

Sanofi  
Form 11-K  
June 25, 2014  
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**United States  
Securities and Exchange Commission**

Washington, D.C. 20549

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**Form 11-K**

(Mark One)

- o Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934.**

For the fiscal year ended December 31, 2013

OR

- o Transition Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934. (No fee required)**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-18378

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**Sanofi Puerto Rico Group Savings Plan  
55 Corporate Drive  
Bridgewater, NJ 08807-5925**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**SANOFI**

**54, rue La Boétie  
75008 Paris, France**

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**Sanofi Puerto Rico Group Savings Plan**

Financial Statements and Supplemental Schedule

December 31, 2013 and 2012

With Report of Independent Registered Public Accounting Firm

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**Sanofi Puerto Rico Group Savings Plan**

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\* Other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, are omitted because they are not applicable.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Participants and the Administrator of

Sanofi Puerto Rico Group Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the Sanofi Puerto Rico Group Savings Plan (the Plan) as of December 31, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2013 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Fischer Cunnane & Associates Ltd Certified Public Accountants  
Fischer Cunnane & Associates Ltd  
Certified Public Accountants

West Chester, Pennsylvania  
June 24, 2014

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**Sanofi Puerto Rico Group Savings Plan**

**Statements of Net Assets Available for Benefits**

**As of December 31, 2013 and 2012**

|  | 2013                 | 2012                 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Investments at fair value  |                      |                      |
| Plan interest in the Sanofi U.S. Group Savings Master Trust                                    | \$ 25,048,582        | \$ 21,954,171        |
| <b>Total investments at fair value</b>   | <b>25,048,582</b>    | <b>21,954,171</b>    |
| <b>Receivables</b>   |                      |                      |
| Contributions receivable from participating employees  | 13,478               | 14,340               |
| Contributions receivable from employer, net of forfeitures                                     | 48,713               | 32,712               |
| Other receivable   | 7,500                |                      |
| Notes receivable from participants   | 361,655              | 457,577              |
| <b>Total receivables</b>   | <b>431,346</b>       | <b>504,629</b>       |
| <b>Total Assets</b>  | <b>25,479,928</b>    | <b>22,458,800</b>    |
| <b>LIABILITIES</b>   |                      |                      |
| Accrued administrative expenses  | 1,063                | 88,950               |
| <b>Net assets available for benefits, at fair value</b>  | <b>25,478,865</b>    | <b>22,369,850</b>    |
| Adjustment from fair value to contract value for fully benefit responsive investment contracts | (114,677)            | (270,215)            |
| <b>Net assets available for benefits</b>   | <b>\$ 25,364,188</b> | <b>\$ 22,099,635</b> |

The accompanying notes are an integral part of these financial statements.

Table of Contents**Sanofi Puerto Rico Group Savings Plan****Statements of Changes in Net Assets Available for Benefits****For the Years Ended December 31, 2013 and 2012**

|   | 2013          | 2012          |
|---|---------------|---------------|
| <b>ADDITIONS TO NET ASSETS ATTRIBUTED TO</b>      |               |               |
| Contributions:                                    |               |               |
| Employee  | \$ 611,621    | \$ 614,850    |
| Employer  | 655,506       | 679,192       |
| Investment income:                                |               |               |
| Net investment income allocated from Master Trust | 3,214,005     | 2,285,487     |
| Miscellaneous Income                              | 7,500         |               |
| Interest on notes receivable from participants    | 17,244        | 24,740        |
| Total additions                                   | 4,505,876     | 3,604,269     |
| <b>DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO</b>   |               |               |
| Distributions                                     | 1,203,429     | 725,490       |
| Fees and administrative expenses                  | 37,894        | 52,604        |
| Total deductions                                  | 1,241,323     | 778,094       |
| Increase in net assets available for benefits     | 3,264,553     | 2,826,175     |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>          |               |               |
| Beginning of year                                 | 22,099,635    | 19,273,460    |
| End of year                                       | \$ 25,364,188 | \$ 22,099,635 |

The accompanying notes are an integral part of these financial statements.

