

SANOFI-AVENTIS
Form 20-F
March 07, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from to

Commission File Number: 001-31368

Sanofi-Aventis

(Exact name of registrant as specified in its charter)

N/A

(Translation of registrant's name into English)

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France

(Jurisdiction of incorporation or organization)

174, avenue de France, 75013 Paris, France

(Address of principal executive offices)

Karen Linehan, General Counsel. 174, avenue de France, 75013 Paris, France. Fax: 011 + 33 1 53 77 43 03

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange
American Depositary Shares, each representing one half of one ordinary share, par value 2 per share	on which registered: New York Stock Exchange
Ordinary shares, par value 2 per share	New York Stock Exchange (for listing purposes only)

Securities registered pursuant to Section 12(g) of the Act:

American Depositary Shares, each representing one quarter of a Participating Share Series A, par value 70.89 per share (removed from listing and registration on the New York Stock Exchange effective July 31, 1995).

The number of outstanding shares of each of the issuer's classes of capital or

common stock as of December 31, 2007 was:

Ordinary shares: 1,365,916,644

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405

of the Securities Act.

YES NO

If this report is an annual or transition report, indicate by check mark if the registrant is not

required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

YES NO

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated financial statements contained in this annual report on Form 20-F have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with IFRS as adopted by the European Union, as of December 31, 2007.

Unless the context requires otherwise, the terms sanofi-aventis, the Company, the Group, we, our or us refer to sanofi-aventis and our consolidated subsidiaries. References to Aventis refer to Aventis and its consolidated subsidiaries for periods prior to August 20, 2004.

All references herein to United States or U.S. are to the United States of America, references to dollars or \$ are to the currency of the United States, references to France are to the Republic of France, and references to euro and are to the currency of the European Union member states (including France) participating in the European Monetary Union.

Brand names appearing in this annual report are trademarks of sanofi-aventis and/or its affiliates, with the exception of:

trademarks used or that may be or have been used under license by sanofi-aventis and /or its affiliates, such as Actonel[®], Optinate[®] and Acrel[®], trademarks of Procter & Gamble Pharmaceuticals, Alvesco[®], a trademark of ALTANA Pharma AG, Campto[®], a trademark of Kabushiki Kaisha Yakult Honsha, Copaxone[®], a trademark of Teva Pharmaceutical Industries, Exubera[®], a trademark of Pfizer Products Inc., Mutagrip[®], a trademark of Institut Pasteur, PER.C6[®], a trademark of Crucell Holland B.V., TroVax[®], a trademark of Oxford BioMedica, Autopen[®]24, a trademark of Owen Mumford, Ltd., Gardasil[®] and Rotateq[®], trademarks of Merck & Co., Inc., Herceptin[®], a trademark of Genetech, NanoCrystal[®], a trademark of Elan Pharmaceuticals, VelocImmune[®], a trademark of Regeneron Pharmaceuticals, Inc., Xyzal[®], a trademark of UCB;

trademarks sold by sanofi-aventis and/or its affiliates to a third party, such as Altace[®], a trademark of King Pharmaceuticals in the United States, Arixtra[®] and Fraxiparine[®], trademarks of GlaxoSmithKline, StarLink[®], Liberty Link[®] and Liberty[®] trademarks of Bayer AG, Sabril[®], a trademark of Ovation Pharmaceuticals in the United States; and

other third party trademarks such as Cipro[®] in the United States and Aspirin[®], trademarks of Bayer AG, Ivomec[®], Eprinex[®], Frontline[®] and Heartgard[®], trademarks of Merial and Hexavac[®], Repevax[®] and Revaxis[®] trademarks of Sanofi Pasteur MSD.

The data relative to market shares and ranking information presented in Item 4. Information on the Company B. Business Overview Markets Competition is based on sales data from IMS Health MIDAS (IMS) and GERS (for France), retail and hospital, for calendar year 2007, in constant euros (unless otherwise indicated).

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While we believe that the IMS/GERS sales data we present below are generally useful comparative indicators for our industry, they may not precisely match the sales figures published by the companies that sell the products (including our company and other pharmaceutical companies). In particular, the rules used by IMS to attribute the sales of a product covered by an alliance or license agreement do not always exactly match the rules of the agreement.

In order to allow a reconciliation with our basis of consolidation as defined in Item 5. Operating and Financial Review and Prospects Presentation of Net Sales, IMS data shown in the present document have been adjusted and include:

- (i) sales as published by IMS excluding sales generated by the vaccines business, equating to the scope of our pharmaceutical operations;
- (ii) adjustments to data for Germany, to reflect the significant impact of parallel imports;
- (iii) IMS sales of products sold under alliance or license agreements which we recognize in our consolidated net sales but which are not attributed to us in the reports published by IMS; and

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- (iv) adjustments related to the exclusion of IMS sales for products which we do not recognize in our consolidated net sales but which are attributed to us by IMS.

Product indications described in this annual report are composite summaries of the major indications approved in the product's principal markets. Not all indications are necessarily available in each of the markets in which the products are approved. The summaries presented herein for the purpose of financial reporting do not substitute for careful consideration of the full labeling approved in each market.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. We may also make written or oral forward-looking statements in our periodic reports to the Securities and Exchange Commission on Form 6-K, in our annual report to shareholders, in our proxy statements, in our offering circulars and prospectuses, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Examples of such forward-looking statements include:

projections of operating revenues, net income, adjusted net income, earnings per share, adjusted earnings per share, capital expenditures, positive or negative synergies, dividends, capital structure or other financial items or ratios;

statements of our plans, objectives or goals, including those relating to products, clinical trials, regulatory approvals and competition;

statements about our future economic performance or that of France, the United States or any other countries in which we operate; and

statements of assumptions underlying such statements.

Words such as believe, anticipate, plan, expect, intend, target, estimate, project, predict, forecast, guideline, should and intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statements. Such factors, some of which are discussed under Item 3. Key Information D. Risk Factors below, include but are not limited to:

the success of our research and development programs;

our ability to protect our intellectual property rights;

our ability to continue to maintain and expand our presence profitably in the United States;

the risks associated with reimbursement of healthcare costs and pricing reforms, particularly in the United States and Europe; and

trends in the exchange rate and interest rate environments.

We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements.

Forward-looking statements speak only as of the date they are made. Other than required by law, we do not undertake any obligation to update them in light of new information or future developments.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

N/A

Item 2. Offer Statistics and Expected Timetable

N/A

Item 3. Key Information

A. Selected Financial Data

SUMMARY SELECTED FINANCIAL DATA

The tables below set forth selected consolidated financial data for sanofi-aventis. These financial data are derived from the sanofi-aventis consolidated financial statements. Sanofi-aventis financial statements for the years ended December 31, 2007, 2006 and 2005 are included in Item 18 of this annual report.

The consolidated financial statements of sanofi-aventis for the years ended December 31, 2007, 2006 and 2005 have been prepared in compliance with IFRS issued by the International Accounting Standards Board (IASB) and with IFRS adopted by the European Union. The term IFRS refers collectively to international accounting standards (IAS and IFRS) and to interpretations of the interpretations committee (SIC and IFRIC). The opening balance sheet as of the IFRS transition date (January 1, 2004) and the comparative financial statements for the year ended December 31, 2004 have been prepared in accordance with the same principles. IFRS accounts have not been published for the year ended December 31, 2003.

Sanofi-aventis reports its financial results in euro.

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<i>(million, except per share data)</i>	As of and for the year ended December 31,				
	2007	2006	2005	2004	2003 ^(e)
IFRS Income statement data					
Net sales	28,052	28,373	27,311	14,871	
Gross profit	21,636	21,902	20,947	11,294	
Operating income	5,911	4,828	2,888	2,426	
Net income attributable to equity holders of the Company	5,263	4,006	2,258	1,986	
Earnings per share: basic () ^(a)	3.91	2.97	1.69	2.18	
Earnings per share: diluted () ^(b)	3.89	2.95	1.68	2.17	
IFRS Balance sheet data					
Intangible assets and goodwill	46,381	52,210	60,463	61,567	
Total assets	71,914	77,763	86,945	85,557	
Outstanding share capital	2,657	2,701	2,686	2,668	
Equity attributable to equity holders of the Company	44,542	45,600	46,128	40,810	
Long term debt	3,734	4,499	4,750	8,654	
Cash dividend paid per share () ^(c)	2.07 ^(d)	1.75	1.52	1.20	1.02
Cash dividend paid per share (\$) ^(c)	3.02 ^(d)	2.31	1.80	1.62	1.28

(a) Based on the weighted average number of shares outstanding in each period used to compute basic earnings per share, equal to 1,346.9 million shares in 2007, 1,346.8 million shares in 2006, 1,336.5 million shares in 2005, and 910.3 million shares in 2004.

(b) Based on the weighted average number of shares outstanding in each period used to compute diluted earnings per share, equal to 1,353.9 million shares in 2007, 1,358.8 million shares in 2006, 1,346.5 million shares in 2005, and 914.8 million shares in 2004.

(c) Each American Depositary Share, or ADS, represents one half of one share.

(d) Dividends for 2007 will be proposed for approval at the annual general meeting scheduled for May, 14, 2008.

(e) We did not publish financial data in accordance with IFRS in 2003, because at the time our financial statements were required to be presented in conformity with French Generally Accepted Accounting Principles. For this reason, we have not provided selected financial data for 2003.

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The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rates for the euro from 2003 through February 2008 expressed in U.S. dollar per euro. The information concerning the U.S. dollar exchange rate is based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate). We provide the exchange rates below solely for your convenience. We do not represent that euros were, could have been, or could be, converted into U.S. dollars at these rates or at any other rate. For information regarding the effect of currency fluctuations on our results of operations, see Item 5. Operating and Financial Review and Prospects.

	Period- end Rate	Average Rate ⁽¹⁾ (U.S. dollar per euro)	High	Low
2003	1.26	1.14	1.26	1.04
2004	1.35	1.25	1.36	1.18
2005	1.18	1.24	1.35	1.17
2006	1.32	1.27	1.33	1.19
2007	1.46	1.38	1.49	1.29
Last 6 months				
2007				
September	1.42	1.39	1.42	1.36
October	1.45	1.42	1.45	1.41
November	1.47	1.47	1.49	1.44
December	1.46	1.46	1.48	1.43
2008				
January	1.48	1.47	1.49	1.46
February	1.52	1.48	1.52	1.45

⁽¹⁾ The average of the Noon Buying Rates on the last business day of each month during the relevant period for year average, on each business day of the month for monthly average.

On March 5, 2008 the Noon Buying Rate was 1.53 per euro.

B. Capitalization and Indebtedness

N/A

C. Reasons for Offer and Use of Proceeds

N/A

D. Risk Factors

Important factors that could cause actual financial or operating results to differ materially from expectations are disclosed in this annual report, including without limitation the following risk factors and the factors described under Cautionary Statement Regarding Forward-Looking Statements. In addition to the risks listed below, we may be subject to other material risks that are not currently known to us or that we deem immaterial at this time.

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Risks Relating to Legal Matters

If we are unable to protect our proprietary rights, we may be unable to compete effectively or operate profitably.

It is important for our success that we be able to effectively obtain and enforce our patents and other proprietary rights. We hold a broad portfolio of patents, patent licenses and patent applications worldwide. To the extent effective patent protection of our products is not maintained, these products will become exposed to competition from generic products. The entry of a generic product into the market typically is followed by a substantial decline in the brand-name product's sales volume and revenues in most markets.

Obtaining Patent Rights. Patent law relating to the scope of claims in the pharmaceutical field in which we operate is continually evolving and can be the subject of some uncertainty. Accordingly, we cannot be sure that:

new, additional inventions will be patentable;

patents for which applications are now pending will be issued or reissued to us;

the scope of any patent protection will be sufficiently broad to exclude competing products; or

the laws providing patent protection will not change in a way that would limit protection.

Patent protection once obtained is limited in time (typically 20 years, with a possible extension of up to 5 years), after which competitors may use the covered technology without obtaining a license from us. Because of the time required to obtain regulatory marketing approval, the period of effective patent protection for a marketed product is frequently substantially shorter.

Enforcing Patent Rights. Our competitors may infringe our patents or successfully avoid them through design innovation. To prevent infringement, we may file infringement claims, which are expensive and time consuming and which may result in decisions unfavorable to us. Policing unauthorized use of our intellectual property is difficult, and we may not be able to prevent misappropriation of our proprietary rights.

We may also be accused of infringing the rights of others who then seek substantial damages and royalties from us. For example, we are currently facing claims from third parties claiming that our new SoloSTAR[®] family of devices infringes their patent rights. This risk is increased by the growth in the number of patent applications filed and patents granted in the pharmaceutical industry.

Even prior to the scheduled expiration of a patent, third parties may challenge the validity of the patents issued or licensed to us, which may result in the invalidation of these rights and the loss of sales derived from the related products. Such challenges have become increasingly common in recent years. Typical assertions in suits challenging a patent are (i) that the competing product does not fall within the scope of the patent, (ii) that the patent claims matters that are not in fact patentable or enforceable, for example because they are not a true innovation; or (iii) that there were procedural flaws that invalidate the patent office's decision to issue the patent. Patent litigation is subject to substantial

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uncertainty, and we cannot be sure how much protection, if any, will be provided by our patents if we attempt to enforce them and they are challenged in court or in other proceedings.

Our patent claiming the active ingredient of Lovenox® in the United States was ruled unenforceable by a U.S. federal district court on February 8, 2007. We are currently appealing this decision, but can provide no assurances as to the final outcome of this litigation. While the U.S. Food and Drug Administration (FDA) has not to date approved a competing enoxaparin sodium product, there can be no guarantee that it will not do so in the future. To the extent the ruling of the district court is not reversed on appeal, we will not be in a position to assert this patent against any such competing product in the United States.

Additionally, if a competitor chooses to take the risk of launching an infringing product prior to a court's determination that our patent rights are valid, enforceable and infringed, there can be no assurance that we will (i) be successful in obtaining a preliminary injunction to halt further sales and remove the infringing product from the market prior to obtaining a final injunction at trial, and even if we are successful, (ii) be able to obtain an award of sufficient damages from the competitor to repair all harm caused to us and (iii) effectively collect this award. By way of example, following the Group's failure to obtain a preliminary injunction halting the

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launch at risk of a generic version of Allegra® in October 2005, the Allegra® franchise in the United States has been substantially eroded and the asserted patent claims have still not gone to trial. In addition, while we were successful in obtaining a preliminary injunction halting further sales of a generic Plavix® in August 2006, the quantities of generic product distributed prior to the injunction had a significant negative effect on 2006 and 2007 earnings.

Court decisions upholding our patent rights may be appealed by the opposing party. For example, on June 19, 2007, the U.S. federal court hearing the Plavix® patent infringement suit decided in our favor and replaced the preliminary injunction with a permanent injunction. The generic company appealed this decision to the Court of Appeals for the Federal Circuit, and oral argument took place March 3, 2008. There can be no guarantee as to the result of this appeal.

Additionally, our successful assertion of a given patent against one competing product is not necessarily predictive of the future success or failure in the assertion of the same patent or *a fortiori* the corresponding foreign patent against a second competing product because of such factors as possible differences in the formulations of the competing products, intervening developments in law or jurisprudence, local variations in the patents and differences in national patent law and legal systems. For example, while we have been successful to date, subject to the opposing parties' right of appeal, in asserting our Plavix® patent rights in the United States and Canada, a court in Korea has held the claims of the corresponding Korean patent to be invalid under Korean law.

Our patent rights are material to our business, and if we were unsuccessful in asserting them or they were deemed invalid, any resulting introduction of generic versions of our products in the United States, in Europe or in other markets would reduce the price that we receive for these products and/or the volume of the product that we would be able to sell, and could materially adversely affect our business, results of operations and financial condition. Additionally, a number of our products acquired through business combinations have substantial balance sheet carrying values, as disclosed at Note D.4 to our consolidated financial statements, which could be substantially impaired by the introduction of a generic competitor, with adverse effects on our financial results and assets.

Significant challenges to our proprietary rights concern such leading Group products as Plavix®, Lovenox®, Eloxatine®, Taxotere®, Xatral®, Ambien CR® and Allegra® as well as our SoloSTAR® devices. We are also involved in litigation challenging the validity or enforceability of patents related to a number of other products in the United States, the European Union and elsewhere, and challenges to other products may be expected in the future. We can give no assurance that as a result of these challenges we will not face generic competition for additional group products. See Item 8. Financial Information A. Consolidated Financial Statements and Other Financial Information Information on Legal or Arbitration Proceedings and Note D.22.b) to our consolidated financial statements included in this annual report at Item 18 for additional information.

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

Product liability is a significant business risk for us, and has become a more significant risk as we expand in the United States (where product liability claims can be particularly costly). Substantial damage awards have been made in certain jurisdictions against pharmaceutical companies based upon claims for injuries allegedly caused by the use of their products. Not all possible side effects of a drug can be anticipated 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. Several pharmaceutical companies have recalled or withdrawn products from the market based on actual or suspected adverse reactions to their products, and currently face significant product liability claims. We are currently defending a number of product liability claims (see Note D.22 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), and there

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can be no assurance that the Group will not face additional claims in the future.

Although we maintain insurance to cover the risk of product liability, available insurance may not be sufficient to cover all potential liabilities. Further, we face a general trend in the insurance industry to reduce

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product liability coverage, by excluding products or by imposing limits for liabilities, causing companies to rely increasingly on self-insurance. In the future it is possible that self-insurance may become the sole means available for managing the product liability risk of our pharmaceutical and vaccines businesses.

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

Claims and investigations relating to marketing practices and competition law could adversely affect our business, results of operations and financial condition.

The marketing of our products is heavily regulated, and alleged failures to comply fully with applicable regulations could subject us to substantial fines, penalties and injunctive or administrative remedies, potentially leading to the imposition of additional regulatory controls or exclusion from government reimbursement programs. Sanofi-aventis and certain of its subsidiaries are under investigation by various government entities in the United States. For example, in Europe in January 2008 the European Commission opened sector inquiry into competition in the pharmaceuticals sector; and in the United States the Group is defending a number of lawsuits, relating to antitrust and/or pricing and marketing practices, including, for example, class action lawsuits and whistle blower litigation. In 2007, we settled claims in the United States related to a predecessor company's marketing of Anzemet in a transaction involving a Corporate Integrity Agreement monitored by the U.S. Department of Health and Human Services. See Note D.22.c) to our consolidated financial statements included at Item 18 of this annual report.

Following judgments holding the U.S. patent protection of Loveno[®] and of DDAVP[®] tablets to be unenforceable, a number of civil antitrust and fair trade claims have been filed against sanofi-aventis as putative class actions alleging that we have prevented competition and generated excess profits. Similar claims have followed an attempt to settle our U.S. Plavix[®] patent litigation. The proposed settlement of the U.S. Plavix[®] patent litigation against Apotex by the parties thereto is also the subject of a criminal investigation by the Antitrust Division of the U.S. Department of Justice and civil investigative demands by various federal and state government entities in the United States, of which the outcome and impact on sanofi-aventis cannot reasonably be assessed at this time. See Item 8. Financial Information A. Consolidated Financial Statements and other Financial Information Information on Legal or Arbitration Proceedings and Note D.22.c) to our consolidated financial statements included at Item 18 of this annual report.

Because many of these cases allege substantial unquantified damages, may be subject to treble damages, and frequently seek significant punitive damages and penalties, it is possible that any final determination of liability or settlement of these claims or investigations could have a material adverse effect on our business, results of operations or financial condition.

Our collaborations with third parties expose us to risks that they will claim intellectual property rights on our inventions or fail to keep our unpatented technology confidential.

We occasionally provide information and materials to research collaborators in academic institutions or other public or private entities, or request them to conduct tests to investigate certain materials. In all cases we enter into appropriate confidentiality and intellectual property rights agreements with such entities. However, those entities might claim intellectual property rights with respect to the results of the tests conducted by their collaborators, and might not grant licenses to us regarding their intellectual property rights on acceptable terms.

We also rely upon unpatented proprietary technology, processes, know-how and data that we regard as trade secrets and protect them in part by entering into confidentiality agreements with our employees, consultants and certain contractors. We cannot be sure that these agreements or other trade secret protections will provide meaningful protection, or, if they are breached, that we will have adequate remedies. See Item 4. Information on the Company B. Business Overview Patents, Intellectual Property and Other Rights for more information about our patents and licenses.

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There are other legal matters in which adverse outcomes could have a material adverse effect on our business, results of operations and financial condition.

The Group faces significant litigation and government investigations in all of its principal markets, including litigation concerning product pricing, allegations of securities law violations, product liability claims, employment matters, patent and intellectual property disputes, consumer law claims and antitrust matters. In a similar vein, in the United States committees of the Senate and House of Representatives are conducting a series of hearings concerning the FDA and the conditions under which a number of products, including Ketek[®], were approved.

