredient commercialized in the United Kingdom.

Supply shortages are also subject to public scrutiny and are subject to even greater public criticism when they occur with respect to life saving medicines with limited or no viable therapeutic alternatives. Such shortages can have a negative impact on the image of the Group independent of the level of revenues lost as a result of the shortage of a particular product. Government authorities and regulators in the United States and in the European Union are also considering measures to reduce these risks. It cannot be ruled out that these ongoing initiatives may generate additional costs for the Group if they result in a requirement to establish back up supply channels or to increase inventory levels to avoid shortages.

We may lose market share to competing remedies or generic brands if they are perceived to be equivalent or superior products.

We are faced with intense competition from generic products and brand-name drugs including from retail chains and distributors. Doctors or patients may choose these products over ours if they perceive them to be safer, more reliable, more effective, easier to administer or less expensive, which could cause our revenues to decline and adversely affect our results of operations.

The success of a product also depends on our ability to educate patients and healthcare providers and provide them with innovative data about the product and its uses. If these education efforts are not effective, we may not be able to increase the sales of our new products to the market to realize the full value of our investment in its development.

The introduction of a generic version of a branded medicine typically results in a significant and rapid reduction in net sales for the branded product because generic manufacturers typically offer their unbranded versions at sharply lower prices, resulting in both an adverse price and volume effect for our genericized products. For example, Plavix® lost its market exclusivity in the United States in May 2012 and as a result, its sales dropped by 90% in this country within the two months following the loss of market exclusivity.

These trends are exacerbated by applicable legislation which encourages the use of generic products to reduce spending on prescription drugs in many countries such as the United States or France. Therefore, the market for our products could also be affected if a competitor's innovative drug in the same market were to become available as generic because a certain number of patients can be expected to switch to a lower-cost alternative therapy. We expect this generic competition to continue and to implicate more our products, including those with relatively modest sales.

The pricing and reimbursement of our products is increasingly affected by government and other third parties decisions and cost reduction initiatives.

The commercial success of our existing products and our product candidates depends in part on the conditions under which our products are reimbursed. Our products continue to be subject to increasing price and reimbursement pressure due to, amongst others:

- price controls imposed by governments in many countries;
- removal of a number of drugs from government reimbursement schemes (for instance products determined to be less cost-effective than alternatives);
- increased difficulty in obtaining and maintaining satisfactory drug reimbursement rates;
- increase in cost containment policies related to health expenses in a context of economic slowdown; and
- the tendency of governments and private health care providers to favor generic pharmaceuticals.

In addition to the pricing pressures they exert, governmental and private third-party payers and purchasers of pharmaceutical products may reduce volumes of sales by restricting access to formularies or otherwise discouraging physician prescriptions of our products. For example, in the United States, the federal health care reform law is increasing the government's role with respect to price, reimbursement and the coverage levels for healthcare services and products within the large government healthcare sector. This law also imposed cost containment measures and rebates and fees on pharmaceutical companies. Implementation of health care reform has affected and will continue to affect our revenues and/or margins (for further details concerning this law and a description of certain regulatory pricing systems that affect our Group see "Item 4. Information on the Company – B. Business Overview – Pricing & Reimbursement"). Some U.S. states are also considering legislation that would influence the marketing and prices of and access to drugs and U.S. federal and state officials will likely continue to focus on healthcare reform implementation in the future.

We encounter similar cost containment issues in countries outside the United States. In certain countries, including countries in the European Union, China and Canada, the coverage of prescription drugs, pricing and levels of reimbursement are subject to governmental control.

Furthermore there is a growing number of mergers of retail chains and distributors, this consolidation of distribution channels increases their capacity to negotiation price and other terms.

Due to these cost containment policies and pressure on our prices, our revenues and margins are, and could continue to be, negatively affected.

We are also unable to predict the availability or amount of reimbursement for our product candidates.

Finally, our operating results may also be affected by parallel imports, particularly within the European Union, whereby distributors engage in arbitrage based on national price differences to buy products on low cost markets for resale on higher cost markets.

We rely on third parties for the discovery, manufacture and marketing of some of our products.

Our industry is highly collaborative, whether in the discovery and development of new products, in-licensing, the marketing and distribution of approved products, or manufacturing activities. We expect that the reliance on third parties for key aspects of our business will continue to characterize our activities.