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**Sanofi Puerto Rico Group Savings Plan**

**Notes to the Financial Statements**

**December 31, 2013 and 2012**

**1. Description of the Plan**

Effective April 1, 2012, the former sanofi-aventis Puerto Rico Savings Plan was amended, restated and renamed the Sanofi Puerto Rico Group Savings Plan (the Plan). The following description of the Plan, provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

**Plan Description** - The Plan is a defined contribution plan that covers substantially all the employees of Sanofi Puerto Rico Inc. as they meet the prescribed eligibility requirements. All employees are eligible to participate in the Plan beginning on the first day of employment. Effective October 1, 2012, Sanofi Puerto Rico Inc. (the Company) assumed the sponsorship and all related obligations and responsibilities of the Plan, transferred from predecessor plan sponsor Sanofi U.S. LLC. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Master Trust** - Effective April 1, 2012, Sanofi U.S. LLC, Sanofi Pasteur Inc., sanofi-aventis Puerto Rico Inc. and T. Rowe Price Trust Company entered into an amended and restated Master Trust Agreement, and the sanofi-aventis U.S. Savings Master Trust was renamed the Sanofi U.S. Group Savings Master Trust (the Master Trust) to serve as the funding vehicle for the Plan. Accordingly, the assets of the Plan are maintained, for investment and administrative purposes only, on a commingled basis with the assets of the other plans of the employers within the parent company. The investments included in the Master Trust are equities, mutual funds, commingled funds, and guaranteed investment contracts. No plan has any interest in the specific assets of the Master Trust, but maintains beneficial interests in such assets. The portion of assets, net earnings, gains and/or losses and administrative expenses allocable to each plan is based upon the relationship of the plan's beneficial interest in the Master Trust to the total beneficial interest of all plans in the Master Trust (Note 3).

**Trustee and Recordkeeper** - Banco Popular is the Plan's titular trustee (the Trustee). T. Rowe Price Trust Company is party to the Master Trust agreement discussed above which governs and maintains the Plan's commingled assets. T. Rowe Price Retirement Plan Services Inc. is the Plan's recordkeeper (Note 6).

**Plan Administration** - The sanofi-aventis U.S. Administrative Committee (the Committee or Plan Administrator), as appointed by the Sanofi U.S. Pension Committee, is responsible for the general administration of the Plan. The Board of Directors has appointed the Trustee with the responsibility for the administration of the Master Trust Agreement and the management of the assets.



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**Participant Accounts** - Each participant's account is credited with the participant's contributions, and Company matching contributions, and Plan earnings. Participant accounts are charged with an allocation of administrative expenses and Plan losses. Allocations are based on participant earnings, account balances, or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

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**Sanofi Puerto Rico Group Savings Plan**

**Notes to the Financial Statements**

**December 31, 2013 and 2012**

**Employee Contributions** The Plan offers auto-enrollment with a 30-day opt-out from date of hire. Prior to April 1, 2012, eligible participants were allowed to make salary deferral contributions of an amount up to 30% of the participant's pre-tax eligible compensation. After-tax contributions of up to 10% of eligible compensation were also available. Effective April 1, 2012, participants are allowed to contribute up to 75% of their eligible compensation as pre-tax contributions, and up to 10% in after-tax contributions. Contributions are subject to certain Puerto Rico Internal Revenue Code Section 1165(e) limitations (\$15,000 and \$13,000 for 2013 and 2012, respectively). Employees 50 years old or older may make an additional catch-up contribution of up to \$1,500 during both 2013 and 2012.

Plan participants may make a direct or indirect rollover contribution to the Plan from a former employer's tax qualified plan. Participants can also rollover IRA distributions (excluding minimum required distributions and nondeductible contributions).

**Employer Matching Contributions** - Prior to April 1, 2012, the Company provided a matching contribution based upon a participant's years of service and the total amount of their pre-tax, after-tax, and catch-up contributions. The Company match contribution was limited to a maximum of 6% of eligible compensation in 3 tiers according to service years shown in the table below:

| Years of Service | Company Match Tiers |
|------------------|---------------------|
| 0-2              | 100%                |
| 3-6              | 125%                |
| 7 or more        | 150%                |

Effective April 1, 2012, the Company match contribution is amended to 150% of the pre-tax contributions for all participants, up to 6% of total compensation.

Upon Plan enrollment, a participant may direct employee contributions into any of the Plan's fund choices. Participants may change their investment choices at any time. The Company's contributions are allocated in the same manner as that of the participants' elective contributions.