Unfavorable outcomes in other pending litigation matters, or in future litigation could preclude the commercialization of products, negatively affect the profitability of existing products and could subject us to substantial fines, penalties and injunctive or administrative remedies, potentially leading to the imposition of additional regulatory controls or exclusion from government reimbursement programs. Any such result could materially and adversely affect our results of operations, financial condition, or business. See Item 8. Financial Information A. Consolidated Financial Statements and other Financial Information Information on Legal or Arbitration Proceedings and Note D.22.c) to our consolidated financial statements included at Item 18 of this annual report.

Risks Relating to Our Business

We must invest substantial sums in research and development in order to remain competitive, and we may not fully recover these investments if our products are unsuccessful in clinical trials or fail to receive and maintain regulatory approval.

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. In 2007, we spent 4,537 million on research and development, amounting to approximately 16.2 % of our net sales. Our ongoing investments in new product launches and research and development for future products could result in higher costs without a proportionate increase in revenues.

The research and development process is lengthy and carries a substantial risk of product failure. If our research and development does not yield sufficient new products that achieve commercial success, our future operating results may be adversely affected.

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, and during each stage there is a substantial risk that we will not achieve our goals and will have to abandon a product in which we have invested substantial amounts.

For example, in order to develop a commercially viable product, we must demonstrate, through extensive pre-clinical and human clinical trials, that the pharmacological compounds have an acceptable benefit/risk profile for human use in the proposed indications. There is also no assurance that favorable results obtained in pre-clinical trials will be confirmed by later clinical trials, or that the clinical trials will establish safety and efficacy data sufficient for regulatory approval. As of our annual results update on February 12, 2008, we had 113 compounds in pre-clinical and clinical development in our targeted therapeutic areas, of which 47 were in Phase IIb or Phase III clinical trials. For additional information regarding clinical trials and the definition of the phases of clinical trials, see Item 4. Information on the Company B. Business Overview Research & Development. There can be no assurance that any of these compounds will be proven safe or effective, or that they will produce commercially successful products.

After completing the research and development process, we must invest substantial additional resources with a view to obtaining government approval in multiple jurisdictions, with no assurance that approval will be obtained. We must obtain and maintain regulatory approval for our pharmaceutical products from the European Union, the United States and other regulatory authorities before a given product may be sold in these markets. The submission of an application to a regulatory authority provides no assurance that the regulatory authority will grant a license to market the product. Each authority may impose its own requirements, including requiring local clinical studies, and may delay or refuse to grant approval, even though a product has already been approved in another country.

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In our principal markets, the approval process for one or more indications of a new product is complex and lengthy, and typically takes from six months to two years from the date of application depending on the country. Moreover, if regulatory approval of a product is granted, the approval may place limitations on the indicated uses for which it may be marketed. A marketed product is also subject to continual review even after regulatory approval. Later discovery of previously unknown problems may result in marketing restrictions or withdrawal of the product, as well as an increased risk of litigation. See also [Risks Relating to Legal Matters](#) Product liability claims could adversely affect our business, results of operations and financial condition, [above](#). In addition, we are subject to strict government controls on the manufacture, labeling, distribution and marketing of our products. Each of these factors may increase our costs of developing new products and the risk that we may not succeed in selling them successfully.

Obtaining regulatory marketing approval is not a guarantee that the product will achieve commercial success. Commercial success is dependent on a number of factors beyond our control, notably the level and type of reimbursement which is accorded to the product by public health entities and third-party payers in each country, the acceptance of the product by the medical establishment and patients, and the existence and price of competing products and alternative therapies.

We face uncertainties over the pricing and reimbursement of pharmaceutical products.

The commercial success of our products depends in part on the conditions under which our products are reimbursed. Pressure on pricing and reimbursement is strong due to:

price controls imposed by governments in many countries;

removal of a number of drugs from government reimbursement schemes;

increased difficulty in obtaining and maintaining satisfactory drug reimbursement rates; and

the tendency of governments and private health care providers to favor generic pharmaceuticals.

Price pressure is considerable in our two largest markets, Europe and the United States, which represented approximately 43.4% and 33.8%, respectively, of our net sales in 2007. In addition to the pricing pressures they exert, state 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. Pricing in the German market has posed significant challenges for the Group in recent years, including a decision to classify Acomplia® as a non-reimbursed life-style drug and the announcement that the government was evaluating restrictions on additional products. Changes in the pricing environments in the United States or European markets could have a significant impact on our sales and results of operations. See [Item 4. Information on the Company](#) [B. Business Overview](#) [Markets](#) [Pricing & Reimbursement](#) for a description of certain regulatory pricing systems that affect our Group.

Our results may also be adversely affected by parallel imports, a practice by which traders exploit price differentials among markets by purchasing in lower-priced markets for resale in higher-priced markets, especially in the European Union.

Changes in the marketing status or competitive environment of our major products could adversely affect our results of operations.

In some cases, pharmaceutical products face the risk of being involuntarily switched from prescription drug status to over-the-counter (OTC) drug status by national regulatory authorities. OTC drugs may not benefit from the same reimbursement schemes and in some cases are priced significantly lower than brand-name prescription drugs. The competitive environment for our products could also be adversely affected if generic or OTC versions of competitors' products were to become available.

We depend on the United States market for a significant part of our current and future operating results. A failure to continue our strategy of profitable operations in that market could adversely affect our business, results of operations, financial condition or prospects.

We may not achieve our growth strategy if we do not maintain and continue to expand profitably our presence in the United States, the world's largest pharmaceuticals market. We have identified the United States,

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which accounted for approximately 33.8% of our net sales in 2007, as a potential major source of continued future growth and plan to capitalize on our direct presence in the United States in the coming years to build a strong position in this market. We face a number of challenges in maintaining profitable growth in the United States, including:

the targeting of new products and customer markets;

the fact that the United States market is dominated by major U.S. pharmaceutical companies;

slower growth of the U.S. pharmaceutical market than in recent years;

the fact that U.S. law does not require the FDA to determine first whether our patents are being infringed prior to approval of a generic for marketing;

aggressive generic competition (including launches at risk) reinforced by legislative initiatives to further facilitate the introduction of generic drug or comparable biologic products through accelerated approval procedures;

potential changes in health care reimbursement policies and possible cost control regulations in the United States, including possible unfavorable developments in coverage of prescription drugs by Medicare;

increased FDA demands, leading to a potentially longer, more costly and more restrictive approval process for innovative products;

heightened scrutiny of the pharmaceutical industry and the FDA by the public, the media and Congress; and

exposure to the euro-dollar exchange rate.

We rely on third parties for the marketing of some of our products. These third parties may act in ways that could harm our business.

We market some of our products in collaboration with other pharmaceutical companies. For example, we currently have major collaborative arrangements with Bristol-Myers Squibb (BMS) for the marketing of Plavix[®] and Aprovel[®] in the United States and several other countries, with Procter & Gamble Pharmaceuticals for the osteoporosis treatment Actonel[®], with Teva for Copaxone[®], and with Merck & Co., Inc. for the distribution of vaccines in Europe. See Item 4. Information on the Company B. Business Overview Markets Marketing and Distribution. When we market our products through collaboration arrangements, we are subject to the risk that certain decisions, such as the establishment of budgets and promotion strategies, are subject to the control of our collaboration partners, and that deadlocks may adversely affect the activities conducted through the collaboration arrangements. For example, our alliances with BMS are subject to the operational management of BMS in some countries, including the United States. We cannot be certain that our partners will perform their obligations as expected. Further, our partners might pursue their own existing or alternative technologies or product candidates in preference to those being developed or marketed in collaboration with us.

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

Many of our products are manufactured using technically complex processes requiring specialized facilities, highly specific raw materials and other production constraints. Our vaccine products in particular are subject to the risk of manufacturing stoppages or the risk of loss of inventory because of the difficulties inherent to the sterile processing of biological materials and the potential for the unavailability of adequate amounts of raw materials meeting our standards. Additionally, specific conditions must be respected both by the Group and its customers for the storage and distribution of many of our products, *e.g.*, cold storage for certain vaccines and insulin-based products. The complexity of these processes as well as strict company and government standards for the manufacture of our products subject us to risks. The occurrence or suspected occurrence of out-of-specification production or storage can lead to lost inventories, and in some cases product recalls, with consequential reputational damage and the risk of product liability (See Risks Relating to Legal

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Matters Product liability claims could adversely affect our business, results of operations and financial condition, above). The investigation and remediation of any identified problems can cause production delays, substantial expense, lost sales and the delay of new product launches.

We rely on third parties for the manufacture and supply of a substantial portion of our raw materials, specialized components, active ingredients and medical devices.

Availability of Raw Materials and Specialized Components. Third parties supply us with a substantial portion of our raw materials and specialized components. Some raw materials and specialized components essential to the manufacture of our products are not widely available from sources we consider reliable for example, there is a limited number of approved suppliers of heparins, which are used in the manufacture of Lovenox®. See Item 4. Information on the Company B. Business Overview Production and Raw Materials for a description of these outsourcing arrangements.

Third-Party Manufacturing of Active Ingredients. Although our general policy is to manufacture the active ingredients for our products ourselves, we subcontract the manufacture of some of our active ingredients to third parties, which exposes us to the risk of a supply interruption in the event that our suppliers experience financial difficulties or are unable to manufacture a sufficient supply of our products meeting Group quality standards. The manufacture of the active ingredients for Eloxatine® and Xatral® and part of the manufacture of the active ingredient for Stilnox® are currently carried out by third parties, as are some of the manufacturing steps in the production of Lovenox®. Additionally, under our collaborative arrangement with BMS, pharmaceutical production of Plavix® and Aprovel® is conducted partly in sanofi-aventis plants and partly in BMS plants.

Third-Party Supply of Medical Devices. Medical devices related to some of our products, such as certain pens used to dispense insulin, are manufactured by third parties. Reliance on third parties exposes us to the risk of supply interruptions, including as a result of third-party manufacturing problems or intellectual property conflicts, as well as the risk of product liability for materials not produced by the Group. See Risks Relating to Legal Matters Product liability claims could adversely affect our business, results of operations and financial condition, above).

If disruptions or quality concerns were to arise in the third-party supply of raw materials, specialized components, active ingredients or medical devices, this could 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, delay the launch of new products and adversely affect our operating results and financial condition, above. 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. Any of these factors could adversely affect our business, operating results or financial condition.

Counterfeit products could harm the business of sanofi-aventis.

The prescription drug supply has been increasingly challenged by vulnerability of distribution channels to illegal counterfeiting and the presence of counterfeit products in a growing number of markets and over the internet. Counterfeit products are frequently unsafe or ineffective, and can be potentially life-threatening. To distributors and users counterfeits may be visually indistinguishable from the authentic version. Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in the authentic product, and could harm the business of companies such as sanofi-aventis. Additionally, it is possible that adverse events caused by unsafe counterfeit products will mistakenly be attributed to the authentic product, entailing substantial reputational and financial harm to the manufacturer of the authentic product.

Use of biologically derived ingredients may face patient resistance, which could adversely affect sales and cause us to incur substantial costs.

In line with industry practice, we manufacture our vaccines and many of our prescription pharmaceutical products with ingredients derived from animal or plant tissue. Most of these products cannot be made

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economically, if at all, with synthetic ingredients. We subject our products incorporating these ingredients to extensive tests and believe them to be safe. There have been instances in the past where the use of biologically derived ingredients by sanofi-aventis or its competitors has been alleged to be an actual or theoretical source of harm, including infection or allergic reaction, or instances where production facilities have been subject to prolonged periods of closure because of possible contamination. Such allegations have on occasion led to damage claims and increased resistance on the part of patients to such ingredients. A substantial claim of harm caused by a product incorporating biologically derived ingredients or a contamination event could lead us to incur potentially substantial costs as a result of, among other things, litigation of claims, product recalls, adoption of additional safety measures, manufacturing delays, investment in patient education, and development of synthetic substitutes for ingredients of biological origin. Such claims could also generate patient resistance, with a corresponding adverse effect on sales and results of operations.

Environmental Risks of Our Industrial Activities

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

Pharmaceutical 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 from flammable substances;

storage tank leaks and ruptures; and

discharges or releases of toxic or hazardous 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.

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.

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. For more detailed information on environmental issues, see Item 4. Information on the Company B. Business Overview Health, Safety and Environment.

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

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Furthermore, we are or may become involved in claims, lawsuits and administrative proceedings relating to environmental matters. Some current and former sanofi-aventis 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 the United States, 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 our predecessor companies, or our subsidiaries that we demerged, divested or may divest. We have disputes outstanding, for example, with Rhodia over environmental remediation at several 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.

Finally, 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 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.

Risks Related to Financial Markets⁽¹⁾

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 British pound, the Japanese yen, and to a lesser extent to currencies in emerging countries. In 2007, approximately 33.8% of our net sales were realized in the United States. 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, 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.

Liquidity risk.

As of December 31, 2007, the Group's net debt amounted to 4.2 billion. In addition to debt outstanding, the Group has contracted a number of credit lines and put into place commercial paper and medium term note programs with the aim of providing liquidity. See Item 11. Quantitative and Qualitative Disclosures about Market Risk. In the event of a market-wide liquidity crisis, the Group may be faced with reduced access to sources of financing, including under programs currently in place, or less favorable conditions. Were our sources of financing to be substantially reduced, we cannot guarantee that the Group would be in a position to refinance existing debt or incur new debt on terms that we would consider to be commercially reasonable if at all.

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).

As a holder of ADSs, you may face exchange rate risk. Our ADSs trade in U.S. dollars and our shares trade in euro. 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 euro. Fluctuations in the exchange

- ⁽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 regards to information required by IFRS 7, and is covered by our independent registered public accounting firms report on the consolidated financial statements.

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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 you would receive upon our liquidation or upon the sale of assets, merger, tender offer or similar transactions denominated in euro or any foreign currency other than U.S. dollars.

If you hold ADSs rather than shares it may be difficult for you to exercise some of your rights as a shareholder.

As a holder of ADSs, it may be more difficult for you to exercise your rights as a shareholder than it would be if you directly held shares. For example, if we offer new shares and you have the right to subscribe for a portion of them, the depositary is allowed, at its own discretion, to sell for your benefit that right to subscribe for new shares instead of making it available to you. Also, to exercise your voting rights, as a holder of ADSs, you must instruct the depositary how to vote your shares. Because of this extra procedural step involving the depositary, the process for exercising voting rights will take longer for you, as a holder 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.

Our two largest shareholders own a significant percentage of the share capital and voting rights of sanofi-aventis.

At December 31, 2007, Total and L'Oréal, our two largest shareholders, held approximately 12.70% and 8.66% of our issued share capital, respectively, accounting for approximately 19.56% and approximately 14.68%, respectively, of the voting rights (excluding treasury shares) of sanofi-aventis. See Item 7. Major Shareholders and Related Party Transactions A. Major Shareholders. Affiliates of each of these shareholders are currently serving on our board of directors. To the extent these shareholders continue to hold a large percentage of our share capital and voting rights, Total and L'Oréal will remain in a position to exert heightened influence in the election of the directors and officers of sanofi-aventis 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.

Neither Total nor L'Oréal are, to our knowledge, subject to any contractual restrictions on the sale of the shares each holds in our Company. Both of these shareholders have announced their intent to sell all or part of their stakes in our company, and L'Oréal has recently liquidated part of its holdings. Sales of a substantial number of our shares, or a perception that such sales may occur, could adversely affect the market price for our shares and ADSs.

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Item 4. Information on the Company

Introduction

We are a global pharmaceutical group engaged in the research, development, manufacture and marketing of healthcare products. In 2007, our net sales amounted to 28,052 million. Based on 2007 sales, we are the fourth largest pharmaceutical group in the world and the largest pharmaceutical group in Europe (source: IMS sales year end 2007; all available channels). Sanofi-aventis is the parent of a consolidated group of companies. A list of the principal subsidiaries included in this consolidation is shown at Note E to the consolidated financial statements included under Item 18 of this annual report.

Our business includes two main activities: (i) pharmaceuticals and (ii) human vaccines through sanofi pasteur.

In our pharmaceutical activity, which generated net sales of 25,274 million in 2007, we specialize in six therapeutic areas:

Thrombosis: Our thrombosis medicines include two leading drugs in their categories: Plavix[®], an anti-platelet agent indicated for a number of atherothrombotic conditions, and Lovenox[®], a low molecular weight heparin indicated for prophylaxis and treatment of deep vein thrombosis and for unstable angina and myocardial infarction;

Cardiovascular: Our cardiovascular medicines include two major hypertension treatments: Aprovel[®] and Tritace[®];

Metabolic Disorders: Our leading medicines for metabolic disorders include Lantus[®], a long acting analog insulin which is a leading brand in the insulin market, and Amaryl[®], a once-daily sulfonylurea. In 2006, we also started marketing Acomplia[®], the first medicine of a new class of a selective CB1 receptor blocker indicated in Europe in the treatment of obese or overweight patients with associated type 2 diabetes or dyslipidemia risk factors;

Oncology: Our leading products in the strategic oncology market are Taxotere[®], a taxane derivative representing a cornerstone therapy in several cancer types, and Eloxatine[®], an innovative platinum agent, which is a leading treatment of colorectal cancer;

Central Nervous System (CNS): Our major CNS medicines include Stilnox[®]/Ambien CR[®], the world's leading insomnia prescription medication; Copaxone[®], an immunomodulating agent indicated in multiple sclerosis; and Depakine[®], a leading epilepsy treatment; and

Internal Medicine: In internal medicine, we are present in several fields. In respiratory/allergy, our products include Allegra[®], a non-sedating prescription antihistamine, and Nasacort[®], a local corticosteroid indicated in allergic rhinitis. In urology, we are present with Xatral[®], a leading treatment for benign prostatic hypertrophy. In osteoporosis, we are present with Actonel[®].

Our top fifteen products in terms of net sales generated in 2007 are Lovenox[®], Plavix[®], Lantus[®], Taxotere[®], Eloxatine[®], Stilnox[®]/Ambien CR[®], Copaxone[®], Aprovel[®], Tritace[®], Allegra[®], Amaryl[®], Xatral[®], Actonel[®], Depakine[®] and Nasacort[®] which together accounted for 67.5% of our 2007 net sales for the pharmaceutical activity, or 17,071 million.

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We are a major player in the vaccines industry, with net sales of 2,778 million in 2007 and with leading vaccines in five areas:

Pediatric combination vaccines providing protection against diseases such as pertussis, diphtheria, tetanus, and *Haemophilus influenzae* type b infections. Our main products are Daptacel[®], Tripedia[®], Act-HIB[®], Pentacel[®], Pediacel[®] and Pentaxim[®]/Pentavac[®]. We are also a leading producer of injectable poliomyelitis (polio) vaccines, such as Ipol[®] and Imovax[®] Polio, as well as oral polio formulations, all of which contribute to polio eradication and disease control strategies in both developed and developing countries;

Influenza vaccines such as Fluzone[®] and Vaxigrip[®], used for seasonal campaigns in both hemispheres. Additionally, we manufacture pre-pandemic avian influenza vaccines (including H5N1 vaccines) as part of the global pandemic preparedness efforts in both our French and U.S. facilities;

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Adult and adolescent booster vaccines protecting against pertussis, tetanus, diphtheria and polio. Our main products include: Adacel[®] (the first trivalent booster against pertussis, tetanus and diphtheria for adolescents and adults, launched in the United States in 2005), Decavac[®], Repevax[®] and Revaxis[®];

Meningitis vaccines, with Menactra[®], a quadrivalent conjugate vaccine launched in the United States in 2005 and in Canada in 2006, Menomune[®], a quadrivalent polysaccharide vaccine and a bivalent meningococcal A and C vaccine;

Travel, Endemic and Measles, Mumps and Rubella (MMR) vaccines, which include a wide range of products against hepatitis A, typhoid, rabies, yellow fever, Japanese encephalitis, cholera, MMR and anti-venoms. Key products include Imovax[®] Rabies, Verorab[®], Typhim Vi[®], Avaxim[®] and Vivaxim[®].

In 2007, our vaccines activity was favorably impacted by the continued growth of two products launched in 2005 in the United States (Menactra[®] and Adacel[®]) and by the launch of Pentaxim[®] in the International region. Sanofi Pasteur also strengthened its leadership position in both seasonal and pre-pandemic flu.

We have a strong commitment to research and development with 30 research centers.