If disruptions or quality concerns were to arise in the third-party supply of raw materials, active ingredients or medical devices, this could adversely affect our ability to sell our products in the quantities demanded by the market and could damage our reputation and relationships with our customers. See also "– The manufacture of our products is technically complex, and supply interruptions, product recalls or inventory losses caused by unforeseen events may reduce sales, adversely affect our operating results and financial condition, delay the launch of new products and negatively impact our image" above.

We also conduct a number of significant research and development programs and market some of our products in collaboration with other biotechnology and pharmaceutical companies. For example, we currently have collaborative arrangements with Regeneron for the discovery, development and commercialization of therapies based on monoclonal antibodies, and with Merck & Co., Inc. for the distribution of vaccines in Europe (See "Item 4. Information on the Company – B. Business Overview – Pharmaceutical Products – Main pharmaceutical

products" and "Item 4. Information on the Company – B. Business Overview – Vaccine Products" for more information on our alliances). We may also rely on partners to design and manufacture medical devices, notably for the administration of our products. When we research and market our products through collaboration arrangements, we are subject to the risk that certain decisions, such as the establishment of budgets, development and promotion strategies and specific tasks, are under the control of our collaboration partners, and that deadlocks, failures in the development or differing priorities may adversely affect the activities conducted through the collaboration arrangements. Any conflicts that we may have with our partners during the course of these agreements or at the time of their renewal or renegotiation may affect the marketing of certain of our products and may cause a decline in our revenues and affect our results of operations.

We are subject to the risk of non-payment by our customers⁽¹⁾.

We run the risk of delayed payments or even non-payment by our customers, which consist principally of wholesalers, distributors, pharmacies, hospitals, clinics and government agencies. This risk is accentuated by the current worldwide financial slowdown. The United States poses particular client credit risk issues, because of the concentrated distribution system in which approximately 58% of our consolidated U.S. pharmaceutical sales are accounted for by just three wholesalers. We are also exposed to large wholesalers in other markets, particularly in Europe. Worldwide, the Group's three main customers represent 18.0% of our gross total revenues. An inability of one or more of these wholesalers to honor their debts to us could adversely affect our financial condition (see Note D.34. to our consolidated financial statements included at Item 18 of this annual report).

In some countries, some customers are public or subsidized health systems. The economic and credit conditions in these countries may lead to longer payment terms. Because of this context, we may need to reassess the recoverable amount of our debts in these countries during the coming financial years (for more information see "Item 5. Operating and Financial Review and Prospects – Liquidity.").

The ongoing slowdown of global economic growth and the financial environment could have negative consequences for our business⁽²⁾.

Over the past several years, growth of the global pharmaceutical market has become increasingly tied to global economic growth. In this context, a substantial and lasting slowdown of the global economy, major national economies or emerging markets could negatively affect growth in the global pharmaceutical market and, as a result, adversely affect our business. Such a slowdown has reduced the sources of funding for national social security systems, leading to heightened pressure on drug prices, increased substitution of generic drugs, and the exclusion of certain products from formularies.

Further, we believe our net sales may be negatively impacted by the continuing challenging global economic environment, as high unemployment, increases in co-pays, and lack of developed third party payer system in certain regions, may lead some patients to switch to generic products, delay treatments, skip doses or use less effective treatments to reduce their costs. Moreover, current economic conditions in the United States have resulted in an increase in the number of patients in the Medicaid program, under which sales of pharmaceuticals are subject to substantial rebates and, in many U.S. states, to formulary restrictions limiting access to brand-name drugs, including ours.

Our animal health business could also be adversely impacted as difficult economic conditions may limit the financial resources of livestock producers, causing some to switch to lower-priced products.