**Vesting** Effective April 1, 2012, all eligible employees hired on or before March 31, 2012 became 100% vested in their Company matching contribution account. Employees hired on or after April 1, 2012 will be 100% vested in their Company matching contribution account after 2 years of service. Participants are always 100% vested in their pre-tax, catch up, and after-tax contribution accounts (contributions and related earnings). Prior to April 1, 2012, employees who were participants on or before December 31, 2005 were 100% vested in their Company matching contribution account (contribution and related earnings), and employees hired on or after January 1, 2006 were 100% vested in their Company matching contribution account after three years of service.

**Payment of Benefits** - Plan participants who leave the Company as a result of death, disability, retirement, or termination may choose one or a combination of the following distribution methods: receive the entire amount of their account balance in one lump-sum payment; or receive the distribution in the form of recurring annual installments over a period of between three and fifteen years. If a participant dies, the participant's designated beneficiary will receive the payments.

In-service withdrawals are available in certain limited circumstances, as defined by the Plan.

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**Sanofi Puerto Rico Group Savings Plan**

**Notes to the Financial Statements**

**December 31, 2013 and 2012**

**Notes Receivable from Participants** - Plan participants may borrow from \$1,000 up to a maximum equal to the lesser of 50% of the value of their vested account balance or \$50,000 less the highest outstanding loan balance in the preceding 12 months, subject to certain limitations described in the Plan document. Loans bear interest at a rate commensurate with the prevailing market rate, as determined by the Plan Administrator. Currently, interest rates associated with participant loans range from 4.25% to 9.25%. Principal and interest are paid notably through payroll deductions generally over a term of up to five years. As of April 1, 2012, a participant may not have more than two loans outstanding at any point in time. Extended terms of up to 15 years are available should the loan relate to the purchase of a primary residence.

**Forfeitures** Forfeited nonvested accounts may be used to pay the administrative expenses and/or to reduce the amount of employer contributions which are to be paid to the Plan. Unallocated forfeitures balances as of December 31, 2013 and 2012 were \$-0-. During 2013, no forfeitures were used to offset 2013 employer matching contributions to the Plan. During 2012, forfeitures of \$296 were used to offset 2012 employer matching contributions to the Plan.

**Revenue Sharing** The Plan has entered into a revenue sharing agreement with T. Rowe Price Retirement Plan Services, Inc. ( TRP ). Under the terms of the agreement TRP will provide the Plan with a fixed annual administrative budget amount that will be increased each year by a comparable amount of loan initiation fees TRP has estimated to receive for that year. The administrative budget may be used to pay certain administrative expenses of the Plan, as directed by the Plan Sponsor. If in any year the administrative budget exceeds the sum of Plan expenses paid during that year the excess shall be allocated to participant accounts as specified by the Plan documents. During 2013 and 2012, TRP contributed \$52,529 and \$40,103, respectively, to the Plan's administrative budget account and the Plan used \$49,481 and \$74,148, respectively, of the administrative budget to off-set Plan expenses. In addition, \$671 and \$1,051 for 2013 and 2012, respectively, were allocated to participant accounts. At December 31, 2013 and 2012 the balance in the administrative budget account was \$10,603 and \$8,225, respectively.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting** - The financial statements of the Plan have been prepared on the accrual basis of accounting.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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**Investment Valuation** - For investment and administrative purposes, the Plan's assets are held within the custody of the Master Trust. The Plan's investment in the Master Trust represents the Plan's interest in the net assets of the Master Trust. The Plan's interest in the Master Trust is stated at fair value and is based on the beginning of year value of the Plan's interest in the Master Trust plus actual contributions and allocated investment income or loss less actual distributions and allocated administrative expenses.

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**Sanofi Puerto Rico Group Savings Plan**

**Notes to the Financial Statements**

**December 31, 2013 and 2012**

Investment contracts held by the Master Trust are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment for the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared using the contract value basis for fully benefit-responsive investment contracts.

**Notes Receivable from Participants** - Notes receivables from participants represent loans recorded at their unpaid principal balance plus accrued interest. Interest income generated on the notes receivable is recorded when earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2013 or 2012. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be in default based on Plan provisions, the participant loan balance is reduced and a benefit payment is recorded.