In the description below, the following should be kept in mind:

A drug can be referred to either by its international non-proprietary name (INN), or by its brand name, which is normally exclusive to the company that markets it. In most cases, our brand names, which may vary from country to country, are protected by trademark registrations. In general, we have chosen in this annual report to refer to our products by the brand names that we use in France, except for Allegra[®] (sold in France as Telfast[®]), Tritace[®] (sold in France as Triatec[®]), and Amaryl[®] (sold in France as Amarel[®]) as well as Ambien CR[®] (an extended-release formulation of zolpidem tartrate, not sold in France);

For our pharmaceutical activity, except where otherwise stated, all market share percentages and rankings are based on full-year 2007 sales figures from IMS Health MIDAS;

For our vaccines activity, market shares and rankings are based on our own estimates. We have assembled information based on various sources, including industry contacts, statistical information we have collected and information published by competitors or otherwise; and

We present our consolidated net sales from our leading products sold directly and through alliances. As regards the products sold through our alliance with BMS, we also present the worldwide sales of Plavix[®] and Aprovel[®] whether consolidated by sanofi-aventis or by BMS. A definition of worldwide sales can be found in Item 5. Operating and Financial Review and Prospects Results of Operations .

A. History and Development of the Company

Sanofi-aventis was incorporated under the laws of France in 1994 as a *société anonyme*, a form of limited liability company, for a term of 99 years. We operate under the commercial name sanofi-aventis . Our registered office is located at 174, avenue de France, 75013 Paris, France, and

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our main telephone number is +33 1 53 77 40 00. Our principal U.S. subsidiary's office is located at 55 Corporate Drive, Bridgewater, NJ 08807 ; Telephone : +1 (908) 981-5000.

We are present in more than 100 countries on five continents with around 100,000 employees worldwide at year end 2007. Sanofi-Synthélabo and Aventis, our legacy companies, bring to the Group more than a century of experience in the pharmaceutical industry.

Sanofi was founded in 1973 by Elf Aquitaine, a French oil company, when it took control of the Labaz group (a pharmaceutical company) for diversification purposes. Sanofi launched its first major product on the market, Ticlid[®], in 1978. Its first significant venture into the United States market was the acquisition of the prescription pharmaceuticals business of Sterling Winthrop – an affiliate of Eastman Kodak – in 1994, followed by the launch of its first major products: Aprovel[®] in 1997 and Plavix[®] in 1998.

Synthélabo was founded in 1970 through the merger of two French pharmaceutical laboratories, Laboratoires Dausse (founded in 1834) and Laboratoires Robert & Carrière (founded in 1899). In 1973, the

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French cosmetics group L'Oréal acquired the majority of its share capital, and in 1988 Synthélabo launched two major products on the French market: Stilnox® and Xatral®. By 1994, Stilnox® had become the leading insomnia prescription medication worldwide (Source: IMS Health).

Sanofi and Synthélabo merged in 1999.

The formation of Aventis on December 1999 was the result of the combination of Rhône-Poulenc and Hoechst bringing together a broad portfolio of activities including prescription drugs and vaccines, which became the core business of Aventis.

Hoechst traces its origins to the second half of the 19th century, with the German industrial revolution and the emergence of the chemical industry. Traditionally active in pharmaceuticals (notably penicillin), Hoechst strengthened its position in that industry by taking a controlling interest in Roussel-Uclaf in 1974 and the U.S. pharmaceutical company Marion Merrell in 1995. Hoechst was especially strong in metabolic disorders with Amaryl® and several insulin products, and cardiovascular diseases with Tritace®.

Rhône-Poulenc was formed in 1928 from the merger of two French companies: a chemical company created by the Poulenc brothers and the Société Chimique des Usines du Rhône, which was founded in 1895. The company's activities in the first half of the 20th century focused on producing chemicals, textiles and pharmaceuticals (acetylsalicylic acid and penicillin). Rhône-Poulenc began to focus its activities on life sciences in the 1990s, which led to the successive purchases of Rorer, a U.S. pharmaceutical company acquired in two stages in 1990 and 1997, Pasteur Mérieux Connaught in the area of vaccines in 1994 and the U.K.-based pharmaceuticals company Fisons in 1995. Rhône-Poulenc's main therapeutic fields were thrombosis with Lovenox®, oncology with Taxotere® and respiratory diseases with Nasacort®, and vaccines.

Subsequent to a bid to acquire all of the shares of Aventis announced in April 2004, Sanofi-Synthélabo took control of Aventis in August 2004 and changed its registered name to sanofi-aventis. On December 31, 2004, Aventis merged with and into sanofi-aventis, with sanofi-aventis as the surviving company.

For a description of our main acquisitions and divestitures since 2005, see Notes D.1 and D.2 to our consolidated financial statements included in Item 18 of this annual report.

B. Business Overview

Strategy

As a leading player in the pharmaceutical industry (no.1 in Europe and no.4 in the world based on 2007 IMS sales), sanofi-aventis has a mission to discover and develop innovative molecules and vaccines and make them available to patients throughout the world, while making a broad range of drugs accessible to as many people as possible thanks to a well-adapted mix of products in terms of price and therapeutic indications.

In a fast-changing industry environment, we remain highly adaptive and proactive in pursuing our development strategy:

Building on our key therapeutic fields

We have a global presence in a number of high-growth therapeutic fields: metabolic disorders (especially diabetes), thrombosis, cardiovascular diseases, oncology, central nervous system, internal medicine and vaccines.

Our aim is to continue to develop innovative products while preserving growth and profitability. We have eight blockbusters, each with annual sales of over one billion euros. These include Lantus[®], the world's leading insulin brand in the treatment of diabetes; Loveno[®], world leader in a growing market where prophylaxis is still undeveloped; Taxotere[®], which ranks first among branded cytotoxic agents thanks to its broad range of indications; and Plavix[®], which still has opportunities for growth due to the number of suitable patients who remain untreated.

Vaccines are another area of major development. Sanofi Pasteur is already very well established in high-potential markets like influenza, pediatric combination and poliomyelitis, booster vaccines, meningitis and also in cervical cancer with Gardasil[®], a vaccine sold through the Sanofi Pasteur MSD joint venture in Europe.

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Sanofi Pasteur is significantly expanding production capacity to meet market needs, while stepping up research and development and contracting alliances, such as the recent deals with Crucell and Acambis. The Group's vaccines division, Sanofi Pasteur is also working to secure its long-term growth prospects by establishing alliances with biotechnology companies and research centers.

Finally, we aim to consolidate and maintain our base business our mature product offering which generates sales of over eight billion euros. See Other Pharmaceutical Products, below.

Maintaining our position in our established markets and enhancing our presence on tomorrow's major markets through a regionalized approach

With tough economic conditions prevailing on our established markets, and especially in Europe, we intend to maintain our position by supporting our major products and by implementing targeted measures to bring our structures in alignment with downward price pressure from drug benefit providers.

In Japan, optimization of our marketing and distribution agreements is ongoing to bring back in-house sales previously made through alliances. We are also looking to new product launches and appropriate development of our existing products to fuel strong growth in Japan, thereby enhancing our position in the world's second largest pharmaceutical market.

We also intend to support our future growth by fully exploiting the sizeable potential of selected developing markets. We are already a leading player in these markets especially Brazil, Russia, India, China, and Mexico thanks to a balanced and diversified product mix, tailored to each country's specific needs. We are also adopting an ever more regionalized approach to our markets so as to take best advantage of local growth opportunities, with sales forces mirroring local healthcare systems to the largest extent possible, and production and development sites dedicated to serving local markets.

Selectively and continuously adapting our resources

We intend to continue selectively adapting our resources in each of the markets where we operate. On our mature markets, we are particularly conscious of the need to keep tight control over costs and staff numbers and are taking the cross-disciplinary initiatives needed to adapt our organizational structures and preserve the effectiveness of our leading-edge industrial facilities. In everything we do, we will be mindful of our responsibilities towards our employees, the broader community and environment and our ethical responsibilities. In developing markets, we will continue to invest in order to participate in local growth.

Optimizing our potential in Research and Development

We have one of the most innovative and promising research pipelines in the sector. Our intention is to target our R&D efforts on fields with major unsatisfied medical needs: metabolic disorders, thrombosis, cardiovascular diseases, sleep disorders, depression, oncology and vaccines. We are also keen to extend the geographical reach of our R&D through targeted new footholds and international knowledge sharing to strengthen our research capability. Finally, we will continue to boost our expertise in biotechnologies, in particular through alliances such as those recently concluded with Regeneron Pharmaceuticals and Dyax.

Continuing to promote access to medicines

Sanofi-aventis recognizes that the majority of the world population has little or no access to medicines, and works to develop programs adapted to their needs. Year on year, we reaffirm our commitment in six fields where major public health needs converge with our pharmaceutical expertise: malaria, tuberculosis, sleeping sickness, leishmaniosis, epilepsy and vaccination.

Principal Pharmaceutical Products

Within our pharmaceuticals business, we focus on six main therapeutic areas: thrombosis, cardiovascular, metabolic disorders, oncology, central nervous system and internal medicine.

Table of Contents**Top 15 Products**

The following table sets forth the net sales of our top 15 pharmaceutical products for the year ended December 31, 2007.

The sections that follow provide additional information on the indications and market position of our top 15 products in their principal markets. The Group's intellectual property relating to our top 15 products is material to our operations and is described at Patents, Intellectual Property and Other Rights Product Overview, below. As disclosed in Note D.22.b) to our consolidated financial statements included at Item 18 of this annual report, we are involved in significant litigation concerning the patent protection of a number of our top 15 products including Lovenox®, Plavix®, Taxotere®, Tritace®, Eloxatine®, Stilnox®/Ambien CR®, Allegra®, Nasacort®, Xatral® and Actonel®.

Top 15 products

Therapeutic Area / Product Name	2007 Net Sales (million)	Drug Category /Main Areas of Use
Thrombosis		
Lovenox® (enoxaparin sodium)	2,612	Low molecular weight heparin Deep vein thrombosis
Plavix® (clopidogrel bisulfate)	2,424	Unstable angina / non-Q-Wave myocardial infarction Platelet adenosine disphosphate receptor antagonist Atherothrombosis
Cardiovascular		
Aprovel® (irbesartan)	1,080	Angiotensin II receptor antagonist Hypertension
Tritace® (ramipril)	741	Angiotensin Converting Enzyme Inhibitor Hypertension Congestive heart failure after myocardial infarction
Metabolic disorders		
Lantus® (insulin glargine)	2,031	Long-acting analog insulin Type 1 and 2 diabetes mellitus
Amaryl® (glimepiride)	392	Sulfonylurea Type 2 diabetes mellitus
Oncology		
Taxotere® (docetaxel)	1,874	Cytotoxic agent Breast cancer Non small cell lung cancer Prostate cancer Gastric cancer
Eloxatine® (oxaliplatin)	1,521	Head and Neck cancer Cytotoxic agent

Colorectal cancer

Central Nervous System

Stilnox®/Ambien CR® (zolpidem tartrate)	1,250	Hypnotic Sleep disorders
Copaxone® (glatiramer acetate)	1,177	Non-interferon immunomodulating agent Multiple sclerosis
Depakine® (sodium valproate)	316	Anti-epileptic Epilepsy

Internal Medicine*Respiratory/Allergy*

Allegra® (fexofenadine hydrochloride)	706	Antihistamine Allergic rhinitis
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Nasacort® (triamcinolone acetonide)	294	Urticaria Local corticosteroid Allergic rhinitis
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Urology

Xatral® (alfuzosin hydrochloride)	333	Uroselective alpha1-blocker Benign prostatic hypertrophy
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Osteoporosis

Actonel® (risedronate sodium)	320	Biphosphonate Osteoporosis
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Thrombosis

Thrombosis occurs when a thrombus, or blood clot, forms inside a blood vessel. Left unchecked, a thrombus can eventually grow large enough to block the blood vessel, preventing blood and oxygen from reaching the organ being supplied. Our principal products for the treatment and prevention of thrombosis are:

Lovenox®/Clexane®

Lovenox® (enoxaparin sodium) is the most widely studied and used low molecular weight heparin (LMWH) in the world. It has been used to treat an estimated 200 million patients in 100 countries since it was first introduced in 1987 and is approved for more clinical indications than any other LMWH. A comprehensive dossier of clinical studies has demonstrated the benefits and safety of Lovenox® in the prophylaxis and treatment of deep vein thrombosis (DVT) and in acute coronary syndromes (ACS). It has become the product of reference in clinical trials for the development of new anti-coagulants in both venous and arterial indications.

In the cardiovascular field, Lovenox® was approved in the United States in May 2007 for the treatment of patients with ST-segment Elevation Myocardial Infarction (STEMI) after a priority review. Lovenox® was also approved for this indication in 2007 in other countries including France and Germany. The registration process for this indication is ongoing in the rest of Europe and the world.

This success is based on EXTRACT-TIMI 25, a Phase III clinical trial published in the New England Journal of Medicine in 2006. This study included over 20,000 acute STEMI patients. Lovenox® was shown to be superior to unfractionated heparin (UFH). The sustained reduction of death and myocardial infarction at 1 year evidenced in ExTRACT in 2007 confirmed the sustained superiority of Lovenox® over the UFH strategy in reducing death and myocardial infarction. Each year, more than 1 million people worldwide suffer from STEMI.

In patients undergoing elective percutaneous coronary intervention (PCI) or coronary angioplasty, the STEEPLE study has shown that a single intravenous bolus of Lovenox® is associated with significantly less major bleeding, more predictable anticoagulation levels and similar efficacy compared with the current standard, UFH. These data were confirmed in 2007 with the STEEPLE 1-year data where Lovenox® was associated with significantly lower incidence of early major bleeding with a 1-year mortality comparable with UFH.

In the major field of medical as opposed to surgical prophylaxis of venous thromboembolism, Lovenox® continues to grow and gain patient share from UFH in the United States (Source: Solucient).

PREVAIL has assessed the efficacy of Lovenox® versus UFH in the prevention of thromboembolic events in post-ischemic stroke patients. The PREVAIL study showed that in acute ischemic stroke patients treated with Lovenox, the risk of having a venous thromboembolism (VTE) was significantly lowered when compared to UFH. PREVAIL was presented at the American Stroke Association Congress in February 2007 and published in the Lancet in April 2007.

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EXCLAIM assessed the benefit of extended thromboprophylaxis in acutely ill medical patients with reduced mobility. It has shown that extending prophylaxis with Lovenox[®] to five weeks is more effective than standard duration (10 days) for reducing the risk of venous thromboembolism (VTE). With EXCLAIM, Lovenox[®] is confirmed as a reference therapy for VTE prevention in patients with prolonged immobilization. The EXCLAIM study was presented at the International Society of Thrombosis and Hemostasis (ISTH) in July 2007 and has been submitted for publication.

In terms of medical practice registries, GRACE (the Global Registry of Acute Coronary Events) continues and as of today, has evaluated more than 95,000 patients worldwide with acute coronary syndrome and led to the publication of 63 manuscripts in a variety of peer review medical journals.

In the field of venous thrombosis prevention, ENDORSE has collected hospital medical practice data on a historically wide scale, with 68,000 patients in 358 hospitals, 32 countries and five continents. This registry has enrolled medical and surgical patients at risk and has showed the high prevalence (52%) of patients at risk of venous thrombo-embolism (VTE) and the need to improve effective prophylaxis: only 50% of patients have received a method of VTE prophylaxis recommended by international guidelines.

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In January 2008 Lovenox[®]/Clexane[®] was approved for marketing in Japan for the prevention of VTE in patients undergoing orthopaedic surgery of the lower limbs such as total hip replacement, total knee replacement and hip fracture surgery. Approval of other indications is expected to follow.

Lovenox[®]/Clexane[®] is the leader in anti-thrombotics in the United States, Germany, France, Italy, Spain, and United Kingdom (source: IMS/GERS for France, 2007 sales, all available channels).

Plavix[®] / Iscover[®]

Plavix[®] (clopidogrel bisulfate), a platelet adenosine diphosphate (ADP) receptor antagonist with a rapid onset of action that selectively inhibits platelet aggregation induced by ADP, is indicated for long-term prevention of atherothrombotic events in patients with a history of recent myocardial infarction, recent ischemic stroke or established peripheral arterial disease. Plavix[®] is currently the only drug indicated for the secondary prevention of atherothrombosis regardless of the location of the arteries initially affected (heart, brain, lower limbs). This indication is supported by the results of the landmark CAPRIE trial, including almost 20,000 patients. CAPRIE demonstrated the superior efficacy of Plavix[®] over acetylsalicylic acid (ASA, the active ingredient of Aspirin[®]), with a comparable safety profile.

Plavix[®] was launched in 1998, and is now marketed in over 80 countries, including the United States, through our alliance with Bristol-Myers Squibb (BMS). In Japan a New Drug Application (NDA) for marketing authorization was approved in January 2006 and launch took place in May 2006. In October 2007 the Japanese Health Authorities approved a new indication in cardiology for patients with Acute Coronary Syndrome for whom percutaneous coronary intervention is being planned. Sales of Plavix[®] in Japan are consolidated by sanofi-aventis and are outside the scope of our alliance with BMS.

Since 2002, Plavix[®] has also been indicated for the treatment of non ST segment elevation acute coronary syndrome (ACS; non-Q-wave myocardial infarction and unstable angina) in combination with ASA following the very significant results of the CURE trial. This indication was rapidly incorporated into the guidelines of the American Heart Association, the American College of Cardiology and the European Society of Cardiology. The CURE trial demonstrated that Plavix[®] provided significant early- and long-term benefits in patients with Non ST segment elevation Acute Coronary Syndrome (ACS). Plavix[®] reduced the relative risk of atherothrombotic events (myocardial infarction, stroke and death from a cardiovascular cause) by 20% when added to standard therapy including ASA, with a 1% increase in the rate of major bleeding. With more than 12,000 patients enrolled, CURE is the largest clinical trial ever conducted in patients presenting unstable angina or non-Q-wave myocardial infarction. Based on its broad clinical evidence base in this population, Plavix[®] has gained the highest grade of recommendation in recent guidelines issued by medical societies for the management of ACS and percutaneous coronary intervention (PCI).

Also in the cardiology field, the results of the CLARITY and COMMIT clinical trials have led to the approval of a new indication in ST-segment elevation ACS (Q-wave myocardial infarction). This approval was granted by the U.S. Food and Drug Administration (FDA) in August 2006 and by the European Medicines Agency (EMA) in September 2006.

The CLARITY trial, which enrolled nearly 3,500 patients, demonstrated that Plavix[®], added to standard therapy including fibrinolytics and ASA, significantly reduced the odds of acute myocardial infarction patients having another occluded artery, a second heart attack or dying after one week of hospitalization, as well as the odds of clinical events such as cardiovascular death, recurrent myocardial infarction and certain recurrent ischemias at 30 days.

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The COMMIT trial, which enrolled nearly 46,000 patients, demonstrated that Plavix[®], added to standard therapy including ASA, significantly reduced mortality in acute myocardial infarction patients at day 28 in an in-hospital setting.

The indications resulting from the results of the CURE, CLARITY and COMMIT trials make Plavix[®] a cornerstone therapy in management of ACS patients.

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Other studies have also further explored the role of clopidogrel bisulfate in various patients' profiles (mostly atherothrombotic patients):

The results of the CREDO clinical trial, published in November 2002, confirmed the therapeutic value of Plavix® in the early- and long-term prevention of atherothrombotic events in patients having undergone coronary angioplasty, either with or without stenting. The CREDO trial, conducted in over 2,000 patients, demonstrated the efficacy of Plavix®, which reduces the relative risk of atherothrombotic events by 27% after one year;

The MATCH trial results released in May 2004 showed that ASA did not provide additional clinical value (benefit/risk ratio) in specific patients who have recently experienced a stroke or transient ischemic attack when added to Plavix® and other standard therapies.

The results of the CHARISMA trial were released at the 55th Annual Scientific Session of the American College of Cardiology in March 2006. The CHARISMA trial enrolled over 15,600 patients and aimed to demonstrate the clinical value of Plavix® on top of standard therapy including ASA in patients at high risk of future cardiovascular events. The study findings did not demonstrate an improvement of the risk/benefit ratio but significant differences by sub-group:

on the one hand, in patients with established atherothrombotic diseases (also referred to as secondary prevention), clopidogrel bisulfate in addition to ASA reduced the relative risk of recurrent heart attack, stroke or cardiovascular death by a statistically significant 12.5%, compared to patients receiving placebo and ASA. These patients accounted for almost 80% of the total CHARISMA study population;

on the other hand, patients with multiple risk factors but no clearly established vascular disease did not benefit from the addition of clopidogrel bisulfate to ASA, with a 20% relative risk increase. These patients represented approximately 20% of the overall study population. In this patient subgroup, there was an excess in cardiovascular mortality as well as a non-statistically significant increase in bleeding observed in patients treated with clopidogrel bisulfate and ASA.

Other planned or ongoing clinical trials that are designed to support the long-term value of Plavix® by providing complementary clinical data include:

ACTIVE, which is intended to assess the value of Plavix® in patients with atrial fibrillation for the prophylaxis of cardio-embolic events. This study has completed recruitment (14,000 patients included, currently in the follow-up phase). While one arm of the study ACTIVE-W was terminated early, the other two arms, ACTIVE-A and ACTIVE-I, are ongoing. Results are expected in the third quarter of 2008;

the CURRENT study aims to optimize the dosing regimen of clopidogrel bisulfate in 12,000 patients with non ST elevation ACS, and planned to receive a stent. A loading dose of 600 mg followed by 150 mg daily for two weeks then followed by 75 mg daily is compared to the currently approved regimen (300 mg loading dose followed by 75 mg daily). The recruitment started in 2006 and results are expected in the fourth quarter of 2008.