Although macroeconomic and financial measures have been taken since 2012 by governments and monetary authorities, notably in Europe, to reduce the risk of failure of a State, the slowing economic environment, the default or failure of major players including wholesalers or public sector buyers financed by insolvent States may affect the financial situation of the Group but can also cause the Group to experience disruptions in the distribution of its products as well as the adverse effects described above at "We are subject to the risk of non-payment by our customers". Moreover, economic and financial difficulties may have an adverse impact on third parties who are important to our business, including collaboration partners and suppliers, which could cause such third parties to delay or disrupt performance of their obligations to us, resulting in a material and adverse effect on our business or

⁽¹⁾ Information in this section is complementary to Note B.8.8. to our consolidated financial statements included at Item 18 of this annual report, with respect to information required by IFRS 7, and is covered by our independent registered public accounting firms' report on the consolidated financial statements and by Notes D.10. and D.34. to our consolidated financial statements included at Item 18 of this annual report.

⁽²⁾ Information in this section is complementary to Note B.8.8. to our consolidated financial statements included at Item 18 of this annual report, with respect to information required by IFRS 7, and is covered by our independent registered public accounting firms' report on the consolidated financial statements.

results of operations. See "– We rely on third parties for the discovery, manufacture and marketing of some of our products" above. For more information see "Item 5. Operating and Financial Review and Prospects – Liquidity."

Counterfeit versions of our products harm our business.

Counterfeiting activities and the presence of counterfeit products in a growing number of markets and over the Internet continue to be a challenge for maintaining a safe drug supply. Counterfeit products are frequently unsafe or ineffective, and can be life-threatening. To distributors and users, counterfeit products may be visually indistinguishable from the authentic version. Reports of adverse reactions to counterfeit drugs along with increased levels of counterfeiting could be mistakenly attributed to the authentic product, affect patient confidence in the authentic product and harm the business of companies such as Sanofi. If a Group product were to be the subject of counterfeits, the Group could incur substantial reputational and financial harm. See "Item 4. Information on the Company – B. Business Overview – Competition."

Impairment charges or write downs in our books and changes in accounting standards could have a significant adverse effect on the Group's results of operations and financial results.

Substantial value is allocated to intangible assets and goodwill resulting from business combinations, as disclosed at Note D.4. to our consolidated financial statements included in this annual report at Item 18, which could be substantially impaired upon indications of impairment (primarily relating to pharmacovigilance, stopped research and development program, patent litigation and the launch of competing products), with adverse effects on our financial condition and the value of our assets.

Furthermore, if any of our strategic equity investments decline in value and remain below cost for an extended duration, we may be required to write down our investment.

Finally, the financial environment and in particular the economic difficulties affecting certain European countries could also negatively affect the value of our assets (see "– The ongoing slowdown of global economic growth and the financial environment could have negative consequences for our business" above and "– Fluctuations in currency exchange rates could adversely affect our results of operations and financial condition" below)

Any new or revised accounting standards, rules and interpretations issued from time to time by the IASB (International Accounting Standards Board) could also result in changes to the recognition of income and expense that may materially and adversely affect the Group's financial results.

Our pension liabilities are affected by factors such as the performance of plan assets, interest rates, actuarial data and experience and changes in laws and regulations.

Our future funding obligations for our main defined-benefit pension plans depend on changes in the future performance of assets held in trust for these plans, the interest rates used to determine funding levels (or company liabilities), actuarial data and experience, inflation trends, the level of benefits provided for by the plans, as well as changes in laws and regulations. Adverse changes in those factors could increase our unfunded obligations under such plans, which would require more funds to be contributed and hence negatively affect our cash flow and results (see Note D.19.1 to our consolidated financial statements included at Item 18 of this annual report).

We are increasingly dependent on information technologies and networks.

Our business depends on the use of information technologies, which means that certain key areas such as research and development, production and sales are to a large extent dependent on our information technology capabilities. We are commercializing a number of devices using new technologies which, in case of malfunctions could lead to a risk of harm to patients (see "– Product liability claims could adversely affect our business, results of operations and financial condition") or the unavailability of our products. While we have invested heavily in the protection of data and information technology systems, there can be no assurance that our efforts or those of our third-party service providers to implement adequate security and quality measures for data processing would be sufficient to protect against service disruption, data deterioration or loss in the event of a system malfunction, or prevent data from being stolen or corrupted in the event of a security breach, which could have a material adverse effect on our operating results and financial condition.

The expansion of social media platforms and mobile technologies presents new risks and challenges.