**Benefit Payments** - Benefits are recorded when paid.

**Fees and Administrative Expenses** - All external third party expenses and internal expenses relating to the administration of the Master Trust and managing the funds established thereunder are borne by the participating plans, unless they are paid by the Company. Brokerage commissions, transfer taxes and other charges incurred in connection with the purchase and sale of securities are paid out of the funds to which such charges are attributable.

**Risks and Uncertainties** - The Plan provides for various investment options representing varied combinations of stocks, bonds, fixed income securities, mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market volatility and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets available for Benefits.

**New Accounting Pronouncements** In January 2013, the FASB issued Accounting Standards Update ( ASU ) 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (Topic 210)*. The objective of this update is to address implementation issues about the scope of ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The amendment clarifies that the scope of the 2011-11 update applies to derivatives accounted for in accordance with *Topic 815, Derivatives and Hedging*, including bifurcated embedded derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. ASU 2013-01 is to be applied prospectively and is effective for interim and annual periods beginning on or after January 1, 2013. The new

pronouncement has no effect on the Plan.

**Reclassifications** Certain reclassifications have been made to the previous period's financial statements in order to conform to the current year's presentation.

Table of Contents**Sanofi Puerto Rico Group Savings Plan****Notes to the Financial Statements****December 31, 2013 and 2012****3. Investments in Plan Master Trust**

At December 31, 2013, the Master Trust comprises the investment assets of the Plan and Sanofi U.S. Group Savings Plan. At December 31, 2011 and through April 1, 2012, the Master Trust also comprised the investment assets of the Sanofi Pasteur 401(k) Plan. Certain investment assets of the Master Trust, related earnings (losses) and expenses are allocated to the plans participating in the Master Trust based upon the total of each individual participant's share of the Master Trust (See Note 1).

At December 31, 2013 and 2012, the Plan's interest in the Master Trust was approximately 1%. The Plan's interest in the Master Trust represented 5% or more of the Plan's net assets available for benefits, as of December 31, 2013 and 2012.

The following table presents the net assets of the Master Trust as of December 31, 2013 and 2012. Receivables and payables associated with the investment fund are not material to the net assets of the Master Trust and are included within the total investment balance.

|   | <b>2013</b>             | <b>2012</b>             |
|---|-------------------------|-------------------------|
| <b>Common and commingled trusts</b>   |                         |                         |
| Retirement date trusts (a)  | \$ 3,194,565,547        | \$ 2,592,929,055        |
| U.S. and International equities   | 365,449,251             | 238,315,538             |
| Fixed income securities   | 43,039,206              | 44,909,656              |
| <b>Separately managed accounts</b>  |                         |                         |
| U.S. and International equities   | 160,566,751             | 131,383,229             |
| Company stock   | 123,250,329             | 102,122,750             |
| Fixed income securities   | 152,007,963             |                         |
| <b>Mutual funds</b>   |                         |                         |
| Fixed income securities   |                         | 208,606,663             |
| U.S. and International equities   | 90,116,866              | 71,674,258              |
| Money market  | 2,172,528               | 1,089,422               |
| <b>Stable value fund (b)</b>  |                         |                         |
| Short-term investment fund (c)  | 42,169,254              | 72,796,889              |
| Synthetic investment contracts  | 410,587,149             | 382,753,686             |
| Guaranteed investment contracts   | 28,121,540              | 31,417,458              |
| <b>Total investments at fair value</b>  | <b>4,612,046,384</b>    | <b>3,877,998,604</b>    |
| <b>Adjustment from fair value to contract value for fully benefit-responsive investment contracts</b> | <b>(8,620,038)</b>      | <b>(21,678,875)</b>     |
| <b>Total investments at contract value</b>  | <b>\$ 4,603,426,346</b> | <b>\$ 3,856,319,729</b> |



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|   |    |            |    |            |
|---|----|------------|----|------------|
| Plan Interest in Master Trust at Fair Value | \$ | 25,048,582 | \$ | 21,954,171 |
|---|----|------------|----|------------|

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(a) This category includes investments in a blend of diversified funds designed to remain appropriate for investors in terms of risk throughout a variety of life circumstances gauged upon an expected retirement date. The funds share the common goal of growing principal in earlier years and then later preserving the principal balance closer to an expected retirement date.