Since 2003, following an FDA written request for pediatric data, the development of a pediatric indication for Plavix® in the United States is ongoing. The dose ranging Phase II (PICOLO study) has helped determine the right dose to be studied in Phase III (CLARINET).

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In addition to randomized controlled trials, one of the largest observational studies was initiated in 2003 to evaluate the real-life risk of patients with atherothrombosis. This registry, called REACH (Reduction of Atherothrombosis for Continued Health) includes 63,000 patients in more than 44 countries. The one-year results published in the landmark journal JAMA show a considerable rate of events, although in a population receiving the contemporary standard of care. This illustrates the high burden of atherothrombotic disease and the need to evolve pharmacological management more aggressively.

In the United States, the FDA approved a new dosage in October 2007: the 300 mg tablet, indicated in the setting of the loading dose for patients with Acute Coronary Syndromes.

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The extensive clinical program for Plavix[®], including all completed, ongoing and planned studies, is one of the largest of its kind and will enroll more than 100,000 patients overall. In addition, over 70 million patients worldwide are estimated to have been treated with Plavix[®] since its launch, providing significant evidence of real-life efficacy and safety experience with this product.

Plavix[®] sales in the United States were negatively impacted in 2006 and early 2007 following the launch of an at-risk generic of 75-mg clopidogrel bisulfate in August 2006. In June 2007, the U.S. District Court for the Southern District of New-York confirmed the validity of the Plavix[®] patent in the United States and forbade the generic company from marketing generic clopidogrel bisulfate in the United States until the patent expires in 2011. The generic company appealed this decision to the Court of Appeals for the Federal Circuit, and oral argument took place March 3, 2008. See Note D.22 to our consolidated financial statements at Item 18.

Plavix[®] remains the leading product in the European and the U.S. markets for anti-platelet agents (source: IMS/GERS for France, 2007 sales, all available channels).

Cardiovascular

Within the cardiovascular market, hypertension remains the most prevalent disease. Hypertension is defined as blood pressure above the normal level and is one of the main causes of severe kidney, heart, brain, blood vessel and eye complications. Our principal products for the treatment of cardiovascular diseases are:

Aprovel[®]/Avapro[®]/Karvea[®]

Aprovel[®] (irbesartan) belongs to the fastest growing class of anti-hypertensives, angiotensin II receptor antagonists, and is indicated as a first-line treatment for hypertension. Angiotensin II receptor antagonists, which are highly effective, act by blocking the effect of angiotensin, the hormone responsible for blood vessel contraction, thereby enabling blood pressure to return to normal. In addition to Aprovel[®]/Avapro[®]/Karvea[®], we market CoAprovel[®]/Avalide[®]/Karvezide[®], a fixed dose combination of irbesartan and hydrochlorothiazide (HCTZ), a diuretic that increases the excretion of water by the kidneys and provides an additive blood pressure lowering effect. These products achieve control of blood pressure in over 80% of patients with a very good safety profile.

Aprovel[®] was launched in 1997 and is now marketed in more than 80 countries, including the United States (under the brand name Avapro[®]), through an alliance with Bristol-Myers Squibb (BMS). In Japan the product is licensed/sub-licensed to Shionogi Company Limited and Dainippon Sumitomo Pharma Company Limited respectively. The application for marketing authorization for the treatment of hypertension was resubmitted at the end of 2006, after it was supplemented with additional studies at the request of the Japanese health authorities. The launch is planned mid-2008.

Aprovel[®] is also approved for the treatment of nephropathy in hypertensive patients with type 2 diabetes, in both Europe and the United States. These approvals were based on the results of the PRIME program, a clinical program that demonstrated that irbesartan protects type-2 diabetic hypertensive patients from the progression of renal impairment, at both early and more advanced stages of the disease. Following the announcement of the PRIME results in 2002, the American Diabetes Association (ADA) recommended the use of angiotensin receptor antagonists, such as Aprovel[®], as a first-line treatment for renal disease in hypertensive patients with type-2 diabetes.

In August 2006, the European Medicines Agency (EMA) approved a new fixed dose combination of 300 mg Aprovel® with 25 mg of HCTZ under the brand name CoAprovel®. This new dosage was also approved by the FDA in November 2007 under the brand name Avalide®. Avalide® may be used in appropriate patients whose blood pressure is not adequately controlled on monotherapy, and can now be used as initial therapy in appropriate patients who are likely to need multiple drugs to achieve their blood pressure goals.

The results of two further efficacy trials were released in 2006, demonstrating the benefits of rapid blood pressure control with CoAprovel® as a first-line treatment in patients with severe and moderate hypertension. These data have been integrated in the legal notices in Europe and led to a new marketing authorization for

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Avalide® in the United States in November 2007 for the first line treatment of patients with a severe to moderate hypertension.

Several clinical trials are ongoing in an effort to demonstrate the effects of Aprovel® beyond blood pressure control:

i-PRESERVE evaluates the benefit of Aprovel® in the treatment of heart failure with preserved systolic function, a common but not well recognized form of heart failure. This 4,100-patient study was initiated in 2002. Results are expected by the end of 2008; and

ACTIVE-I evaluates the efficacy of Aprovel® combined with clopidogrel bisulfate (the active ingredient in Plavix®), in preventing complications in patients suffering from atrial fibrillation. We began this clinical program in 2003, with enrolment for the 10,000-patient study ongoing. Results are expected by the end of 2008.

In 2007, based on the total sales of Aprovel® /Avapro®/Karvea® and CoAprovel®/Avalide®/Karvezide®, we rank third in Europe and in the United States among the angiotensin II receptor antagonists in the hypertension market. (source: IMS, 2007 sales).

Tritace®/Triatec®/Delix®/Altace®

Tritace® (ramipril) is an angiotensin converting enzyme (ACE) inhibitor indicated for the treatment of hypertension, congestive heart failure following myocardial infarction and nephropathy. The Heart Outcomes Prevention Evaluation (HOPE) study showed it to be effective in reducing the incidence of stroke, heart attacks and cardiovascular-related death in high-risk patients. Tritace® is the only ACE inhibitor approved for the prevention of stroke, heart attack and death in people at high risk for cardiovascular events and has the broadest spectrum of indications for the treatment of cardiovascular disease.

The new European Society of Hypertension (ESH) / European Society of Cardiology (ESC) guidelines on the management of hypertension published in June 2007 have highlighted the importance of taking global cardiovascular risk into account and the need to control hypertension. Based on the protective effect shown in the HOPE study, the available combinations with diuretics (ramipril + hydrochlorothiazide) and calcium channel blockers (ramipril + felodipine) are listed as preferred combinations in the newest guidelines for physicians to help patients reach their blood pressure goals without worsening their metabolic profile.

The three leading countries for sales of Tritace® in 2007 were Italy, Canada and France (source: IMS, 2007 sales). Generic ramipril became available in Canada in 2007, negatively affecting our sales there.

Tritace® is marketed by King Pharmaceuticals in the United States under the brand name Altace®.

Metabolic Disorders

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The prevalence of diabetes is expected to increase significantly over the next 20 years, as a direct result of sedentary life style, excessive weight and obesity, unhealthy diet and population aging. Our principal products are Lantus[®], an insulin analog, and Amaryl[®], a sulfonylurea. Sanofi-aventis is planning to strengthen its presence in metabolic disorders in particular with the launch of Acomplia[®], a blocker of CB-1 receptors critically involved in the regulation of body mass and body weight, lipid metabolism and insulin resistance.

Lantus[®]

Lantus[®] (insulin glargine) is a long-acting basal insulin analog, offering improved pharmacokinetic and pharmacodynamic profiles compared to neutral protamine hagedorn (NPH) insulin. Lantus[®] is indicated for once-daily subcutaneous administration in the treatment of adult patients with type 2 diabetes mellitus (T2DM), who require basal insulin for the control of hyperglycemia, and for adult and pediatric patients of six years and above with type 1 diabetes mellitus (T1DM).

Lantus[®], the number-one prescribed insulin in the world (IMS 2007), is the only, once-daily, 24-hour duration of action, peakless basal insulin.

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The uniqueness of the Lantus[®] profile was recently confirmed again in a direct comparison to another basal insulin analog where much greater effect from 12h to 24h after administration was observed with Lantus[®]. Thus, Lantus[®] was shown to have activity levels more than 4 times greater than those of the other basal insulin analog during this time period. Importantly, the same study showed a marked and highly significant difference in terms of duration of action: Lantus[®] showed a 24-hour coverage whereas the other basal insulin analog had a duration of action of only 17.5 hours.

The Lantus[®] profile allows a once-daily regimen that can be taken at any time (albeit at the same time every day) with titration under safer conditions and less hypoglycemia than with the basal human insulin NPH. Patients can titrate Lantus[®] easily and safely toward Fasting Plasma Glucose target thanks to the Lantus[®] profile. Thus, the results in terms of glycemic control are particularly consistent with Lantus[®] given once-a-day and properly titrated: *e.g.*, the final mean A1C (HbA1c, a measure indicating good control of long-term blood sugar levels) on Lantus[®] ranged from 6.9% to 7.2% in seven studies where aggressive titration was performed and strict monitoring was used.

A number of controlled and randomized studies have investigated the efficacy and safety of Lantus[®] plus prandial (meal-time) insulins in Type 1 diabetes mellitus. For instance, the one-year Porcellati study showed that in patients treated with NPH four times per day plus lispro (a fast-acting insulin analog) and randomized to either continue NPH four times per day or to switch to once daily Lantus[®] at dinner, A1C did not change with NPH and decreased with Lantus[®] (from 7.1% to 6.7%).

A number of controlled and randomized studies have investigated the efficacy and safety of Lantus[®] plus oral anti-diabetic agents (OADs) in Type 2 diabetes mellitus:

The 24-week Treat-to-Target study showed that, compared with NPH, significantly more type 2 diabetic patients treated with Lantus[®] achieved a target goal of A1C under or equal to 7%, without having an episode of nocturnal hypoglycemia. The rates of hypoglycemia were statistically lower with Lantus[®] relative to NPH;

A recent meta-analysis of 11 studies comparing Lantus[®] to NPH, confirmed a lower rate of hypoglycemia with Lantus[®] as compared to NPH in patients with either type 1 or type 2 diabetes;

The APOLLO study compared two strategies for insulin initiation in patients with type 2 diabetes after OAD failure: a prandial versus a basal insulin strategy with Lantus[®]. APOLLO showed that after OAD failure in type 2 patients Lantus[®] reduces A1C to target with fewer hypoglycemic events and less injections and blood glucose monitoring than with a prandial insulin strategy;

The INITIATE study showed that Lantus[®] is an easy and effective way for insulin initiation in patients with type 2 diabetes on OADs. In this study, within 24 weeks, Lantus[®] lowered A1C by 2% to reach a mean A1C of 6.8-6.9% with a concomitant treatment satisfaction improvement; and

The 5001 trial, an observational study of everyday practice conducted in more than 12,000 patients, showed that Lantus[®], when added to oral diabetes medications, brings the patients to target A1C of 7.0% after a 9-month period. This glycemic control is sustained in the long term, 20 months after Lantus[®] initiation. The neutral effect on weight observed at 9 months was confirmed at 20 months.

Sanofi-aventis has set-up a comprehensive clinical program to evaluate the acute and long-term effect of Lantus[®] on cardiovascular outcomes.

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As part of this broad effort, the INTENSIVE trial will compare the effects of tight glycemic control using insulin glargine and insulin glulisine (Apidra®) to usual care on cardiac function (infarction size) in patients with STEMI. Results are anticipated in 2009;

The ORIGIN trial is a large ongoing worldwide morbidity/mortality trial and will determine if Lantus®-mediated normoglycemia reduces cardiovascular events in high-risk dysglycemic patients. The recruitment of ORIGIN has been completed with over 12,000 subjects from 40 countries, who are being followed for at least 4 years. Results are expected in 2010;

Encouraging results come from the ROLE registry of healthcare claims in more than 20,000 patients with type 2 diabetes from an U.S. national managed care database. It has been found that the initiation

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of insulin therapy with Lantus[®] was associated with a lower incidence rate of subsequent myocardial infarction as compared with NPH insulin. The unadjusted incidence rate of MI events was reduced by 42% when patients were treated with Lantus[®].

The new disposable insulin pen, Lantus[®] SoloSTAR[®], was approved by the EMEA in September 2006 and by the U.S. FDA in April 2007. In 2007 Lantus[®] SoloSTAR[®] was launched in numerous countries around the world including the United States, France, Germany, United Kingdom, Italy, Spain, and Australia. Additional launches in the rest of the world are planned for 2008.

The portfolio of injection devices available for the administration of Lantus[®] also includes Lantus[®] OptiSet[®] (a disposable pen) and OptiPen[®] / OptiClik[®] (reusable pens) as well as Autopen[®]24 from Owen Mumford Ltd.

Lantus[®] has been launched in over 70 countries worldwide.

Lantus[®] has been the leading insulin brand worldwide since 2005. It is also the leading insulin brand worldwide in units sold. The United States is the largest contributor to Lantus[®] sales, followed by Germany and France (source: IMS, 2007 sales, all available channels).

Amaryl[®]/Amarel[®]/Solosa[®]

Amaryl[®] (glimepiride) is a once-daily sulfonylurea for the oral treatment of type 2 diabetes, as an adjunct to diet and exercise. Sulfonylureas are part of the guidelines for the first step of treatment for type 2 diabetes patients. Studies also prove the effective combination of Amaryl[®] with Lantus[®], if oral treatment alone does not provide tight diabetes control. Amaryl[®] reduces the body's blood sugar level in two ways: by helping the body to produce more insulin both at mealtime and between meals and by decreasing insulin resistance. Studies demonstrate that a patient using Amaryl[®] can achieve a very good level of control with a low risk of hypoglycemia.

Acomplia[®]

Acomplia[®] (rimonabant) is the first in a new class of therapeutics called selective CB-1 receptor blockers which regulates energy balance and body weight, and improves glucose and lipid metabolism. Rimonabant is indicated in the treatment of obese or overweight patients with associated cardiometabolic risk factors such as type 2 diabetes or dyslipidemia.

Throughout extensive Phase III clinical trials it has been shown that treatment with Acomplia[®] results in reduction in weight and waist circumference (a key marker of abdominal obesity), together with improvements on HDL-C, TG and glycemic control in a broad range of patients with multiple cardio-metabolic risk factors. Approximately half of the improvements seen with Acomplia[®] on HDL-C, TG and HbA1C (a marker of glycemic control) is believed to arise directly from blockade of peripheral CB-1 receptors in metabolically active tissues such as the liver, adipose tissues, pancreas and skeletal muscles.

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With the aim of establishing rimonabant's efficacy in the control of type 2 diabetes and ultimately demonstrating its role in the prevention of type 2 diabetes and cardiovascular diseases, an ambitious life cycle management plan has been set up with 11 Phase IIIb clinical studies involving nearly 25,000 patients, investigating the interest of Acomplia® in the treatment of pre-diabetic and diabetic patients versus an active comparator and in combination with insulin. The latest release of data of the SERENADE study demonstrated that patients treated with rimonabant, as a monotherapy, showed significantly improved HbA1c, robust weight loss, reduced waist circumference and improved lipid profile. The results of SERENADE were included in the European regulatory authorities' updated Summary of Products characteristics in November 2007.

In Japan, the results of a Phase IIb study were consistent in terms of benefits on weight and cardio-metabolic risk factor reduction as compared to the results of previous European and U.S. studies. Rimonabant demonstrated a good safety profile in this population. In addition, a significant reduction in visceral fat was observed in patients who underwent CT-scan. Phase III studies are currently in progress for two indications: diabetes and weight management. A submission in Japan is planned for 2009 in obesity.

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In the United States, the FDA Endocrinologic and Metabolic Drugs Advisory Committee, held in June 2007, voted against recommending approval of rimonabant (Zimulti® in the United States) for the treatment of obese and overweight patients with associated risk factors. Consequently, sanofi-aventis decided to withdraw the New Drug Application (NDA) in the United States. Sanofi-aventis is confident in the positive benefit to risk ratio of rimonabant 20mg when used in the appropriate population and is committed to making rimonabant available to patients in the U.S. market.

Rimonabant (Acomplia®) was approved in Europe in June 2006. It is now approved in 52 countries and has already been launched in 21, including Germany, the United Kingdom, France (since the first quarter of 2007) and some other countries of Europe and Latin America. More than 250,000 patients have been prescribed Acomplia®. Sanofi-aventis has implemented responsible promotion and extensive medical education for Acomplia® to be properly used in the appropriate population.

Acomplia® has been listed in major guidelines by academic societies in the cardiometabolic field: International Diabetes Federation (IDF), European Society of Hypertension (ESH/ESC), European Society of Cardiology (ESC cardiovascular disease prevention).

The Group is working towards a submission of a Type 2 diabetes indication in 2009 and in cardiovascular disease in 2011.

Oncology

Sanofi-aventis is a leader in the oncology field, primarily in chemotherapy, with two major agents: Taxotere® and Eloxatine®.

Taxotere®

Taxotere® (docetaxel), a drug in the taxoid class of chemotherapeutic agents, inhibits cancer cell division by essentially freezing the cell's internal skeleton, which is comprised of microtubules. Microtubules assemble and disassemble during a cell cycle. Taxotere® promotes their assembly and blocks their disassembly, thereby preventing many cancer cells from dividing and resulting in death in some cancer cells.

Taxotere® was first licensed in 1995 in Europe, for use in patients with locally advanced or metastatic breast cancer. The following year, it was granted approval in the United States, Canada and Japan. It is now available in more than 100 countries and, in the 11 years since its launch, Taxotere® has gained approval for use in eleven indications in five different tumor types – breast, prostate, gastric, lung and head and neck.

Taxotere® is indicated for early stage and metastatic breast cancer, first-line and second-line metastatic non-small cell lung cancer (NSCLC), androgen-independent (hormone-refractory) metastatic prostate cancer, advanced gastric adenocarcinoma, including adenocarcinoma of the gastroesophageal junction and for the induction treatment of patients with locally advanced squamous cell carcinoma of the head and neck.

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In breast cancer Taxotere® is now used in a variety of doses and schedules, as first-line and second-line treatment. It has demonstrated a survival benefit in five studies for four indications in this setting: as monotherapy, or in combination with doxorubicin, capecitabine or trastuzumab.

Taxotere® received Priority Review in June 2007 by the Ministry of Health, Labour and Welfare (MHLW) of Japan following a supplemental New Drug Application (sNDA) for a new indication as a treatment of metastatic hormone refractory prostate cancer submitted in February 2007. Only a limited number of drugs with health insurance coverage are used to treat mHRPC in Japan. For this reason, Japanese urologists requested that the Japan Society of Clinical Oncology, the Japanese Urological Association and the Japanese Society of Medical Oncology solicit MHLW to perform a fast review for Taxotere® in this indication.

A meta-analysis of Individual Patient Data (IPD) including 2,867 patients from seven clinical trials demonstrated a significant overall survival benefit of Taxotere® over vinca-alkaloid-based regimens in the treatment of first line advanced Non Small Cell Lung Cancer (NSCLC) patients. Efficacy results of this IPD

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meta-analysis, called DOCMA-LC (DOCetaxel Meta-Analysis in Lung Cancer), were presented at the 12th World Conference on Lung Cancer in Seoul in September 2007. The aim of DOCMA-LC was to assess the overall survival and tolerability as well as to validate surrogate endpoints from all randomized clinical trials comparing Taxotere[®]-based chemotherapy to vinorelbine- or vindesine-based chemotherapy regimens in first-line treatment of advanced NSCLC. The findings of DOCMA-LC confirm the significant superiority of Taxotere[®]-based regimens compared to vinca-alkaloid regimens in terms of overall survival.

Important new results of two major clinical studies on Taxotere[®] were published in the same edition of the New England Journal of Medicine in October 2007. The Tax 324 study is a Phase III trial of Taxotere[®], Cisplatin and 5-Fluorouracil versus Cisplatin and 5-Fluorouracil induction chemotherapy, followed by chemoradiotherapy in patients with locally advanced squamous cell carcinoma of the head and neck; the previous Tax 323 study was conducted in inoperable patients only. Both studies confirmed significantly improved overall survival in patients with Taxotere[®]-based regimen.

The top four countries contributing to the sales of Taxotere[®] in 2007 were respectively the United States, France, Germany and Japan (based on 2007 net sales).