New technologies are increasingly used to communicate about our products and diseases or to provide health services. The use of these media requires specific attention, monitoring programs and moderation of comments. For instance, patients may use these channels to comment on the effectiveness of a product and to report an alleged adverse event. When such issues arise, the nature of evidence-based health care and restrictions on what pharmaceutical manufacturers may say about their products are not always well suited to rapidly defending the Group or the public's legitimate interests in the face of the political and market pressures generated by social media and rapid news cycles, and this may result in commercial harm, overly restrictive regulatory actions and erratic share price performance. Negative posts or comments about Sanofi, our business, directors or officers on any social networking web site could seriously damage our reputation. In addition, our employees and partners may use the social media tools and mobile technologies inappropriately which may give rise to liability for the Company, or which could lead to the exposure of sensitive information. In either case, such uses of social media and mobile technologies could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the Group Structure and Strategy***We may fail to successfully identify external business opportunities or realize the anticipated benefits from our strategic investments.***

As a complement to our portfolio of products, we pursue a strategy of selective acquisitions, in-licensing and collaborations in order to develop growth opportunities. The implementation of this strategy depends on our ability to identify business development opportunities and execute them at a reasonable cost and under acceptable conditions of financing. Moreover, entering into in-licensing or partnership agreements generally requires the payment of significant "milestones" well before the relevant products are placed on the market without any assurance that such investments will ultimately become profitable in the long term (see Note D.21.1. to the consolidated financial statements included at Item 18 of this annual report and also "— We rely on third parties for the discovery, manufacture and marketing of some of our products" above).

Once identified, our growth objectives could be delayed or ultimately not realized, and expected synergies could be adversely impacted if:

- we are unable to quickly or efficiently integrate newly acquired activities or businesses;
- integration takes longer than expected;
- the loss of key employees occurs; or
- we have higher than anticipated integration costs.

Because of the active competition among pharmaceutical groups for such business development activities, there can be no assurance of our success in completing these transactions when such opportunities are identified.

Moreover, we may miscalculate the risks associated with newly acquired activities or businesses at the time they are acquired or not have the means to evaluate them properly, including with regards to the potential of research and development pipelines, manufacturing issues, compliance issues, or the outcome of ongoing legal and other proceedings. It may also take a considerable amount of time and be difficult to implement a risk analysis and risk mitigation plan after the acquisition is completed due to lack of historical data. As a result, risk management and the coverage of such risks, particularly through insurance policies, may prove to be insufficient or ill-adapted.

The diversification of the Group's business exposes us to increased risks.

As a global healthcare leader within the health industry, we are exposed to a number of risks inherent in sectors in which, in the past, we have been either less active or not present at all. Examples are set forth below:

- The business model and the trade channels of the generic and consumer health care (CHC) sectors are different from the traditional pharmaceutical activity with which we are more traditionally familiar. For example, the traditional pharmaceutical business focuses its promotional effort on physicians to drive demand. Depending on geographic location, the generic business concentrates on trade channels such as pharmacies, wholesalers and/or physicians. CHC focuses its promotional effort on pharmacies and consumers. In addition, the CHC and generic businesses have other factors that can impact purchasing patterns and pharmacy inventories more than in the traditional pharmaceutical businesses, such as trade terms to pharmacies which are variable and linked to competition or seasonality.

- The contribution of our Animal Health business to the Group's income may be adversely affected by a number of risks including some which are specific to this business i.e., the outbreak of an epidemic or pandemic that could kill large numbers of animals, the weather, and the effect of reduced veterinary expenditures during an economic crisis (see "– The ongoing slowdown of global economic growth and the financial environment could have negative consequences for our business" above).
- Specialty products (such as those developed by Genzyme) that treat rare, life-threatening diseases that are used by a small number of patients are often expensive to develop compared to the market opportunity. Third-party payers trying to limit health-care expenses may become less willing to support their per-unit cost. Also for the research and development of drugs relating to rare diseases, we produce relatively small amounts of material at early stages. Even if a product candidate receives all necessary approvals for commercialization, we may not be able to successfully scale-up production of the product material at a reasonable cost or at all. In addition, we may not receive additional manufacturing approvals in sufficient time to meet product demand.

All these risks could affect our business, results of operations or financial condition.

The globalization of the Group's business exposes us to increased risks.