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**Sanofi Puerto Rico Group Savings Plan**

**Notes to the Financial Statements**

**December 31, 2013 and 2012**

(b) This fund is primarily invested in guaranteed investment contracts and synthetic investment contracts. Participant-directed redemptions have no restrictions; however, the Plan is required to provide a one-year redemption notice to liquidate its entire share in the fund. The fair value of this fund has been estimated based on the fair value of the underlying investment contracts in the fund as reported by the issuer of the fund. The fair value differs from the contract value which is the relevant measurement basis attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

(c) This category includes a common/collective trust fund that is designed to protect capital with low-risk investments and includes cash, bank notes, corporate notes, government bills and various short-term debt instruments. There are currently no redemption restrictions on this investment. The fair value of the investment in this category has been estimated using the net asset value per share.

During 2013 and 2012, the Master Trust's investments (including investments bought and sold, as well as held during the year) appreciated (depreciated) as follows:

|   | <b>Year Ended<br/>December 31,</b> |                |
|---|------------------------------------|----------------|
|   | <b>2013</b>                        | <b>2012</b>    |
| <b>Net Appreciation in Fair Value of Investments:</b> |                                    |                |
| Company stock   | \$ 13,737,699                      | \$ 23,311,893  |
| Mutual funds  | 4,017,394                          | 11,839,867     |
| Common and commingled trusts                          | 653,646,722                        | 312,444,251    |
| Separate accounts                                     | 15,362,750                         | 14,648,824     |
| Net Appreciation in Fair Value                        | \$ 686,764,565                     | \$ 362,244,835 |

The following are the changes in net assets for the Master Trust for the year ended December 31, 2013 and 2012.

|   | <b>2013</b>    | <b>2012</b>    |
|---|----------------|----------------|
| Net Appreciation in Fair Value of Investments | \$ 686,764,565 | \$ 362,244,835 |
| Dividends                                     | 6,204,770      | 16,419,335     |
| Interest                                      | 10,969,889     | 11,887,002     |
| Net investment income                         | 703,939,224    | 390,551,172    |
| Net transfers                                 | 43,167,393     | 731,717,615    |

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|                        |                  |                  |
|------------------------|------------------|------------------|
| Increase in Net Assets | 747,106,617      | 1,122,268,787    |
| Net Assets:            |                  |                  |
| Beginning of Year      | 3,856,319,729    | 2,734,050,942    |
| End of Year            | \$ 4,603,426,346 | \$ 3,856,319,729 |

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**Sanofi Puerto Rico Group Savings Plan**

**Notes to the Financial Statements**

**December 31, 2013 and 2012**

**Investment Valuation and Income Recognition** Master Trust investments are stated at fair value. Investments in mutual funds are valued at the published net asset value of shares held at year end. Investments in commingled funds are stated at fair value based on unit values provided by the administrator, which are based on market values of underlying investments. Common stock is valued at the last closing price at end of the year. Short term securities are valued at amortized cost which includes cost plus accrued interest, which approximates fair value. Traditional GICs are stated at fair value based on a discounted cash flow method. The fair value of synthetic GICs equals the total of the fair value of the underlying assets plus the total wrap rebid value.

Securities transactions are recorded on the trade-date (the day the order to buy or sell is executed). Interest income is recorded on the accrual basis, and dividend income is recorded on the ex-dividend date.

**Guaranteed Investment Contracts** The Master Trust entered into benefit-responsive investment contracts in the Stable Value Fund which invest primarily in investment contracts issued by high-quality insurance companies and banks as rated by T. Rowe Price Associates, Inc. (investment advisor). Contract values represent contributions made to the investment contracts plus earnings, less participant withdrawals and administrative expenses. These are interest bearing contracts in which the principal and interest are guaranteed by the issuing companies. The contracts are considered fully benefit-responsive and are comprised of traditional guaranteed investment contracts ( GICs ) and synthetic contracts ( SICs ). These investment contracts are recorded at fair value; however, since these contracts are fully-benefit responsive, an adjustment is reflected in the statement of net assets available for benefits to present these investments at contract value. Contract value is the relevant measurement attributable to fully-benefit responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

The fair value of traditional GICs equals the total of the fair value of the underlying assets calculated using the present value of contract cash flows. The fair value of synthetic GICs equals the total of the fair value of the underlying assets plus the total wrap rebid value. The wrap rebid value is \$231,632 and \$212,331 at December 31, 2013 and 2012, respectively.