Eloxatine[®]

Eloxatine[®] (oxaliplatin) is currently the only platinum agent indicated both for the treatment of metastatic colorectal cancer and for the adjuvant treatment of stage III colon cancer.

In the United States, France, Germany, Italy, Spain, the United Kingdom and Japan more than 500,000 people are diagnosed every year with colorectal cancer for the first time. Colorectal cancer is the second cause of death from cancer in the United States. Colorectal cancer with distant metastases (referred to as stage IV) makes up around 30% of all new colorectal cancer diagnoses per year. When diagnosed at an early stage, chances of cure with surgery increase dramatically. Chemotherapy is used as an adjuvant therapy to surgery in order to reduce the risk of recurrences.

The development of Eloxatine[®] has led to major progress in the treatment of metastatic colorectal cancer. Thanks to its demonstrated ability to reduce the size and number of liver metastases, Eloxatine[®] increases the chances of having complete surgical removal of liver metastases and has given the hope of a potential cure in a significant proportion of patients with initially unresectable liver metastases. Further, in patients with resectable liver only metastases from colorectal cancer, the results of the EPOC study presented on behalf of the European Organisation for Research and Treatment of Cancer (EORTC) at the 43rd American Society of Clinical Oncology (ASCO) meeting in June 2007 demonstrated that peri-operative chemotherapy with Eloxatine[®] given in combination with 5-fluorouracil/leucovorin (the FOLFOX regimen) significantly reduced the risk of relapse by 27% compared to surgery alone.

Due to its consistently high and sustained efficacy in treating metastatic colorectal cancer, the FOLFOX regimen is a mainstay treatment of metastatic colorectal cancer in the United States, Europe and certain countries in the Asia-Pacific region.

Eloxatine[®] has been developed for adjuvant treatment of colon cancer. The 6-year survival analysis of the MOSAIC study presented at ASCO 2007 shows that FOLFOX significantly improved the overall survival in Stage III colon cancer surgically resected. Eloxatine[®] was the first anticancer agent to result in a significant improvement of the adjuvant treatment of colon cancer in a decade. FOLFOX is now the standard

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treatment for stage III colon cancer patients who have undergone complete resection of the primary tumor.

Following the end of the Eloxatine® European regulatory data exclusivity in April 2006, a number of oxaliplatin generics have received marketing authorization and have now been launched throughout Europe.

Eloxatine® is in-licensed from Debiopharm and is marketed in nearly 70 countries worldwide.

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Central Nervous System

We have long-standing expertise in the Central Nervous System therapeutic area. Our principal products in this area are:

Stilnox®/Ambien®/Myslee®

Stilnox® (zolpidem tartrate) is the leading hypnotic worldwide and is indicated in the short-term treatment of insomnia. Stilnox® is both chemically and pharmacologically distinct from benzodiazepines, and is distinguished by its selective binding to receptors that are presumed to mediate hypnotic activity. Due to this characteristic, Stilnox® rapidly induces sleep that is qualitatively close to natural sleep and devoid of certain side effects that are characteristic of the benzodiazepine class as a whole. Its action lasts for a minimum of six hours, and it is generally well tolerated, allowing the patient to awake with a reduced risk of impaired attention, decreased alertness or memory lapses throughout the day. The risk of dependence is minimal when Stilnox® is used at the recommended dosage and duration of use. Stilnox® is currently the only hypnotic demonstrated to be suitable for as needed use based on an extensive program of eight clinical trials, which together enrolled over 6,000 patients. This mode of administration avoids the systematic intake of a hypnotic by patients who suffer only occasionally from insomnia.

We believe that Stilnox® is also one of the most studied hypnotics in the world to date, as data on its efficacy and safety have been generated from 160 clinical trials involving 80,000 patients worldwide.

To improve further the efficacy of Stilnox® in sleep maintenance without inducing next-day residual effects, we have developed a controlled release formulation of zolpidem tartrate, zolpidem CR (controlled release). Two three-week placebo-controlled studies conducted in sleep laboratories, ZOLADULT and ZOLELDERLY, assessed the efficacy and safety of Ambien CR® (zolpidem CR) in the treatment of patients experiencing insomnia. The studies showed that Ambien CR® improved sleep maintenance, sleep duration and the ability to fall asleep compared to a placebo. We launched Ambien CR® in the United States in September 2005. Ambien CR® is indicated for the treatment of insomnia with sleep induction and/or sleep maintenance disorders. A clinical development program has also been initiated in Japan, with results expected in 2008.

Stilnox® was first launched in 1988 in France and is marketed today in over 100 countries. It was launched in Japan (where it is sold under the brand name Myslee®) in December 2000 and became the leading hypnotic on the market within three years of its launch. Myslee® has been copromoted jointly with Astellas since 2006. As part of the restructuring of our joint activities with Astellas in Japan, we obtained certain rights over Myslee® at the end of 2007.

Generic zolpidem tartrate has been available in France since January 2004. In the United States, the first generics of the immediate release formulation of Ambien® have been available since April 2007.

Myslee® is the leading hypnotic brand in Japan (source: IMS 2007 sales).

Copaxone®

Copaxone® (glatiramer acetate) is an immunomodulating agent indicated for reducing the frequency of relapses in patients with relapsing-remitting multiple sclerosis. This disease-modifying drug is characterized by an original and specific mode of action on multiple sclerosis. Clinical studies have shown that Copaxone® is more effective than placebo at two years, but also that it has a clinical efficacy over twelve years both in reducing relapses and progression of disability. A significant effect on lesions has also been confirmed by nuclear magnetic resonance imaging.

Copaxone® was first launched in 1997 in the United States and between 2000 and 2002 in Europe. It is in-licensed from Teva and marketed via our alliance with that company. From March 31, 2008 Teva will assume the Copaxone® business, including sales of the product, in the United States and Canada. Additional details on this alliance can be found in [Alliances](#) below.

In Europe in 2004, in cooperation with our alliance partner Teva, we launched a new formulation of the product a pre-filled syringe in order to improve product delivery and patient comfort. In June 2007, the

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application for up to one month room temperature storage of the pre-filled syringe was approved in the United States and Europe, bringing increased comfort to patients in transporting and storing Copaxone®.

The three leading countries are the United States, Germany, and France (source: IMS, 2007 sales).

Depakine®

Depakine® (sodium valproate) is a broad-spectrum anti-epileptic that has been prescribed for 40 years. Numerous clinical trials, as well as long years of experience have shown that it is effective for all types of epileptic seizures and epileptic syndromes, and is generally well tolerated. Consequently, Depakine® remains a reference treatment for epilepsy worldwide. The SANAD study published in 2007 in *The Lancet* demonstrates that Depakine® is still the treatment of choice in generalized or unclassified epilepsies given its benefit/risk ratio in women of childbearing potential.

Depakine® is also registered throughout Europe and in other countries in the world in the treatment of manic episodes associated with bipolar disorder and in some countries in the prevention of mood episodes. Sodium valproate is recommended as a first-line treatment in these indications by international guidelines such as the guidelines of the American Psychiatric Association, the United States Expert Consensus Guideline Series and the U.K. NICE Guidance.

We provide a wide range of formulations of Depakine® (syrup, oral solution, injection, enteric-coated tablets and Chrono, a sustained release formulation in tablets) permitting its adaptation to most types of patients. Depakine Chronosphere, a new innovative, tasteless, sustained release formulation of Depakine® packaged in stick packs, facilitating its use by children, the elderly and adults with difficulties swallowing, is available in some European countries.

Depakine® is marketed in over 100 countries, including the United States, where it is licensed to Abbott.

Internal Medicine

Our main products in the internal medicine therapeutic area are in the fields of respiratory/allergy, urology and osteoporosis.

Respiratory/Allergy

Allegra®/Telfast®

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Allegra® (fexofenadine hydrochloride) is an effective, long-lasting (12- and 24-hour) non-sedating prescription antihistamine for the treatment of seasonal allergic rhinitis (hay fever) and for the treatment of uncomplicated skin manifestations of chronic idiopathic urticaria (hives). It offers patients significant relief from allergy symptoms without causing drowsiness.

In January 2007, Allegra® Oral Suspension 30mg/5ml (6 mg/ml) was commercially launched in the United States for the treatment of hay fever symptoms in children aged 2-11 years and the treatment of the uncomplicated skin manifestations of hives in children aged 6 months to 11 years. In July 2007, the FDA approved the supplemental NDA for Allegra® Orally Disintegrating Tablets (ODT), 30 mg for use in the treatment of hay fever symptoms and uncomplicated skin manifestations of hives in children aged 6-11 years. Allegra® ODT is scheduled to be launched in the United States prior to the 2008 spring allergy season.

We also market Allegra-D® 12 Hour and Allegra-D® 24 Hour, antihistamine/decongestant combination products with an extended-release decongestant for effective non-drowsy relief of seasonal allergy symptoms, including nasal congestion.

Allegra®'s largest market is Japan (based on 2007 net sales).

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Nasacort®

Nasacort®AQ Spray (NAQ) (triamcinolone acetonide) is an unscented, water-based metered-dose pump spray formulation unit containing a microcrystalline suspension of triamcinolone acetonide in an aqueous medium. It is indicated for the treatment of the nasal symptoms of seasonal and perennial allergic rhinitis in adults and children six years of age and older. NAQ is an intranasal corticosteroid, which is recommended in treatment guidelines as first-line treatment for moderate to severe allergic rhinitis patients. NAQ offers significant relief from nasal allergy symptoms to patients, with no scent, alcohol or taste.

Data presented at the American College of Allergy, Asthma & Immunology (ACAAI) annual meeting in November 2007 suggests that the intranasal corticosteroid Nasacort®AQ (triamcinolone acetonide) Nasal Spray may be used safely and effectively to treat children aged 2-5 years old with year-round allergic rhinitis. The same study also showed that during the study, Nasacort®AQ did not show a significant effect on adrenal function among a subset of the same patients.

A Nasacort®AQ supplemental new drug application (sNDA) for the treatment of seasonal and perennial allergic rhinitis in pediatric patients 2 to 5 years of age was accepted for review by the U.S. FDA in early 2008.

Our leading markets for Nasacort®AQ Spray are the United States, France and Turkey (source: IMS, 2007 sales).

Urology

Xatral®

Xatral® (alfuzosin hydrochloride) belongs to the class of alpha1-blockers. It was the first product of the class to be indicated exclusively for the treatment of symptoms of benign prostatic hyperplasia (BPH), as it was the first marketed product capable of acting selectively on the urinary system. Xatral® (extended release formulation) does not require dose titration, and shows a good tolerability, especially from a cardiovascular standpoint. Active from the first dose, it provides rapid and lasting symptom relief and improves patient quality of life. Xatral® has demonstrated a good safety profile, with very marginal blood pressure changes even in elderly or hypertensive patients. Cardiovascular safety results from the combination of Xatral® with a phosphodiesterase inhibitor (PDE5) were released in 2005 and published in *Urology* in 2006, further demonstrating Xatral®'s good cardiovascular safety profile.

Besides this symptomatic action, a large clinical program has been launched to document the use of Xatral® in the treatment of acute urinary retention (AUR) and in the prevention of BPH disease progression.

The results of a double-blind placebo-controlled study (ALFAUR) conducted in men with AUR showed that Xatral® doubles the probability of a return to normal voiding after catheter removal. The benefits of Xatral® on AUR have been confirmed by the largest registry ever established with respect to the management of AUR, Reten-World. Results of an interim analysis that included 3,785 patients with AUR and concomitant BPH confirmed that most urologists carry out a trial without catheter after

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an average 3 day catheterization. The percentage of patients returning to normal voiding was significantly higher when the patient received an alpha1-blocker (Xatral® in 2 cases out of 3) at the time of the catheter removal;

Xatral® is the only alpha1-blocker having clearly demonstrated its benefit in the treatment of AUR. Since 2003, we have obtained authorizations of this extension of the indication in 56 countries worldwide including 16 European countries;

Moreover, results of a double-blind placebo-controlled study (ALTESS) show that Xatral® administered for 2 years in patients at high risk of developing AUR, significantly reduces the risk of overall BPH progression (defined by worsening of symptoms and/or occurrence of AUR and/or need for BPH-related surgery). A real life practice study enrolling more than 6,000 patients (ALF-ONE) also shows that patients experiencing BPH progression can be rapidly identified with Xatral® treatment as they are in fact non-responders to treatment;

BPH is also widely known to be linked with various degrees of sexual dysfunction. The results of another international trial (ALF-LIFE) that included 3,374 European patients have shown that Xatral® preserves sexual function, particularly ejaculatory function, in patients suffering from BPH;

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In Japan, recruitment of a large Phase III clinical trial comparing Xatral® 10mg once daily versus tamsulosin 0.2mg once daily is now completed (1155 included patients). Results are expected early 2008. The registration dossier of the once-daily formulation of Xatral® is expected to be submitted in September 2008.

Since Xatral® was launched in 1988 in France, we have constantly worked on optimizing its formulation. The once-daily formulation of Xatral® (branded Uroxatral® in the United States) has been registered in over 90 countries and is marketed worldwide, with the exception of Australia and Japan. Over 4 billion treatment days of alfuzosin have been prescribed worldwide since launch and it is the fastest growing medical treatment for BPH symptoms among urologists in the United States.

Osteoporosis

Actonel®/Optinate®/Acrel®

Actonel® (risedronate sodium) belongs to the bisphosphonate class. The bisphosphonates are antiresorptive treatments that inhibit osteoclast-mediated bone resorption and therefore help to prevent osteoporotic fractures.

Actonel® 5 mg daily is indicated for the prevention of postmenopausal osteoporosis (PMO) in Europe and for the treatment of PMO and glucocorticoid-induced osteoporosis in Europe and the United States. In the United States, it is indicated for patients either initiating or continuing systemic glucocorticoid treatment (daily dosage of 7.5 mg or more of prednisone or equivalent) for chronic diseases.

Actonel® 35 mg once-a-week is indicated for treatment of this disease and for treatment of osteoporosis in men in both Europe and the United States, and for prevention of PMO in the United States.

Actonel® 30 mg is approved for the treatment of Paget's disease, a rare bone disorder.

Actonel® is the only osteoporosis treatment that reduces the risk of vertebral fracture and non-vertebral fractures in just six months (Roux & al.). Actonel® also provides fractures risk reduction at all key osteoporotic sites: vertebral, hip and non-vertebral studied as a composite endpoint (hip, wrist, humerus, clavicle, leg and pelvis) (Harris & al., McClung & al.).

Actonel® 75 mg was launched in the United States in July 2007 for the treatment of PMO. Actonel® 75 mg is dosed on two consecutive days during the month.

A retrospective cohort study (Silverman & al., Osteoporosis Int.) showed that during the first year of treatment, patients treated with Actonel® weekly decreased their risk of hip fracture by 46% at 6 months and by 43% at 12 months compared to patients treated with alendronate weekly. These data confirmed the early onset of action (as early as 6 months) of Actonel®.

Actonel® is in-licensed from Procter & Gamble Pharmaceuticals (P&G) and is marketed by sanofi-aventis and P&G through the Alliance for Better Bone Health . In Japan, Actonel® was previously marketed by sanofi-aventis under a license from Ajinomoto. As of October 2005, with the agreement of Ajinomoto, distribution of Actonel® in Japan was transferred to Eisai.

The top four markets for Actonel® are the United States, France, Canada and Spain (source : IMS, 2007 sales, all available channels).

Other Pharmaceutical Products

In addition to the top 15 pharmaceutical products, sanofi-aventis' global portfolio comprises a wide range of other pharmaceutical products, including prescription drugs and products sold over the counter (OTC), making up our base business . Due to their long presence on the market, but also to their effectiveness and safety, many of these products have strong brand recognition by healthcare professionals and patients.

Although they represent only one third of the Group's worldwide pharmaceutical net sales (32.5% in 2007), these products account for a significantly higher share in the sales of some new, fast growing, markets : for instance they represent more than 60% of pharmaceutical net sales in the five BRIC-M countries (Brazil, Russia, India, China and Mexico) and have grown there by some 10% in 2007.

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Sanofi-aventis is active on the market for generic drugs through our brand Winthrop®, which combines the generic promotion of our own mature molecules together with a broad-based portfolio of almost 300 generic molecules originating from other laboratories.

Principal Vaccines Products

Sanofi Pasteur is a fully integrated vaccine business offering the broadest range of vaccines in the industry. In 2007 sanofi pasteur immunized over 500 million people against 20 serious diseases and generated net sales of 2,778 million. Sales were very favorably impacted by the strong growth in markets outside of North America and Europe and the continued growth of Adacel® and Menactra®, both launched in 2005 in the United States. Sales growth was also due to a strong uptake of Pentaxim® sales in the international region, and the successful seasonal influenza vaccine campaigns.

Sanofi Pasteur is a world leader in the vaccine industry and holds a leading position in most countries. In the United States and Canada sanofi pasteur is the market leader.

In Europe, our vaccine products are marketed by Sanofi Pasteur MSD, a 50-50 joint venture between sanofi pasteur and Merck & Co, which serves 19 countries. Sanofi Pasteur MSD is the market leader in Europe overall and in particular in France and the United Kingdom. In 2007, net sales of Sanofi Pasteur MSD, which are accounted for using the equity method, amounted to 1,040 million.

Sanofi Pasteur has established a leading position in Latin America, has been expanding in Asia, particularly in China and India, and is very active in international publicly-funded markets such as UNICEF. We also have a significant activity in other developed, middle income and emerging markets throughout the world.

Pediatric Combination and Poliomyelitis (polio) Vaccines

These vaccines vary in composition due to diverse immunization schedules throughout the world. This group of products which protect against up to five diseases in a single injection is anchored by acellular pertussis components. Daptacel®, a trivalent vaccine against pertussis, diphtheria and tetanus, was launched in the United States in 2002 and has become a strong sales contributor due to its adaptation to immunization schedules. Act-HIB® for the prevention of *Haemophilus influenzae* type b infections is also an important growth driver within the pediatric product line. Pentacel®, which is a vaccine against five diseases (pertussis, diphtheria, tetanus, polio and *Haemophilus influenzae* type b), is approved in nine countries and has been the standard for preventive care in Canada since its launch in 1997; licensure is expected in the United States in 2008. Pediacel®, another acellular pertussis-based pentavalent vaccine, was launched in the United Kingdom in 2004 and licensed in the Netherlands and Portugal in 2005.

Sanofi Pasteur is one of the world's leading developers and manufacturers of polio vaccines, both oral (OPV) and enhanced injectable (eIPV). We expect the use of eIPV to increase given that the global eradication of polio is within reach, with only four countries in the world remaining polio-endemic. As a result, sanofi pasteur is expanding its production capacity to meet this growing demand. The worldwide polio eradication initiative of the World Health Organization (WHO) and UNICEF has positioned sanofi pasteur as a global preferred partner with both OPV and eIPV vaccines. In 2005, sanofi pasteur developed the first new polio vaccine in nearly 30 years for use in eradication, Oral Monovalent Polio Vaccine-type 1. This product is still being used as part of the WHO strategy to end polio transmission in endemic countries. In 2007, Pentaxim®, an acellular-based pentavalent vaccine containing eIPV, was launched in the international region, including Mexico and Turkey. Mexico is the

first Latin American country to use eIPV in their pediatric immunization schedule.

Influenza

Sanofi Pasteur is the world leader in the production and marketing of influenza vaccines. Sales of the influenza vaccines Fluzone[®] and Vaxigrip[®]/Mutagrip[®] have more than tripled since 1995 and annual production was increased to more than 180 million doses in 2007 to better meet an increasing demand. We expect the global demand for influenza vaccines to continue to grow within the next decade, due to an increased disease awareness and wider government immunization recommendations. Given the heightened awareness of a potential influenza

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pandemic amongst health authorities, medical professionals and the public at large, the demand for influenza vaccines has increased in general. In 2007, sanofi pasteur completed the construction of a \$150 million new influenza vaccine manufacturing facility in the United States, which will double our production capacity there and help meet the increased demand from both inside and outside the United States. This new facility is expected to come on-line in late 2008 or early 2009 following the facility's licensing by the FDA. A 200 million investment is underway for a formulation and filling facility in Val de Reuil, France, to boost filling capabilities, mainly for influenza vaccines.

In April 2007, sanofi pasteur received the first U.S. license for a vaccine against avian influenza in humans, marking an important milestone in pandemic preparedness. The licensure of this vaccine was based on a clinical trial conducted by the National Institute of Allergy and Infectious Diseases.

In recent years, influenza vaccine demand has experienced strong growth in many other countries, particularly in China, South Korea and Mexico. This trend is expected to continue over the coming years. Sanofi Pasteur will remain focused on maintaining its leadership in the influenza market and in meeting the increased demand.

In November 2007, sanofi pasteur signed an agreement with the Chinese authorities for a project to build an influenza vaccine facility in Shenzhen (Guangdong Province) with the goal of producing influenza vaccines for the Chinese market by 2012.