Emerging Markets have been identified as one of our growth platforms and are among the pillars of our overall strategy. Difficulties in adapting to emerging markets, a significant decline in the anticipated growth rate in these regions or an unfavorable movement of the exchange rates of these countries' currencies against the euro could impair our ability to take advantage of these growth opportunities and could affect our business, results of operations or financial condition.

For example, in 2013, our sales in Emerging Markets continued to grow but at a slower pace. The significant expansion of our activities in Emerging Markets may further expose us to more volatile economic conditions, political instability, competition from companies that are already well established in these markets, the inability to adequately respond to the unique characteristics of these markets, particularly with respect to their regulatory frameworks, difficulties in recruiting qualified personnel or maintaining required internal control systems, potential exchange controls, weaker intellectual property protection, higher crime levels (particularly with respect to counterfeit products (see "– Counterfeit versions of our products harm our business," above)), and compliance issues including corruption and fraud (see "– Claims and investigations relating to competition law, marketing practices, pricing, compliance, as well as other legal matters, could adversely affect our business, results of operations and financial condition " above).

Our strategic objectives may not be fully realized.

Our strategy is focused on four pillars in order to deliver sustainable long-term growth and maximize shareholder returns: grow a global healthcare leader with synergistic platforms, bring innovative products to market, seize value-enhancing growth opportunities, and adapt our structure for future opportunities and challenges. We may not be able to fully realize our strategic objectives and, even if we are able to do so, these strategic objectives may not deliver the expected benefits.

For example, our strategy involves concentrating efforts around identified growth platforms and meeting significant growth objectives. There is no guarantee that we will meet these objectives or that these platforms will grow in line with anticipated growth rates. A failure to continue to expand our business in targeted growth platforms could affect our business, results of operations or financial condition.

As a further example, we are pursuing a Group-wide cost savings program by 2015. There is no assurance that the Group will successfully realize this program which could materially and adversely affect our financial results.

Environmental Risks of Our Industrial Activities

Risks from the handling of hazardous materials could adversely affect our results of operations.

Manufacturing activities, such as the chemical manufacturing of the active ingredients in our products and the related storage and transportation of raw materials, products and wastes, expose us to various risks, including:

- fires and/or explosions;
- storage tank leaks and ruptures; and
- discharges or releases of toxic or pathogen substances.

These operating risks can cause personal injury, property damage and environmental contamination, and may result in:

- the shutdown of affected facilities; and
- the imposition of civil or criminal penalties and civil damages.

The occurrence of any of these events may significantly reduce the productivity and profitability of a particular manufacturing facility and adversely affect our operating results and reputation.

Although we maintain property, business interruption and casualty insurance that we believe is in accordance with customary industry practices, we cannot assure you that this insurance will be adequate to cover fully all potential hazards incidental to our business.

Environmental liabilities and compliance costs may have a significant adverse effect on our results of operations.

The environmental laws of various jurisdictions impose actual and potential obligations on our Group to remediate contaminated sites. These obligations may relate to sites:

- that we currently own or operate;
- that we formerly owned or operated; or
- where waste from our operations was disposed.

These environmental remediation obligations could significantly reduce our operating results. Sanofi accrues provisions for remediation when our management believes the need is probable and that it is reasonably possible to estimate the cost. See "Item 4. Information on the Company – B. Business Overview – Health, Safety and Environment (HSE)" for additional information regarding our environmental policies. In particular, our provisions for these obligations may be insufficient if the assumptions underlying these provisions prove incorrect or if we are held responsible for additional, currently undiscovered contamination. These judgments and estimates may later prove inaccurate, and any shortfalls could have a material adverse effect on our results of operations and financial condition.

Furthermore, we are or may become involved in claims, lawsuits and administrative proceedings relating to environmental matters. Some current and former Sanofi's subsidiaries have been named as "potentially responsible parties" or the equivalent under the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (also known as "Superfund"), and similar statutes in France, Germany, Italy, Brazil and elsewhere. As a matter of statutory or contractual obligation, we and/or our subsidiaries may retain responsibility for environmental liabilities at some of the sites of our predecessor companies, or our subsidiaries that we demerged, divested or may divest. We have disputes outstanding regarding certain sites no longer owned by the Group. An adverse outcome in such disputes might have a significant adverse effect on our operating results. See Note D.22.e) to the consolidated financial statements included at Item 18 of this annual report and "Item 8. Financial Information – A. Consolidated Financial Statements and Other Financial Information – Information on Legal or Arbitration Proceedings".