The issuers of the synthetic GICs are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The fund deposits a lump sum with the issuer and receives a guaranteed interest rate for a specified time. Interest is accrued on either a simple interest or fully compounded basis and paid either periodically or at the end of the contract term. There are currently no reserves against contract values for credit risk of the contract issuers or otherwise and do not permit the insurance companies to terminate the agreement prior to the scheduled maturity date. Each contract is subject to early termination penalties that may be significant.

The average crediting rate for the investment contracts was 2.66% and 2.91% and the average yield was 2.41% and 2.85% during 2013 and 2012, respectively. The Plan's interest in the GICs within the Master Trust was approximately 1% at December 31, 2013 and 2012.



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**Sanofi Puerto Rico Group Savings Plan**

**Notes to the Financial Statements**

**December 31, 2013 and 2012**

Certain events could limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) amendments to the Plan documents (including complete or partial plan termination or merger with another plan); (ii) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions; (iii) bankruptcy of the Plan sponsor or other plan sponsor events (e.g. divestures or spin-offs of a subsidiary) which cause a significant withdrawal from the Plan or (iv) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan administrator does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

**Fair Value Measurements** The accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

*Level 2:* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation technique used needs to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

**Mutual Funds** Valued at the net asset value (NAV) of shares held by the Master Trust at year end, which are based on quoted market prices. They are classified within Level 1 of the valuation hierarchy.

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**Guaranteed Investment Contracts** Valued at fair value by discounting the related cash flows based on current yields of a similar instrument with comparable durations considering the credit-worthiness of the issuer. The traditional GICs are classified within Level 3 of the valuation hierarchy.

**Synthetic Guaranteed Investment Contracts** The fair value of the synthetic guaranteed investment contracts is based on the underlying investments. As of December 31, 2013, the investments underlying the synthetic guaranteed investment contracts were approximately 41% corporate securities, 27% asset-backed securities, 12% agency debt securities, and 18% in US treasury securities, 2% in other securities, which are publically traded. As of December 31, 2012, the investments underlying the synthetic guaranteed investment contracts were approximately 38% corporate securities, 29% asset-backed securities, 14% agency debt securities, 16% in US treasury securities, and 3% in other securities, which are publically traded. The value of the wrapper contracts is determined using rebid rates from the wrapper provider, and is included in the synthetic guaranteed investment contracts amount of the Master Trust shown below. The synthetic GICs are classified within Level 2 of the valuation hierarchy.

**Company Stock and Other Common Stocks** These investments are valued at the publicly traded price of equity securities held in all of the Master Trust s separate accounts. Company stock and other common stocks are classified within Level 1 of the valuation hierarchy.

**Fixed Income Securities** These investments include corporate bonds and U.S. government securities held in all of the Masters Trust s separate accounts, and are valued using pricing models maximizing the use of observable inputs for similar securities. In addition, the valuation of corporate bonds also includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. Fixed income securities are classified within Level 2 of the valuation hierarchy.

**Common and Commingled Trust Funds** These investments are public investment vehicles consisting of target date funds and equity index funds. These funds permit daily redemptions of units and are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of underlying assets owned by the fund, less its liabilities, and then divided by the number of units outstanding. The NAV is a quoted price in a market that is not active and classified within Level 2 of the valuation hierarchy.

**Short-Term Investments** Short-term investments include corporate debt instruments, U.S. government and federal agency obligations, U.S. government-sponsored enterprise obligations, and other. Short-term investments are classified within Level 2 of the valuation hierarchy.