Adult and Adolescent Boosters

The incidence of pertussis (whooping cough) is on the rise globally, affecting children, adolescents and adults. Its resurgence, combined with an increased awareness of the dangers of vaccine-preventable diseases in general, has led to higher sales of this product group in recent years. Adacel[®], the first trivalent adolescent and adult booster against diphtheria, tetanus and pertussis, was licensed and launched in the United States in 2005. Adacel[®] has been the standard of care in Canada since 2004, where most provinces provide routine adolescent immunization. This product plays an important role in efforts to better control pertussis, not only by preventing the disease in adolescents and adults but also by breaking the cycle of transmission to infants too young to be immunized or only partially vaccinated.

Meningitis

Sanofi Pasteur is at the forefront of developing vaccines to prevent meningitis and introduced the first conjugate quadrivalent vaccine against meningococcal meningitis, arguably the deadliest form of meningitis in the world. In 2007, sales of Menactra[®] continued to grow in the United States following the implementation of the recommendations of the Advisory Committee on Immunization Practices (ACIP) for routine vaccination of pre-adolescents (11-12 years old), adolescents at high school entry (15 years old) and college freshmen living in dormitories. In October 2007, FDA granted sanofi pasteur licensure to expand the indication of Menactra[®] in children 2 years through 10 years of age. Menactra[®] is now indicated for people aged 2-55 years in the United States as well as Canada. Additional submissions are expected during the coming years in various parts of the world. Meningococcal meningitis vaccines are expected to contribute significantly to growth due to their anticipated future use in multiple segments of the population.

Sanofi Pasteur has supplied vaccines for meningitis outbreak control in Africa for over 30 years and is today the sole provider of meningitis A and C vaccines used to combat devastating annual epidemics occurring in sub-saharan countries (African meningitis belt).

Travel, Endemic and Measles, Mumps, Rubella (MMR) Vaccines

Sanofi Pasteur's Travel/Endemic vaccines provide the widest range of traveler vaccines in the industry, and include hepatitis A, typhoid, rabies, yellow fever, Japanese encephalitis, cholera, MMR and anti-venoms. These vaccines are used in endemic settings to protect large populations in the developing world against severe infectious diseases and are the basis for important partnerships with governments and organizations such as UNICEF. These vaccines are also used by military and travelers to endemic areas. As the global market leader in

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most of these vaccines, sanofi pasteur's Travel/Endemic activity has realized stable growth. Additionally, sanofi pasteur has several lifecycle and new vaccines projects in development, including vaccines for dengue fever, Japanese encephalitis, malaria, West Nile and rabies (a Vero serum-free improvement of our current Verorab® rabies vaccine, as well as a Rabies MoAB Post Exposure prophylaxis). These diseases are major burdens of disease-endemic areas in Asia, South America and Africa, as well as representing health risks for travelers to endemic zones.

Pharmaceutical Research & Development

The objective of our Research & Development (R&D) organization for pharmaceutical activities is to discover, develop, register and launch worldwide highly innovative compounds answering major unmet medical needs.

Global and focused organizations: Discovery and Development

Discovery Research

In 2007, Discovery Research continued to enrich sanofi-aventis Development's portfolio with a pipeline of high quality, innovative drugs with the potential to fulfill unmet medical needs or provide improved treatments for patients. In this respect 13 new molecules entered into development.

SAR474832, a low absorption inhibitor of the sodium-dependent glucose Transporter 1, for the treatment of Type 2 diabetes mellitus;

SAR548304, a bile acid reabsorption inhibitor, for the treatment of hypercholesterolemia;

SAR104772, a TAFIa inhibitor, as a profibrinolytic agent for the prevention and treatment of thrombo-embolic diseases;

SAR131675, a potent selective VEGFR3-TK inhibitor with anti-lymphangiogenic, anti-tumoral and anti-metastatic activities;

SAR567530, a potent and selective HSP90 ATPase inhibitor, as a combinatorial cytostatic / cytotoxic approach for cancer treatment;

SAR137272, an A3 receptor antagonist, for the treatment of asthma;

SAR135966 (CER/002400), a selective orally-active NPY Y1 receptor antagonist, for the treatment of Type 2 diabetes;

SAR106881, an FGF receptor agonist, aimed at improving post-ischemic revascularization;

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SAR132885, a new class of anti-tumor agent targeting both the mitotic kinesin CENP-E and α -tubulin, for the treatment of solid tumors;

SAR113945, an IKK- β inhibitor, for the intra-articular treatment of osteoarthritic joint pain;

SAR102608, an inhibitor of haematopoietic prostaglandin D2 synthase, for the treatment of allergic asthma and allergic rhinitis;

SAR650984, a naked humanized monoclonal antibody targeting CD38 antigen, for the treatment of haematological malignancies;

SAR130479, an α 7-nicotine receptor partial agonist for the treatment of cognitive symptoms of schizophrenia.

The majority of these 2007 development entries are highly innovative in nature with 9 out of 13 representing first-in-class products: SAR474832, SAR548304, SAR131675, SAR137272, SAR135966, SAR102608, SAR106881, SAR650984 and SAR132885. The excellence of our scientists is developed in 6 major therapeutic areas: Metabolic Disorders, Cardiovascular Diseases, Thrombosis & Angiogenesis, Central Nervous System Diseases (neurology and psychiatry), Internal Medicine and Oncology. Our research activities currently target 12 out of the 16 diseases/conditions identified as demonstrating pharmaceutical gaps according to the World Health Organization.

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In 2007 we reinforced certain key areas of our research, notably:

Anti-infectives

Following the entry into development of three anti-malarial products in recent years the focus this year has shifted to Tuberculosis (as top priority) and nosocomial infections. In this context, a collaboration was started with the University of Illinois (Laboratory of S Franzblau) for the testing of compounds arising from our tuberculosis program.

Biotherapeutics, particularly monoclonal antibodies

- i The naked mAb, SAR650984, envisaged for the treatment of haematology malignancies and which entered development this year is a fruit of our collaboration with Immunogen, Inc. as well as some important in house research on this product. Our collaboration with Immunogen will extend until mid- 2008 in the domain of cancer.
- i In addition, a collaboration with the Rockefeller University, New York (Laboratory of Dr Ravetch) has been set up in the domain of Alzheimer s disease.
- i A major global collaboration was initiated with Regeneron Pharmaceuticals to develop fully-human therapeutic antibodies utilizing Regeneron s proprietary VelociSuite of technologies (including VelocImmune®).

Stem Cells

The objective of this initiative is to identify and explore disease modifying biologics or small molecule candidates that function via modulation of physiologic stem/progenitor cells or cancer stem cells via differentiation/de-differentiation mechanisms. The following are important agreements signed during 2007:

- i Institute of Haematology (Tianjin, China) for collaborative work on AML (Acute Myeloid Leukemia) stem cells.
- i University of Rochester (United States) for collaboration on Glioblastoma stem cells.

Organization Adjustments

A re-organization of Discovery Research has been initiated in order to:

Simplify the organization and reporting system;

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Optimize the decision making process at all levels;

Adapt the Discovery Research organization to be more closely involved with the Partnering & Innovation Department in performing proactive scouting for new external opportunities. A key achievement here was the development of a Discovery Research network in China.

Discovery Research Operations

In 2007 we continued to streamline and render our Discovery Research operations as productive as possible. In particular, we have:

Strengthened the relationships between Discovery Research and Development by working closely together to meet increasing demands on developability of our compounds with the aim of limiting attrition and shortening development time-lines. A number of joint Discovery / Development assessments are being prepared with the aim of addressing potential issues earlier and better anticipating the subsequent transfer of products into Development.

Integrated mature global Discovery Initiatives (which include Biotherapeutics, Phenotypic screening and compound de-orphaning and identification of tool compounds for orphan G-Protein coupled receptors) in full operational modes, particularly by using the synergies arising from the creation of two large departments: Biological Sciences and Chemical and Analytical Sciences.

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Sanofi-aventis Discovery Research combines the expertise of our staff in a coherent global organization in which each scientist contributes positively his/her multidisciplinary and cultural approach to our Drug Discovery effort. Our aim is to continue synergistically capitalizing upon the unique skill-sets of our scientists so as to maintain the necessary high quality Research that will fulfill the expectations of our patients who are in need of novel drugs to improve their quality of life.

Development

Sanofi-aventis Development relies on a strong matrix organization that leads and coordinates the efforts and expertise of representatives from all functions, and at all stages of development, from preclinical to marketing. The members of the Development team work together in synergy to register and deliver innovative new medicines to patients worldwide, while meeting critical strategic, technical and time-to-market requirements, in accordance with our high standards of quality and ethics. Each of our projects is designed to enhance the safe use of our compounds by patients and to give healthcare providers the most accurate prescribing information.

One major principle of our matrix organization is the continuity of development from the very beginning (when a molecule enters Development from Discovery Research) to the end of development (when the last potential indication is approved by regulatory authorities or when the project is terminated). A project is defined by one molecule, even if multiple indications in different therapeutic areas are possible. When a molecule enters development, a project team is formed with representatives from all relevant functions (including pharmacologists, clinicians, chemists, toxicologists, regulatory affairs, marketing and many others) who will work together throughout the life of the molecule in development. Throughout development, our global organization aims at strategic and operational excellence.

In 2007, several hundred clinical trials were up and running for our projects under clinical development, including Life Cycle Management (LCM) projects, in more than 9,000 investigational sites worldwide.

As in previous years, most studies were managed through our in-house Clinical Research Units (CRU) network.

A new frame has been initiated for our clinical monitoring activities with a successful launch of project related activities using a new clinical data acquisition and management system.

In line with pharmaceutical industry commitments (Joint Position Statement issued by the pharmaceutical industry associations in January 2005), we have made public new and ongoing clinical trials, other than exploratory trials, sponsored by sanofi-aventis R&D since July 2005. We had posted 521 protocol summaries on the publicly available registry website www.clinicaltrials.gov by the end of 2007 (these documents are not incorporated by reference in this annual report). More than a thousand potentially interested patients and practitioners have already taken advantage of this information, mostly in the United States, but also increasingly from other countries and continents.

Non-exploratory clinical trial results, whether positive or not, are also posted on the public site www.clinicalstudyresults.org within a year of the launch of the product as per our commitment (these documents are not incorporated by reference in this annual report).

Portfolio

The research and development process generally takes from 10 to 15 years from discovery to initial product launch and is conducted in various stages. During the preclinical stage, research scientists perform pharmacology and toxicology studies on various animal models. Before testing on humans, an application for the compound must be filed with and approved by the regulatory authorities. Trials in humans are performed in different clinical phases to demonstrate the safety and efficacy of a new compound:

Phase I. In clinical Phase I, studies are performed on healthy human subjects to obtain information concerning safety, preliminary dose-ranging, pharmacokinetics and preliminary interaction with other medications;

Phase IIa. In clinical Phase IIa, studies are performed to characterize the pharmacological activity of the range of doses determined in the Phase I studies and/or to assess preliminary therapeutic activity in patients;

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Phase IIb. In clinical Phase IIb, the aim is to determine the risk/benefit ratio, i.e., to demonstrate the clinical activity and to determine the optimal dose in a larger and more varied population; and

Phase III. In clinical Phase III, we assess the clinical efficacy of the compound on a large population of patients (usually between 3,000 and 5,000). These studies involve control groups taking a reference compound or a placebo (a compound devoid of pharmacological activity identical in appearance to the study compound).

Together, Phases IIb and III typically take from three to five years to complete. Thereafter, an application containing all data for the proposed drug is sent to regulatory authorities for approval, which may take from an additional six months to two years or longer. There are two further types of clinical trials: one called Phase IIIb, where additional indications are sought for a marketed product; and one called Phase IV trials, which are generally carried out after product launch to continue to monitor the efficacy and safety of a new drug.

A Rich, Innovative and Balanced R&D portfolio

The table below shows the composition of our R&D portfolio as at February 12, 2008:

	Preclinical	Phase I	Phase IIa	Phase IIb	Phase III	Launched
Thrombosis	SAR104772			Otamixaban	Idraparinux	Plavix®
	SSR128428			AVE5026	Idrabiotaparinux	Lovenox®
	AVE0118	AVE0657		Ataciguat	Multaq® XRP0038	Aprovel®
Cardiovascular	SAR106881	AVE3085		Ilepatril		
	SAR114646			Celivarone		
	SAR407899			SL65.0472		
Metabolic Disorders	SAR135966	AVE0897		AVE0010		Lantus®
	SAR351034	SAR7226		AVE1625*		Apidra®
Oncology	SAR474832			AVE2268		Acomplia®
	SAR548304			AVE5530		
	SAR103168	AVE1642			S-1	Eloxatine®
	SAR131675	SAR3419			Aflibercept	Fasturtec®
	SAR132885	AVE9633			Alvocidib	Taxotere®
	SAR566658	SSR97225			XRP6258	
	SAR567530	SSR244738			Larotaxel	
	SAR650984				Xaliproden	

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					AVE8062	
	SAR110894	AVE8112	SSR180575	Nerispiridine	TroVax® Teriflunomide	Ambien CR®
Central Nervous system	SAR115740	SAR102779		AVE1625*	Eplivanserin	Stilnox®
	SAR130479	SSR103800		Surinabant	Saredutant	
	SAR501788	SSR125543		SSR149415	Amibegron	
		SSR180711			Volinanserin	
		SSR411298				
	SAR21609	AVE0675	SSR150106	Ferroquine	Satavaptan**	Xatral®
	SAR102608	XRP2868	Pleconaril	SSR240600		Ketek®
Internal Medicine	SAR113945	SAR97276				Actonel®
	SAR116242/PA1103	SAR153191				Allegra®
	SAR137272	SAR389644				Flisint®
	SAR150640	SAR479746				Sculptr®
	SAR398171					

* Compounds appearing in more than one therapeutic area

** already submitted

Sanofi-aventis Research and Development is undertaking the development of 85 compounds, in six therapeutic areas (these figures do not include the vaccines portfolio, please refer to Vaccines Research and Development below). We consider our R&D portfolio to be innovative and promising. We have the objective to

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enter into development a minimum of 20 drug candidates per year with an increased number of biotechnology products, taking advantage of our internal expertise and collaborations or alliances. The portfolio is well balanced throughout all our therapeutic areas. It is particularly strong in oncology with products having potential superior profiles to support our strategy to attack cancer on all fronts. The Central Nervous System (CNS) therapeutic area is another strong area with an approach based on a number of CNS receptors and focusing on Alzheimer's disease, sleep disorders, depression and multiple sclerosis. With 48 compounds in early development (preclinical and Phase I), and 37 in late development (Phase II and Phase III), our pharmaceutical portfolio is also well balanced in terms of phase distribution, with a quite significant reservoir of compounds in the early phases. Including our vaccines activity, we plan about 30 new submissions for regulatory approval with significant market potential by end 2010.

Sanofi-aventis is gearing up to:

bring to the market, in the short and mid-term, a large number of differentiated medicines, fitting in our therapeutic axes of expertise;

develop products for future growth, using the synergies between small molecules, vaccines and biotherapeutics;

strengthen internal, but also external growth, taking advantage of our expertise and track records in alliances;

adapt to the environment, develop scenarios and anticipate changes, mainly in medical needs and in the evaluation of health costs versus the benefits provided.

Sanofi-Aventis Research and Development Achievements in 2007

The dynamics of the sanofi-aventis portfolio are illustrated through the R&D achievements and projects highlights in 2007.

In 2007, thirteen new compounds entered preclinical development (see Discovery Research section above).

Two products were reactivated:

AVE0118, a potassium channel blocker for the treatment of obstructive sleep apnea by nasal route;

Nerispiridine (HP184), a potassium/sodium channel blocker for the treatment of multiple sclerosis.

In 2007 two new alliances were initiated:

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With Oxford BioMedica: an exclusive global license agreement to develop and commercialize TroVax[®] for the treatment and prevention of cancers was signed. TroVax[®] is a therapeutic vaccine, designed specifically to stimulate an anti-cancer immune response, and has potential application in most solid tumor types. TroVax[®] targets the tumor antigen 5T4, which is broadly distributed throughout a wide range of solid tumors. The presence of 5T4 is correlated with poor prognosis. Colorectal cancer and renal cell-carcinoma are targeted as lead indications for the development of TroVax[®].

With Regeneron Pharmaceuticals: a global, strategic collaboration agreement to discover, develop, and commercialize fully-human therapeutic antibodies utilizing Regeneron's proprietary VelociSuite of technologies was signed. The first therapeutic antibody to enter clinical development under the collaboration is SAR153191, an antibody to the Interleukin-6 receptor (IL-6R) which has started clinical trials in rheumatoid arthritis. The second is expected to be an antibody to Delta-like ligand-4 (DII4), which is currently slated to start its clinical development in 2008. (See Targeted Partnerships to Support the Development of Innovative Products, below)

In 2007, eleven compounds entered Phase I, while eight projects entered Phase IIb and twelve Phase III/IIIb programs have been initiated. For Japan, where regulatory authorities require local studies, one Phase I and three Phase III/IIIb development programs have been initiated.

One NDA for a new chemical entity was submitted in the United States and in Europe: satavaptan, a vasopressin V2 antagonist in Dilutional Hyponatremia.

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Several sNDAs were submitted in 2007 in the United States and in Europe for major products like Actonel[®], Apidra[®], Eloxatine[®], Taxotere[®] and Plavix[®].

In Japan, the Apidra[®] dossier was submitted in June 2007 simultaneously for diabetes and pediatrics. In addition, two pens, OptiClik[®] and SoloSTAR[®], were also submitted. Two other JNDAS were submitted in 2007: one for Taxotere[®] in Prostate cancer in February and one for a medical device for Lovenox[®] in January.

Several sNDAs were granted in the United States and Europe in 2007 to major products like Apidra[®], Aprovel[®], Lovenox[®], Taxotere[®], Allegra[®], Actonel[®], Plavix[®] or Lantus[®]. In the United States, SoloSTAR[®], an intuitively easy-to-use state-of-the-art disposable insulin pen, was approved for use with Lantus[®] and is under review for Apidra[®].

In Japan, a new indication was approved for Plavix[®] in 2007: after being launched in Japan for reducing the recurrence of strokes (May 2006), and subsequently having its two week prescription limitation lifted one year later (as result of its favourable safety assessment), the Japanese authorities have approved a new indication in cardiology. Plavix[®] is now approved for patients with acute coronary syndrome (unstable angina; non-Q-wave myocardial infarction) for whom percutaneous coronary intervention is being planned. In addition, SoloSTAR[®] pen for Lantus[®] was also approved in 2007. In January 2008, Clexane[®] (enoxaparin sodium) received its first approval from the Japanese Health Authorities in the prevention of the formation of a blood clot that could block a vein in patients undergoing orthopedic surgery of the hip or knee.

Project Highlights

Our main compounds currently in clinical development Phase IIb or III are described in the paragraphs below.

Life Cycle Management (LCM) development programs for our top 15 pharmaceutical products are described above in **Principal Pharmaceutical Products** .

As in any dynamic portfolio, some projects are stopped, while other candidates enter into development. The following programs were halted in 2007:

In the Central Nervous System area: xaliproden (SR57746) in Alzheimer disease indication only, paliproden (SR57667) in Alzheimer and Parkinson disease indications, and dianieline (SSR591813) which was indicated for smoking cessation;

In the Internal Medicine area: icatibant (HOE140) for the treatment of osteoarthritis pain.

Thrombosis

Four compounds are currently in later-stage development in thrombosis:

Idraparinux sodium (SR34006, long acting pentasaccharide, indirect factor Xa inhibitor, thromboembolic events; Phase III). Idraparinux sodium is a synthetic pentasaccharide evaluated in the long-term treatment of thromboembolic events in patients suffering from deep-vein thrombosis (DVT) or pulmonary embolism (PE) (the VAN GOGH Phase III program) and in the prevention of thromboembolic events associated with atrial fibrillation (AMADEUS study). The results of the VAN GOGH program were published in *The New England Journal of Medicine* (September 2007), while the results of the AMADEUS study have recently been published for publication in *The Lancet* (January 2008). In the AMADEUS study, idraparinux showed non-inferior efficacy versus VKA in atrial fibrillation patients with an imbalance of bleedings, mainly linked to an increased rate of bleedings in elderly or renally impaired patients. All the data generated with idraparinux sodium will be used to support registration of idrabiotaparinux sodium (see below).