Environmental regulations are evolving (i.e., in Europe, REACH, CLP/GHS, SEVESO, IPPC/IED, the Waste Framework Directive, the Emission Trading Scheme Directive, the Water Framework Directive and the Directive on Taxation of Energy Products and Electricity and several other regulations aiming at preventing global warming). Stricter environmental, safety and health laws and enforcement policies could result in substantial costs and liabilities to our Group and could subject our handling, manufacture, use, reuse or disposal of substances or pollutants, site restoration and compliance costs to more rigorous scrutiny than is currently the case. Consequently, compliance with these laws could result in significant capital expenditures as well as other costs and liabilities, thereby adversely affecting our business, results of operations or financial condition. For more detailed information on environmental issues, see "Item 4. Information on the Company – B. Business Overview – Health, Safety and Environment (HSE)".

Natural disasters prevalent in certain regions in which we do business could affect our operations.

Some of our production sites are located in areas exposed to natural disasters, such as earthquakes (in North Africa, Middle East, Asia, Pacific, Europe, Central and Latin Americas), floods (in Africa, Asia Pacific and Europe) and hurricanes. In the event of a major disaster we could experience severe destruction or interruption of our operations

and production capacity. As a result, our operations could suffer serious harm which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Financial Markets⁽³⁾

Fluctuations in currency exchange rates could adversely affect our results of operations and financial condition.

Because we sell our products in numerous countries, our results of operations and financial condition could be adversely affected by fluctuations in currency exchange rates. We are particularly sensitive to movements in exchange rates between the euro and the U.S. dollar, the Japanese yen, and to currencies in emerging countries. In 2013, 32% of our net sales were realized in the United States, 33% in emerging countries and 8% in Japan. While we incur expenses in those currencies, the impact of currency exchange rates on these expenses does not fully offset the impact of currency exchange rates on our revenues. As a result, currency exchange rate movements can have a considerable impact on our earnings. When deemed appropriate and when technically feasible, we enter into transactions to hedge our exposure to foreign exchange risks. These efforts, when undertaken, may fail to offset the effect of adverse currency exchange rate fluctuations on our results of operations or financial condition. For more information concerning our exchange rate exposure, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

Risks Relating to an Investment in Our Shares or ADSs

Foreign exchange fluctuations may adversely affect the U.S. dollar value of our ADSs and dividends (if any).

Holders of ADSs face exchange rate risk. Our ADSs trade in U.S. dollars and our shares trade in euros. The value of the ADSs and our shares could fluctuate as the exchange rates between these currencies fluctuate. If and when we do pay dividends, they would be denominated in euros. Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar amounts received by owners of ADSs upon conversion by the depositary of cash dividends, if any. Moreover, these fluctuations may affect the U.S. dollar price of the ADSs on the New York Stock Exchange (NYSE), whether or not we pay dividends in addition to the amounts, if any, that a holder would receive upon our liquidation or upon the sale of assets, merger, tender offer or similar transactions denominated in euros or any foreign currency other than U.S. dollars.

Persons holding ADSs rather than shares may have difficulty exercising certain rights as a shareholder.

Holders of ADSs may have more difficulty exercising their rights as a shareholder than if they directly held shares. For example, if we issue new shares and existing shareholders have the right to subscribe for a portion of them, the depositary is allowed, at its own discretion, to sell for their benefit that right to subscribe for new shares instead of making it available to them. Also, holders of ADSs must instruct the depositary how to vote their shares. Because of this extra procedural step involving the depositary, the process for exercising voting rights will take longer for holders of ADSs than for holders of shares. ADSs for which the depositary does not receive timely voting instructions will not be voted at any meeting.

French tax legislation applicable to the ADSs may affect their attractiveness.

The implementation of tax legislation such as the French financial transaction tax of 0.2% (*Taxe sur les Transactions Financières* – TTF) enacted in 2012 (see "Item 10. – E. Taxation"), which applies by its terms to trading in our shares and ADSs without regard to territoriality could increase the costs linked to the issuance, transfer and cancellation of ADSs. Moreover, uncertainties regarding how such a tax is assessed and collected from beneficial owners or financial intermediaries outside of France could negatively impact such instruments.