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The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with ASC 820 guidance, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

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The following tables set forth by level, within the fair value hierarchy, the Master Trust assets at fair value as of December 31, 2013 and 2012:

|   | 2013           |                  |               |                  |
|---|----------------|------------------|---------------|------------------|
|   | Level 1        | Level 2          | Level 3       | Total            |
| Common and commingled trusts              |                |                  |               |                  |
| Retirement date trusts                    | \$             | \$ 3,194,565,547 | \$            | \$ 3,194,565,547 |
| U.S. Equities                             |                | 299,412,251      |               | 299,412,251      |
| International equities                    |                | 66,037,000       |               | 66,037,000       |
| Fixed Income Securities                   |                | 43,039,206       |               | 43,039,206       |
| Separate accounts:                        |                |                  |               |                  |
| International Common Stocks               | 106,672,760    |                  |               | 106,672,760      |
| Small Cap Common Stocks                   | 39,249,629     |                  |               | 39,249,629       |
| Mid Cap Common Stocks                     | 14,644,362     |                  |               | 14,644,362       |
| Fixed Income Securities                   |                | 152,007,963      |               | 152,007,963      |
| Company stock                             | 123,250,329    |                  |               | 123,250,329      |
| Mutual funds:                             |                |                  |               |                  |
| Money market                              | 2,172,528      |                  |               | 2,172,528        |
| Brokerage account:                        |                |                  |               |                  |
| Mutual funds:                             |                |                  |               |                  |
| Domestic Equity                           | 38,779,551     |                  |               | 38,779,551       |
| International Equity                      | 10,000,205     |                  |               | 10,000,205       |
| Fixed Income                              | 9,509,773      |                  |               | 9,509,773        |
| Blended or Hybrid Funds                   | 17,052,528     |                  |               | 17,052,528       |
| Interest bearing cash                     | 14,774,809     |                  |               | 14,774,809       |
| Stable value fund:                        |                |                  |               |                  |
| Short-term investment fund                |                | 42,394,498       |               | 42,394,498       |
| Synthetic guaranteed investment contracts |                | 410,361,905      |               | 410,361,905      |
| Guaranteed investment contracts           |                |                  | 28,121,540    | 28,121,540       |
| Total assets at fair value                | \$ 376,106,474 | \$ 4,207,818,370 | \$ 28,121,540 | \$ 4,612,046,384 |

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|   | 2012           |                  |               |                  |
|---|----------------|------------------|---------------|------------------|
|   | Level 1        | Level 2          | Level 3       | Total            |
| Common and commingled trusts              |                |                  |               |                  |
| Retirement date trusts                    | \$             | \$ 2,592,929,055 | \$            | \$ 2,592,929,055 |
| U.S. Equities                             |                | 191,092,765      |               | 191,092,765      |
| International Equities                    |                | 47,222,772       |               | 47,222,772       |
| Fixed income securities                   |                | 44,909,656       |               | 44,909,656       |
| Separate accounts:                        |                |                  |               |                  |
| International Common Stocks               | 94,364,093     |                  |               | 94,364,093       |
| Small Cap Common Stocks                   | 27,530,409     |                  |               | 27,530,409       |
| Mid Cap Common Stocks                     | 9,488,728      |                  |               | 9,488,728        |
| Company stock                             | 102,122,750    |                  |               | 102,122,750      |
| Mutual funds:                             |                |                  |               |                  |
| Fixed income securities                   | 208,606,663    |                  |               | 208,606,663      |
| Money market                              | 1,089,422      |                  |               | 1,089,422        |
| Brokerage account:                        |                |                  |               |                  |
| Mutual funds:                             |                |                  |               |                  |
| Domestic Equity                           | 25,682,920     |                  |               | 25,682,920       |
| International Equity                      | 9,512,117      |                  |               | 9,512,117        |
| Fixed Income                              | 9,153,482      |                  |               | 9,153,482        |
| Blended or Hybrid Funds                   | 12,608,809     |                  |               | 12,608,809       |
| Interest bearing cash                     | 14,716,930     |                  |               | 14,716,930       |
| Stable value fund:                        |                |                  |               |                  |
| Short-term investment fund                |                | 72,796,889       |               | 72,796,889       |
| Synthetic guaranteed investment contracts |                | 382,753,686      |               | 382,753,686      |
| Guaranteed investment contracts           |                |                  | 31,417,458    | 31,417,458       |
| Total assets at fair value                | \$ 514,876,323 | \$ 3,331,704,823 | \$ 31,417,458 | \$ 3,877,998,604 |

The following table sets forth a summary of changes in the fair value of the Master Trust's Level 3 assets for the years ended December 31, 2013 and 2012:

|                              | 2013 |            | 2012 |            |
|------------------------------|------|------------|------|------------|
| Balance at beginning of year | \$   | 31,417,458 | \$   | 36,372,475 |