Idrabiotaparinux sodium (SSR126517, neutralizable long acting pentasaccharide, indirect factor Xa inhibitor, thromboembolic events; Phase III). SSR126517 is a long-acting synthetic pentasaccharide, with the same structure and the same pharmacological activity as idraparinux sodium. However, the addition of a biotin hook to the pentasaccharide structure allows quick and efficient neutralization following the infusion of avidin. This unique profile potentially provides SSR126517 with a competitive advantage over current oral anticoagulants. The clinical

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development program was designed to bridge clinical results obtained with idraparinux to those with idrabiotaparinux. The recruitment in the bioequipotency study in patients with DVT (EQUINOX) is now completed. The safety and efficacy study in patients with PE (CASSIOPEA) is ongoing. A Phase III trial to demonstrate the efficacy of idrabiotaparinux in the prevention of stroke in atrial fibrillation patients (BOREALIS) has been initiated. The dose regimen in this study has been adapted, based on the efficacy, safety and pharmacokinetic data obtained in AMADEUS with idraparinux.

AVE5026 (indirect factor Xa/IIa inhibitor, prevention of VTE; Phase IIb). AVE5026 is an injectable ultra low molecular weight heparin with a high ratio of anti-factor Xa activity to anti-factor IIa activity, as compared to low-molecular-weight heparins (LMWHs). This once-a-day anti-thrombotic agent has a 100% bioavailability and is not anticipated to have drug interaction. It is being developed primarily in the primary prevention of venous thromboembolic events. Phase IIb results in knee replacement surgery were presented at the Annual Meetings of the American Society of Haematology in December 2007. AVE5026 showed a clear dose response on efficacy (VTE) and safety (bleeding). Compared to enoxaparin sodium (40mg), AVE5026 20mg and 40mg showed superior efficacy for confirmed adjudicated VTE and a favorable safety profile. AVE5026 is entering a large Phase III program in VTE prevention, with recruitment starting in 2008.

Otamixaban (XRP0673, direct factor Xa inhibitor, acute coronary syndrome; Phase IIb). Otamixaban is an injectable, selective direct inhibitor of coagulation factor Xa. It is a synthetic small molecule. It has predictable pharmacokinetic and pharmacodynamic properties with low variability. Otamixaban exhibits a fast on- and off-set of action. SEPIA-PCI, a Phase IIa study in patients undergoing elective PCI, showed a good safety profile with predictable and dose-proportional anticoagulant activity. SEPIA-ACS, a Phase IIb study in acute coronary syndrome, is currently ongoing.

Cardiovascular

Certain of our principal compounds in the field of cardiovascular medicine currently in Phase II or Phase III clinical trials are described below.

Multaq® (dronedaron, SR33589, atrial fibrillation; Phase III). The presently ongoing ATHENA study investigates the incidence of cardiovascular hospitalization and death in patients with atrial fibrillation or flutter treated by dronedaron or placebo. Recruitment into this 4,600-patient study has been completed and patients are undergoing the planned 1-year follow-up phase. First results are therefore expected during the first half of 2008. In the event of positive study results, dronedaron would be the first anti-arrhythmic demonstrating a reduction in the rate of hospitalization or death. Contingent upon the outcome of the study, it is our intention to submit new marketing authorization applications.

Celivarone (SSR149744, anti-arrhythmic; Phase IIb). We recently completed and reported results of the ICARIOS trial, which demonstrated celivarone's effects on reducing the firing rate of implantable cardioverter/defibrillator (ICD) by 46% for either ventricular tachycardia or fibrillation versus placebo. However, to optimize the pharmacokinetic profile of the compound, further formulation studies in preparation of Phase II are presently underway.

XRP0038 (NV1FGF, non-viral fibroblast growth factor 1, critical limb ischemia; Phase III). XRP0038 is an injectable non-viral DNA plasmid and gene therapy-based approach for the promotion of angiogenesis in patients with peripheral arterial disease. Based on encouraging results of a Phase IIb study in patients with critical limb ischemia, where XRP0038 statistically significantly prolonged time to amputation as compared to placebo, the presently ongoing Phase III program was initiated. The primary objective of the confirmatory Phase III TAMARIS study is to demonstrate the superiority of XRP0038 over placebo in the prevention of major amputations in critical limb ischemia patients. Submission is planned for end of 2010.

Ilepatril (AVE7688, vasopectidase inhibitor, uncontrolled or resistant hypertension, chronic kidney disease stage 3; Phase IIb). Ilepatril is an oral vasopectidase inhibitor with potent antihypertensive properties and end-organ protective effects in animal models. The efficacy and safety of AVE7688 in hypertension are being investigated and compared to losartan in the ongoing

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1,940-patient RAVEL-1 Phase IIb study. Three-month efficacy and safety results confirm the

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antihypertensive potency of ilepatril. Final 12-month safety results are expected end of the first half of 2008. A Phase III program with ilepatril is being prepared.

SL65.0472 (5-HT_{1b}/5-HT_{2a} antagonist, peripheral artery disease; Phase IIb). The Phase IIb MASCOT study compares the efficacy and safety of SL65.0472 on top of clopidogrel bisulfate treatment versus cilostazol in patients with intermittent claudication Fontaine stage II and is progressing as planned.

Ataciguat (HMR1766, NO-independent activator of soluble guanylate cyclase, Phase IIb). The presently recruiting Phase IIb study (ACCELA) is investigating ataciguat's efficacy and safety in patients with intermittent claudication, Fontaine classification stage II. Results are expected at the end of 2008.

Metabolic Disorders

Our main compounds currently in clinical development Phase II or III for metabolic disorders are described below.

Acomplia[®] (rimonabant; CB-1 antagonist, obesity, type 2 diabetes mellitus, cardiovascular disease; Phase III). Acomplia[®] is approved in 52 countries for the treatment of obesity. An extensive Phase III program is ongoing in Type 2 diabetes and cardiovascular disease. Acomplia[®] is also in Phase 3 in Japan for obesity with related dyslipidemia and for Type 2 diabetes.

The Group is working towards a submission in Type 2 diabetes in 2009 and in cardiovascular disease in 2011.

AVE1625 (CB1 antagonist, obesity and related lipid disorders; Phase IIb). AVE1625 is an oral selective and potent antagonist of cannabinoid receptors having the same mechanism of action as rimonabant. A Phase IIb study in obesity has recently been successfully completed. Based upon the results of this study, a Phase III program in Type 2 Diabetes and its associated comorbidities is being initiated. AVE1625 is also being developed in CNS indications (see Central Nervous System, below).

AVE0010 (GLP-1 agonist, type 2 diabetes mellitus; Phase III). Compounds that lead to increased circulating levels of GLP-1 have the potential to not only lower blood sugar but also rejuvenate the insulin-producing beta cells. AVE0010 was licensed-in from Zealand Pharma A/S.

AVE0010 has completed Phase IIb in patients with type 2 diabetes mellitus (immediate release injectable form), and is on track to start Phase III studies in March 2008. A sustained release injectable product is being developed and is planned to complete Phase I studies in 2008 and commence Phase II in early 2009.

AVE2268 (SGLT-2 inhibitor, Ttype 2 diabetes mellitus; Phase IIb). AVE2268, a sodium glucose linked transporter 2 (SGLT-2), is an oral medication which lowers blood sugar by increasing glucose excretion via the kidneys. AVE2268 has demonstrated proof of concept in a Phase I study and results from a Phase IIb trial in patients with Type 2 diabetes are expected for the first half of 2008.

AVE5530 (Cholesterol absorption inhibitor, hypercholesterolemia; Phase IIb). AVE 5530 was shown to inhibit cholesterol uptake and decrease LDL-C (Low Density Lipoproteins-Cholesterol) in relevant animal models. Clinically safe and well tolerated up to a dose of 100mg, AVE 5530 is entering Phase III in 2008.

Oncology

The sanofi-aventis oncology portfolio represents a broad spectrum of novel agents with a variety of mechanisms of action for treating cancer and/or cancer side-effects, including cytotoxic agents, anti-mitotic agents, anti-angiogenic agents, anti-vascular agents, monoclonal antibodies, and cancer vaccines as well as supportive care therapies. Our principal compounds in the field of oncology currently in clinical trials are described below.

S-1 (oral fluoropyrimidine, gastric and colorectal cancers; Phase III). S-1 is a novel oral fluoropyrimidine licensed from Taiho, Japan, in July 2006. S-1 is a combination product that

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contains Tegafur[®] as an oral pro-drug of 5-FU, CDHP (5-chloro-2,4-dihydropyridine) as an oral dihydropyrimidine dehydrogenase (DPD) inhibitor to decrease 5-FU metabolism, and potassium oxonate as an oral agent to reduce gastrointestinal toxicity of Tegafur[®]. S-1 is approved in several indications in Japan. In collaboration with Taiho, the first planned indication outside Japan is in advanced gastric cancer. Recruitment in an ongoing Phase III study in support of this indication (the 1,050-patients FLAGS study) was completed in February 2007 with patients currently in follow-up. Based on the study results, regulatory submissions are planned in the United States and Europe at the end of 2008. Sanofi-aventis is also evaluating further the therapeutic potential of S-1 in colorectal cancer and other 5-FU sensitive tumors. S-1 has the potential to become the reference oral fluoropyrimidine.

Xaliproden (SR57746, neurotrophic, chemotherapy induced neuropathy; Phase III). Xaliproden is an orally active neurotrophic agent which is currently being studied in Phase III trials for the treatment of chemotherapy-induced neuropathy.

Larotaxel (XRP9881, taxoid, breast cancer, pancreas cancer failing gemcitabine; Phase III). XRP9881 is a taxane derivative that has been designed to overcome resistance to existing taxanes, docetaxel and paclitaxel. Larotaxel in monotherapy has proved to be active in metastatic breast cancer progressing after anthracyclin/taxane therapy (Phase II study). Based on the results of Phase III in pancreas cancer, regulatory submissions are planned in the United States and in Europe in the last quarter of 2009. A Phase III in first-line bladder cancer in combination with cisplatin was initiated at end 2007.

XRP6258 (taxoid, breast cancer, prostate cancer; Phase III). XRP6258 is a new taxane derivative that shares similarities with larotaxel. XRP6258 has demonstrated to be active on metastatic breast tumors progressing after taxane therapy (Phase II). A Phase III study in hormone resistant prostate cancer after failure of Taxotere[®] is ongoing.

Alvocidib (flavopiridol, HMR1275, cyclin-dependent kinase inhibitor, chronic lymphocytic leukaemia (CLL); Phase III). Alvocidib is being developed in collaboration with Ohio State University and the U.S. National Cancer Institute. A pivotal clinical Phase II/III program to support accelerated/conditional approval in refractory CLL patients is on going in Europe and the United States. Additional studies will be exploring the potential benefit of alvocidib in various other hematological malignancies.

Aflibercept (VEGF Trap, AVE0005, anti-angiogenesis agent; solid tumors; Phase III). VEGF (Vascular Endothelial Growth Factor) Trap is being developed under an alliance with Regeneron Pharmaceuticals. VEGF Trap is a novel anti-angiogenesis agent that acts as a decoy receptor or Trap for circulating VEGF. Four Phase III studies in combination with chemotherapy in patients with several solid tumors have been initiated in 2007 in the following indications: in 1st line advanced Prostate Cancer (with Taxotere/prednisone), in 2nd line Non-Small Cell Lung Cancer (with Taxotere[®]), in 2nd line metastatic colorectal cancer (with FOLFIRI) and in 1st line metastatic pancreas cancer (with Gemcitabine) Additional exploratory studies in earlier stage disease or other indications are being conducted either by sanofi-aventis and Regeneron or in collaboration with the U.S. National Cancer Institute. The first potential regulatory submission in refractory Ovarian Cancer as a single agent could take place in 2008, based on final study results of a randomized blind study evaluating two doses of aflibercept.

TroVax[®] (advanced renal cell cancer, Phase III) is a cancer therapeutic vaccine in-licensed in March 2007 from Oxford BioMedica targeting a broad spectrum Tumor Associated Antigen called 5T4. In Phase II studies, TroVax[®] has been shown to induce a remarkable immune humoral and cellular response, both as single agent and in combination with immunotherapy (renal cancer) and chemotherapy (metastatic colorectal cancer). More than 2/3 of the patients have been enrolled in the ongoing Phase III (TRIST) study. Based on the study results, regulatory submissions both in the United States and Europe are planned for end of 2009. In 2008, sanofi-aventis will initiate a new Phase III study in metastatic colorectal cancer, in combination with the standard of care and involving 1,300 patients.

AVE8062 (combretastatin derivative) is a new antivascular licensed from Ajinomoto. Single agent and combination studies with cisplatin, docetaxel and oxaliplatin have been conducted with AVE8062 over recent years. In these studies, AVE8062 has been shown to dramatically decrease the

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tumor blood flow, resulting in anti-tumor efficacy, mainly in combination. At the recommended dose, AVE8062 appears to be well tolerated. Based on these data, a Phase III in sarcoma in combination with cisplatin is under preparation.

Central Nervous System

Certain of our principal compounds in the Central Nervous System field currently in Phase II or III clinical trials are described below.

Teriflunomide (HMR1726, immunomodulator, multiple sclerosis; Phase III). Teriflunomide is an orally active dihydroorotate dehydrogenase inhibitor. An international Phase III development program is ongoing in multiple sclerosis.

Amibegron (SR58611, beta-3 agonist, depression, anxiety; Phase III). Amibegron is the first selective beta-3 adrenergic receptor agonist developed in Major Depressive Disorders (MDD). Amibegron has already shown clinical activity in Phase 2 and 3 trials. Confirmation of this benefit is currently being sought from three ongoing studies in MDD, with results expected in the first half of 2008. On the other hand, based on results observed in three Global Anxiety Disorders (GAD) studies, the GAD program has been terminated.

Saredutant (SR48968, NK2 antagonist, depression, anxiety; Phase III). Saredutant is a non-peptide selective antagonist of the human brain NK2 receptors developed for the treatment of MDD and GAD. Four Phase 3 studies evaluating saredutant in the treatment of MDD demonstrated an overall statistically significant efficacy versus placebo. Saredutant was well tolerated in these studies. Results of four additional Phase III studies, two in MDD and two in GAD, are expected in 2008.

SSR149415 (V1B antagonist, depression, anxiety; Phase IIb) SSR149415 is an antagonist of the vasopressin type 1b (V1b) receptor which is being developed for depression and anxiety. Results of the Phase II program are expected in 2008. The planned Phase III program will target MDD, bipolar depression, and GAD.

Surinabant (SR147778, CB-1 receptor antagonist, smoking cessation; Phase IIb). Surinabant is in Phase IIb for smoking cessation, with the results of a clinical trial expected by May 2008.

Eplivanserin (SR46349, 5HT2A antagonist, insomnia; Phase III). This non sedative drug is being developed for the treatment of insomnia characterized by sleep maintenance difficulties (patients with fragmented sleep/nocturnal awakenings). Phase III program is near completion (about 2,600 patients world-wide in three double-blind, placebo-controlled trials for up to 12 weeks). Submission is planned in the second half of 2008 in the United States and Europe. First efficacy results (2 studies, one using polysomnography) showed that eplivanserin significantly decreases the Wake time After Sleep Onset (WASO) and the number of awakenings, as compared to placebo. An improvement of the quality of sleep was also reported by patients after long-term treatment (12 weeks). Eplivanserin was well tolerated in this study, with a good safety profile in comparison to placebo.

Volinanserin (M100907, 5HT2A antagonist, insomnia; Phase III). Volinanserin is in the same class as eplivanserin, developed for the treatment of insomnia characterized by sleep maintenance difficulties. A large world-wide Phase III program started in April 2007. More than 3,200 insomniac patients are planned to be enrolled, some of whom also suffer from comorbid Type 2 diabetes.

AVE1625 (CB1 antagonist, schizophrenia; Phase IIb). AVE1625 is an oral selective and potent antagonist of cannabinoid receptors. A Phase II development program for cognitive impairment in schizophrenia is underway. A Phase III program for Type 2 Diabetes is being initiated (see Metabolic Disorders above).

Internal Medicine

Certain of our principal compounds in the field of Internal Medicine currently in late Phase clinical trials are described below.

Aquila[®] (Satavaptan, SR121463, vasopressin V2 receptor antagonist, dilutional hyponatremia, submitted; cirrhotic ascites; Phase III). Satavaptan is an oral long-acting vasopressin V2-receptor

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antagonist. Dossiers for the dilutional hyponatremia indication were submitted in 2007 both in the European Union and the United States. In the cirrhotic ascites indication, based on positive results of Phase II studies, which demonstrated a reduction in the number of paracentesis in recurrent ascites, a Phase III program is ongoing.

Ferroquine (SSR97193, anti-malarial; Phase IIb). The Phase IIb program is still on-going. The objective is to evaluate the safety and efficacy of the drug in association with another anti-malarial artesunate in adults first, then in children with uncomplicated *Plasmodium falciparum* malaria. Besides this project, two other products are currently in an earlier stage of development for the treatment of malaria. All three projects are part of sanofi-aventis global commitment to fight against neglected diseases which impact the developing world.

SSR240600 (NK1 antagonist overactive bladder/urge urinary incontinence; Phase IIb). SSR240600 is a non-peptide, orally active, tachykinin NK1 receptor antagonist. Following encouraging results in a clinical proof-of-concept study, this compound is being developed for treatment of overactive bladder/urge urinary incontinence. A Phase IIb study is ongoing and results are expected in the second half of 2008.

Targeted Partnerships to Support the Development of Innovative Products

Through partnerships and alliances established with biotechnology firms and other pharmaceutical groups, sanofi-aventis is able to access new technology and to extend or strengthen existing areas of research.

Discovery Research

Two types of partnerships are employed to enhance Discovery Research:

Technological partnerships giving sanofi-aventis teams access to new technology and extending their research and skills areas. Following are examples of such partnerships:

- **Elan** (Dublin, Ireland): license for NanoCrystal[®] formulation technology, which can enable formulation and improve compound activity and final product characteristics.
- **Libragen** (Toulouse, France): partnership covering the use of Libragen's know-how in microbial diversity, which will expand the sources for new molecules.
- **Ingenuity** (Redwood City, California, U.S.): software application that enables researchers to model, analyze and understand the complex biological systems at the core of life science research.
- **Critical Path Institute** (Tucson, Arizona, U.S.): sanofi-aventis is a member of the Predictive Safety Testing Consortium (PSTC), which aims at identifying and developing methods for testing drug safety.

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Partnerships on innovative products, to maximize opportunities of exploring new leads in our therapeutic areas of excellence including:

- **Millenium Pharmaceuticals, Inc.** (Cambridge, Massachusetts U.S.): novel biological targets in the field of inflammation are being explored and one compound is in development.

- **Immunogen, Inc.** (Cambridge, Massachusetts, U.S.): identifying and developing naked antibodies or immuno-conjugates (monoclonal antibodies associated with an anti-cancer agent) in oncology. On the technology side, sanofi-aventis has licensed rights to Immunogen's proprietary resurfacing technology to humanize antibodies, and has entered into an option agreement for expanded access to the Tumor-Activated Prodrug (TAP) technology.

- **Regeneron Pharmaceuticals Inc.** (Tarrytown, New York, U.S.): global, strategic collaboration agreement to discover, develop, and commercialize fully-human therapeutic antibodies (see Sanofi-Aventis Research and Development Achievements in 2007, above).

- **Institute of Hematology and Blood Diseases Hospital, Chinese Academy of Medical Sciences** (Tianjin, China): the purpose of the agreement is the isolation of acute myeloid leukemia stem cells and the generation of monoclonal antibodies against these cells with the aim of capitalizing on the increasing evidence of the role of cancer-stem cells. Such antibodies would serve as valuable vectors to study these rare cells and may become the basis for new therapeutic strategies.

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- **Coley Pharmaceutical Group, Inc.** (Wellesley, Massachusetts, U.S.): global license and collaboration agreement on research into CpG (Cytosine phosphodiester Guanine) oligonucleotides, which act as immunomodulators, for the treatment of certain respiratory disorders.
- **Mitsubishi Pharmaceutical Corp.** (Tokyo, Japan): identifying and developing new protective agents for the treatment of neurodegenerative diseases.
- **Genfit** (Lille, France): collaboration covering several projects, particularly pharmacological characterization and the selection of sanofi-aventis best drug candidates to act on an innovative target involved in metabolic and inflammatory mechanisms as well as the launch of a new program based on a new target involved in inflammatory diseases.
- **INSERM/Innogenetics** (through affiliate INSERM Transfert, Paris, France and Gent, Belgium): collaboration that will make it possible to study the role of specific forms of the key Alzheimer protein amyloid beta, and to discover new therapeutic avenues for Alzheimer's disease.

As part of the Impact Malaria program, three cooperative programs were continued in 2007. Ferroquine, co-developed with the Université Scientifique et Technique de Lille (France), is currently in Phase IIb of clinical development.

Sanofi-aventis is engaged in numerous partnerships with academic institutions such as INSERM, CNRS, CEA and Institut Pasteur in France, Frankfurt University in Germany, Rockefeller University in the United States.

Finally, sanofi-aventis is an active participant in the Innovative Medicine Initiative (IMI), a co-ordinated public and private partnership between the European Union and the European Federation of Pharmaceutical Industries and Associations (EFPIA).