We cannot foresee the extent to which this tax and uncertainty over its technical and practical aspects may reduce the liquidity and economic value of our ADSs.

Our largest shareholder owns a significant percentage of the share capital and voting rights of Sanofi.

As of December 31, 2013, L'Oréal held approximately 8.93% of our issued share capital, accounting for approximately 16.17% of the voting rights (excluding treasury shares) of Sanofi. See "Item 7. Major Shareholders and

⁽³⁾ Information in this section is complementary to Note B.8.8. to our consolidated financial statements included at Item 18 of this annual report, with respect to information required by IFRS 7, and is covered by our independent registered public accounting firms' report on the consolidated financial statements.

Related Party Transactions – A. Major Shareholders." Affiliates of L'Oréal currently serve on our Board of Directors. To the extent L'Oréal continues to hold a large percentage of our share capital and voting rights, it will remain in a position to exert heightened influence in the appointment of the directors and officers of Sanofi and in other corporate actions that require shareholders' approval.

Sales of our shares may cause the market price of our shares or ADSs to decline.

To our knowledge, L'Oréal is not subject to any contractual restrictions on the sale of the shares it holds in our Company. L'Oréal announced that it does not consider its stake in our Company as strategic to it. Sales of large numbers of our shares, or a perception that such sales may occur, could adversely affect the market price for our shares and ADSs.

Risks Relating to Our Contingent Value Rights (CVRs)

In addition to the risks relating to our shares, CVR holders are subject to additional risks.

In connection with our acquisition of Genzyme, we issued CVRs under a CVR agreement entered into by and between us and American Stock Transfer & Trust Company, the trustee (see also Note D.18. to the consolidated financial statements included at Item 18 of this annual report). A copy of the form of the CVR agreement is on file with the SEC as Annex B to Amendment No. 2 to the Registration Statement on Form F-4 filed with the Securities and Exchange Commission on March 24, 2011. Pursuant to the CVR agreement, each holder of a CVR is entitled to receive cash payments upon the achievement of certain milestones, if any, based on U.S. regulatory approval of Lemtrada™ (alemtuzumab for treatment of multiple sclerosis), and on achievement of certain aggregate net sales thresholds. See "Item 10. Additional Information – C. Material Contracts – The Contingent Value Rights Agreement."

CVR holders are subject to additional risks, including:

- the public market for the CVRs may not be active or the CVRs may trade at low volumes, both of which could have an adverse effect on the resale price, if any, of the CVRs;
- the market price and trading volume of the CVRs may be volatile;
- no payment will be made on the CVRs without the achievement of certain agreed upon milestones. As such, it may be difficult to value the CVRs and accordingly it may be difficult or impossible to resell the CVRs;
- if the milestones specified in the CVR agreement are not achieved for any reason within the time periods specified therein, and if net sales do not exceed the thresholds set forth in the CVR agreement for any reason within the time periods specified therein, no payment will be made under the CVRs and the CVRs will expire without value;
- since the U.S. federal income tax treatment of the CVRs is unclear, any part of any CVR payment could be treated as ordinary income and required to be included in income prior to the receipt of the CVR payment;
- any payments in respect of the CVRs rank at parity with our other unsecured unsubordinated indebtedness;
- we are not prohibited from acquiring the CVRs, whether in open market transactions, private transactions or otherwise and we have already purchased CVRs on several occasions (for more information see "Item 5. Operating and Financial Review and Prospectus – Liquidity.");
- we may, under certain circumstances, purchase and cancel all outstanding CVRs; and
- while we have agreed to use diligent efforts (as defined in the CVR agreement), until the CVR agreement is terminated, to achieve each of the remaining Lemtrada™ related CVR milestones set forth in the CVR agreement, we are not required to take all possible actions to achieve these goals. The first milestone was not met and, following the Complete Response Letter received from the FDA in December 2013, the milestone of U.S. approval will not be met. There can be no assurance that the product sales milestone #1 or the other product sales milestones will be achieved. The failure to achieve the sales milestones would have an adverse effect on the value, if any, of the CVRs.