License and Development Agreements

Regeneron Pharmaceuticals Inc. (Tarrytown, New York, U.S.): joint development of a recombinant fusion protein, the VEGF Trap (AVE0005 aflibercept), that produces soluble decoy-receptors which bind to VEGF (Vascular Endothelial Growth Factor), stopping it from stimulating the natural VEGF receptor and thus preventing angiogenesis. Aflibercept has now entered Phase III of clinical development.

Taiho Pharmaceuticals (Tokyo, Japan): agreement for the development and marketing of S-1, a new oral pyrimidine fluoride-derived anticancer agent.

Zealand Pharma A/S: AVE0010 is a glucagon-like peptide 1, or GLP-1, receptor agonist, intended to treat type 2 diabetes.

Ajinomoto: AVE8062 is a vascular disrupting agent for the treatment of solid tumors, currently in Phase I/II.

Oxford BioMedica: exclusive global licensing agreement to develop and commercialise TroVax[®], a therapeutic vaccine for the treatment and prevention of cancers. Based on the broad distribution of the 5T4 tumour antigen, TroVax[®] has potential application in

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a wide range of solid tumors, including renal, colorectal, lung, breast and prostate cancer. The compound is in Phase III for renal cancer.

Nycomed (formerly Altana): The collaboration and development agreements related to Alvesco® (ciclesonide) and to a combination of ciclesonide and formoterol were terminated in 2007. All the corresponding development and commercial rights granted to sanofi aventis for the United States have been returned to Nycomed.

Vaccines Research and Development

Our human vaccine R&D remains focused on improving existing vaccines, as well as on the development of new prophylactic vaccines. This includes research aimed at the development of novel therapeutic cancer vaccines.

Table of Contents**Sanofi Pasteur R&D Pipeline**

The table below shows the composition of our Research & Development portfolio. With 28 vaccines in development or submitted as at February 12, 2008, including 17 in Phases II and III or already submitted, the sanofi pasteur R&D portfolio is both rich and balanced. There were a number of positive changes in the portfolio during 2007.

					Submitted
Preclinical	Phase I	Phase IIa	Phase IIb	Phase III	Launched/LCM
Pneumo	Menactra®	Dengue	DTP-HepB-	Hexaxim	Menactra®
Meningitis & pneumonia in infants	Micro-injection New Delivery	Mild-to-severe dengue fever	Polio-Hib ⁽¹⁾ Japanese Encephalitis	DTP-HepB- Polio-Hib ⁽¹⁾	Meninge A,C,Y,W Meningitis in 2 to 55 Years (CA)
Malaria	Meninge A,C,Y,W	CMV		Unifive	Menactra® ⁽²⁾
Prevention of P.falciparum Malaria	2nd generation Infant Meningitis in infants	Prevention of congenital infection	Prevention of infection ChimeriVax technology	DTP-HepB-Hib ⁽¹⁾ Pediacel®	Meningitis in 2-10 Years (US)
Chlamydia trachomatis		Flu ⁽¹⁾ Cell	Flu ⁽¹⁾ Micro-injection	D,T,P, Polio, Hib ⁽¹⁾ (EU)	H5N1 Prototype US
Urogenital infections	Pneumo Meningitis & pneumonia in infants	Influenza (new production method)	New Delivery (US)	Menactra®	Pentacel ⁽³⁾
Rabies		West Nile		Toddler 9 months +	D,T,P, Polio, Hib ⁽¹⁾
Improved formulation	Rabies MoAB Post Exposure prophylaxis	Prevention of infection ChimeriVax technology		HIV (Thailand) ⁽⁴⁾ Prevention of infection	Flu Micro-injection ⁽³⁾ New Delivery (EU)
	Tuberculosis Prevention of disease			infection Proof of Concept	Flu⁽³⁾ Pandemia EU H5N1
	Flu Pandemia Low Dose			ADACEL DTP⁽¹⁾ 4-6 years	

Melanoma

Flu

Tumor antigen

New Formulation

administered

through viral vector

Treatment of

stage III & IV

- (1) D=Diphtheria, T=Tetanus, Hib=Haemophilus influenzae b, HepB=Hepatitis B, P=Pertussis, Flu=Influenza.
- (2) License approved, product not yet launched.
- (3) License application submitted.
- (4) Considered a Phase III based on the fact that it is a community-based trial of 16,000 volunteers. Proof of concept (POC) in Phase IIb trials is usually more restricted in number and involves target population with high incidence of infection. However, in this instance, the trial was also deemed POC because it was the first assessment of efficacy of such a prime/boost regime, lack of knowledge of immune correlates and lack of appreciation of surrogate end points such as viral load effects.

Project highlights

Influenza

To sustain our global leadership in the development of influenza vaccine, our Research & Development efforts are focused on innovative approaches for assessing new formulations and alternate delivery systems as well as diversifying our flu manufacturing technologies for increased vaccine efficacy, acceptance or both. We remain at the forefront of pandemic preparedness activities.

A new formulation (increased dosage) has been developed with the aim of improving vaccine effectiveness in the elderly population. The elderly experience a progressive reduction in their immune system with increasing age as well as reduced antibody responses to inactivated virus vaccines. Results from a pivotal Phase III study demonstrated that there was a significant increase in the antibody response to all 3 vaccine strains in participants who received the new formulation. We plan to file a license supplement in 2008 in the United States.

To assess whether vaccine efficacy could be enhanced by using a new delivery system, clinical evaluation continued in 2007 with the novel microinjection system (micro-needles used to deliver vaccine to the dermal

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layer of the skin) that was developed in partnership with Becton Dickinson. The data from a recently completed Phase III trial involving 7,000 volunteers confirmed the superior immunogenicity for this microinjection system and established consistency of manufacture for both the antigen and the delivery system. The file has been submitted to the European Medicines Agency (EMA).

As part of our initiative to diversify flu vaccine manufacturing technologies beyond the classic egg-based process, a new exclusive licensed cell culture technology (PER.C6[®]) has been developed under contract with the U.S. Government (under the supervision of the Department of Health and Human Services) in partnership with Crucell for the cell line (Crucell N.V., a biotechnology company located in Leiden, the Netherlands) and with Lonza (a chemical and biotechnology company located in Basel, Switzerland) for scale-up. This initiative is aimed at both seasonal and pandemic vaccines. Results from a Phase I study with a seasonal influenza vaccine produced using the new cell culture technology showed that the vaccine was safe and immunogenic in healthy adults and in the elderly. Phase II clinical testing was initiated in 2007. In partnership with Lonza, the scalability of PER.C6[®] cell culture technology has been demonstrated at the 20,000 liter scale. In addition, the cell based technology was used to produce the first clinical batch of a new generation of H7N1 prototype pandemic candidate vaccine. This cell line produced prototype vaccine was found to be safe and immunogenic in a Phase I clinical trial. This project is part of FLUPAN, a European Commission project focused on improving preparation for an influenza pandemic.

Pandemic Preparedness Sanofi Pasteur remains at the forefront of pandemic preparedness. To date, our concerted efforts in the United States (primarily under government contracts) and Europe have resulted in being first to the clinic with an H5N1 vaccine produced at industrial scale (at both the EU and U.S. facilities), licensing of the initial H5N1 prototype vaccine in the United States, filing in Europe of the alum adjuvanted H5N1 mock-up dossier, demonstrating that candidate vaccines can protect mice, ferrets and non-human primates against challenge with wild type virus and demonstrating cross-neutralization with vaccinees sera and cross-protection in animal models. Beyond these advances, efforts in pandemic preparedness continue with particular focus on dose sparing initiatives. Recent promising data from a Phase I trial in healthy adults showed that vaccine doses as low as 1.9 µg of an H5N1 vaccine formulated with a proprietary adjuvant reached the 70% seroprotection threshold. This was accompanied by a significant increase in cross reactivity with variant H5 viruses. These results pave the way for increased stockpiling and response capabilities.

Pediatric & Adolescent/Adult Booster Combination Vaccines

A number of pediatric vaccines are in development. Tailored for specific markets, they are aimed at protecting against five or all six of the following diseases: diphtheria, tetanus, pertussis, poliomyelitis (polio), *Haemophilus influenzae* type b infections and hepatitis B.

Pentacel[®] On January 25, 2007, the Vaccines and Related Biological Products Advisory Committee (VRBPAC) to the FDA voted unanimously that Pentacel[®], a pentavalent vaccine, was both safe and efficacious. The review by the center for Biologics Evaluation and Research, FDA (CBER) is ongoing.

Pediace[®] Clinical trials continued in 2007 to support licensure in the rest of Europe of this pentavalent pediatric vaccine that is the standard of care in the UK and Netherlands for protecting against diphtheria, tetanus, pertussis, polio and *Haemophilus influenzae* type b disease.

Unifive[®] and Hexaxim[®] two multivalent (one pentavalent and one hexavalent) pediatric vaccines aimed specifically at the international zone are in development. Multiple Phase III trials are ongoing in several countries.

Adacel[®] a trivalent vaccine to boost immunity in adolescents and adults against diphtheria, tetanus, and pertussis is currently marketed in Canada, Germany and the United States. In 2007, efforts remained focused on extending its indications primarily the

pre-school booster indication in countries where the product is already marketed and on expanding its area of licensure.

Meningitis Program

Neisseria meningitidis has been a leading cause of meningitis in the United States, Europe and elsewhere, striking the very young as well as adolescents. Five serogroups contribute to the vast majority of the

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incidences of the disease worldwide: A, C, W-135, Y and B. A polysaccharide vaccine comprised of serogroups A, C, W-135 and Y, Menomune[®], has been a valuable product for many years. In 2005, the first ever quadrivalent conjugate-based vaccine, Menactra[®], was licensed in the United States for indications against invasive meningococcal diseases in patients aged 11-55 years. As a conjugate vaccine, Menactra[®] should provide longer immunity than the polysaccharide vaccine. The primary focus of several ongoing projects related to Menactra[®] is to decrease the age at which one can first receive this vaccine. As part of this objective, Menactra[®] was licensed in Canada for ages 2-55 years in 2006 and a supplement to the U.S. Menactra[®] license lowering the indication to two years of age and effectively increasing the age range to 2-55 years, was approved by the FDA in 2007. The Advisory Committee on Immunization Practices (ACIP) recently recommended Menactra[®] for high risk 2-10 year olds. Additional international filings will also occur.

Menactra[®] Toddler this project is aimed at lowering the age of administration below two years of age. The toddler indication was designated as fast track development program by the FDA in June 2006. Results of a Phase II study in toddlers where Menactra[®] was administered at age nine and twelve months has shown that very high levels of bactericidal antibodies against all four serotypes were induced. Phase III clinical studies continued in 2007.

Menactra[®] Micro-injection this project is aimed at assessing the safety and immunogenicity of Menactra[®] delivered via the novel microinjection system that was developed for flu in partnership with Becton Dickinson.

Meninge A,C,Y,W Second Generation this project targets the infant primary/booster series schedule for introduction of a meningococcal vaccine. This second generation tetravalent vaccine based on an alternative conjugation technology was recently shown in a Phase I clinical study to have the potential to be effective in a single dose.

Pneumococcal Vaccine Program

Streptococcus pneumoniae is the leading etiological agent of severe infections such as pneumonia, septicemia, meningitis and otitis media and causes over 3 million deaths per year worldwide, of which one million are children. Antimicrobial resistance in *Streptococcus pneumoniae* has complicated the treatment of pneumococcal disease and further emphasized the need for vaccination to prevent large-scale morbidity and mortality.

Sanofi Pasteur is focused on the development of a protein-based pneumococcal vaccine. This approach should result in a vaccine with superior serotype coverage as compared to current polysaccharide or conjugate based vaccines. Data from early clinical trials and supportive epidemiological studies has strengthened our resolve and commitment towards developing a protein-based vaccine.

Rabies Vaccine

The Vero serum free improvement of our current Verorab[®] rabies vaccine will provide a worldwide, single rabies vaccine as a follow-up to our current vaccines offerings.

Rabies MoAB Post Exposure Prophylaxis In January 2008 we announced the signature of an exclusive collaboration and commercialization agreement with Crucell for their combination of two rabies monoclonal antibodies (MoABs) which will be used in association with the rabies vaccine for post-exposure prophylaxis. Phase I studies demonstrated that the MoAB-based product is well tolerated, provides the expected immediate neutralizing activity and can be safely administered in combination with a rabies vaccine without interfering with the ability of the

vaccine to elicit protective levels of rabies serum neutralizing activity in human volunteers.

New Vaccine Targets

Dengue Dengue fever is of growing epidemiological importance due to global socio-climatic changes, and is a major medical and economic burden in endemic areas of Asia, Pacific, Latin America and Africa; it is also one of the leading causes of fever among travelers. Multiple approaches were tested to develop a vaccine covering the four viral serotypes of dengue fever in order to prevent this disease and its severe complications (hemorrhagic fever). Results of a Phase II clinical trial in adults in

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the United States demonstrated proof of concept of the lead vaccine candidate which is based on Acambis ChimeriVax technology. Neutralizing antibodies against all 4 serotypes were produced in all adult vaccinees. Expanded Phase II studies are ongoing in endemic areas in the adult to children age groups. Sanofi Pasteur has maintained its relationship with WHO and the Pediatric Dengue Vaccine Initiative (PDVI), a program of the International Vaccine Institute funded by the Gates Foundation to make dengue a vaccine preventable disease and to accelerate vaccine introduction in the pediatric endemic population through disease burden evaluation, vaccine advocacy and vaccine access (with PDVI).

Japanese Encephalitis Virus (JEV) Our alliance with Acambis was expanded to leverage the ChimeriVax technology to develop a vaccine for protection against infection with JEV. Japanese encephalitis is endemic in Southeast Asia; replacement of the currently available vaccines with the single dose product is anticipated to provide a strong competitive advantage. Positive Phase III results were obtained in adults. Extension of clinical testing (Phase IIb) in children is expected to occur in 2008.

West Nile In November 2007 we announced the further expansion of our alliances with Acambis to develop a West Nile vaccine based on the ChimeriVax technology. The candidate vaccine is currently in Phase 2 clinical trial in adults aged 41-64 years and 65 years and above. Preliminary data from a previous Phase II trial in healthy adults showed that the vaccine was safe and immunogenic with more than 98% of the vaccinees developing antibodies 28 days after a single injection.

Malaria The sanofi pasteur malaria vaccine project is in the pre-clinical stage with some promising data using the LSA3 protein licensed from Institut Pasteur Paris. The project continues to leverage the malaria partnership network and vaccine adjuvant technology developed in-house.

Chlamydia trachomatis This is the most commonly reported sexually transmitted bacterial pathogen and produces serious morbidity and long-term sequelae, especially in women. Chlamydia-host immunobiology is characterized by acute infection followed by immunity or by persistent infection that is associated with tissue damage and disease sequelae. The *Chlamydia trachomatis* project goal is to develop a recombinant protein vaccine for prophylactic vaccination against the *Chlamydia trachomatis* sexually transmitted infection. The target population is pre-sexually active women who are between 11 and 14 years of age. The project continued in the pre-clinical stage in 2007 as the composition of the candidate prototype vaccine for further development was identified.

Cytomegalovirus (CMV) Preliminary data from the proof of concept study to assess the prevention of congenital infection are encouraging. Preparation for expanded clinical trials is ongoing.

Tuberculosis Statens Serum Institute of Denmark (SSI) has granted sanofi pasteur a license to its technology with regard to the use of certain fusion proteins in the development of a tuberculosis vaccine. The license from SSI includes access to the Intercell IC31[®] adjuvant. The SSI tuberculosis vaccine candidate is a recombinant protein sub-unit currently in a Phase I clinical trial. A previous study in adults indicated the candidate SSI sub-unit vaccine to be safe and immunogenic. If the development is successful, sanofi pasteur would manufacture and commercialize the vaccine. Tuberculosis causes the death of two million people worldwide each year.

Cancer The cancer vaccine program is focusing on developing therapeutic vaccines for melanoma and colorectal cancers through specific activation of the immune system to destroy cancer cells. Previous Phase I clinical studies using the proprietary ALVAC (canary poxvirus) technology on patients with melanoma and colorectal cancer showed a favorable safety profile. The incidence and mortality of cutaneous malignant melanoma have risen dramatically over the past several decades and fighting melanoma remains an unmet medical need. Evidence suggests that manipulation of the immune response against melanoma may be therapeutic. Preparation for the multi site Phase I/II trial was the primary focus in 2007; clinical evaluation is expected to be initiated in 2008. Sanofi Pasteur also supports the development of TroVax[®], an alternative therapeutic vaccine approach made available through an exclusive global license between sanofi aventis and Oxford Biomedica to develop and commercialize TroVax[®] (poxvirus (MVA) to deliver tumor antigen 5T4). Colorectal cancer and renal cell carcinoma are the lead indications for TroVax[®] development (See Sanofi-Aventis Research and Development Achievements in 2007 Project Highlights Oncology above).

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HIV Sanofi Pasteur continues to take part in the global efforts made to develop an HIV vaccine. In the nearly 20 years since sanofi pasteur's HIV vaccine development program was established, the company has collaborated with a number of leading governmental agencies and pharmaceutical companies on many aspects of the program. We have seen the value of these partnerships in research, clinical study design and implementation and believe they will be crucial to help overcome development challenges.

A recombinant canarypox vaccine, ALVAC-HIV, is currently in Phase III in Thailand. The trial is a collaboration between the U.S. Army, the National Institute of Allergy and Infectious Diseases of the NIH, the Ministry of Public Health of Thailand, sanofi pasteur and Vaxgen. More than 16,000 volunteers, the largest number in any HIV vaccine trial, have been enrolled in the Thai trial. The vaccination phase was completed in July 2006. Following a formal interim analysis and futility assessment in mid 2007, the Data and Safety Monitoring Board (DSMB) recommended that the trial continue. The next DSMB meeting is scheduled for mid 2008. Final results are expected mid 2009.

Patents, Intellectual Property and Other Rights

Patent Protection

We own a broad portfolio of patents, patent applications and patent licenses worldwide. These patents are of various types and may cover:

active ingredients;

pharmaceutical formulations;

product manufacturing processes;

intermediate chemical compounds used in manufacturing;

therapeutic indications;

delivery systems; and

enabling technologies, such as assays.

Patent protection for individual products typically extends for 20 years from the patent filing date in countries where we seek patent protection. A substantial part of the 20 year life span of a patent on a new chemical entity has generally passed before the related product obtains marketing approval, resulting in an effective period of patent protection which is significantly shorter for an approved product's active ingredient. In some cases, this period of effective protection may be further extended, in particular by procedures established to compensate significant regulatory delay in Europe (a supplementary protection certificate, SPC), the United States (a Patent Term Extension, PTE) and Japan (PTE).

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The product may benefit from the protection of additional patents, including patents obtained after the product's initial marketing approval. The protection a patent affords the related product depends upon the type of patent and its scope of coverage, and may also vary from country to country. In Europe for instance, applications for new patents are submitted to the European Patent Office (EPO), an intergovernmental organization which centralizes filing and prosecution. As of January 2008, an EPO patent application may cover the 34 EP Convention member states including all 27 member states of the European Union. The granted European patent establishes corresponding national patents with uniform protection among the member states. However, some older patents were not approved through this centralized process, resulting in patents having scopes of protection for the same invention that differ by country. Additionally, a number of patents prosecuted through the EPO may pre-date the EP Convention accession of some current EP Convention member states, resulting in different treatment in those countries.

We monitor our competitors and vigorously seek to challenge patent and trademark infringements.

The expiration or loss of a product patent may result in significant competition from generic products and, particularly in the United States, can result in a dramatic reduction in sales of the original branded product. In some cases, it is possible to continue to obtain commercial benefits from product manufacturing trade secrets,

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patents on processes and intermediates for the economical manufacture of the active ingredients, and patents for special formulations of the product or for delivery systems. Certain categories of products, such as traditional vaccines and insulins, have been historically relatively less reliant on patent protection and may in many cases have no patent coverage, although it is increasingly frequent for novel vaccines and insulins to be patent protected.

One of the main limitations on our operations in some countries outside the United States and Europe is the lack of effective intellectual property protection for our products. Under international agreements in recent years, global protection of intellectual property rights is improving. The TRIPS Agreement (Trade-Related Aspects of Intellectual Property Rights), which forms part of the General Agreement on Tariffs and Trade, has required developing countries to amend their intellectual property laws to provide patent protection for pharmaceutical products since January 1, 2005 although it provides a limited number of developing countries an extension to 2016. While the situation has gradually improved, the lack of protection for intellectual property rights poses difficulties in certain countries. Additionally, in recent years a number of countries faced with health crises have waived or threatened to waive intellectual property protection for specific products, for example through compulsory licensing.

Regulatory Exclusivity

In some markets, including the European Union and the United States, many of our products may also benefit from multi-year regulatory exclusivity periods, during which a generic competitor may not rely upon our clinical trial and safety data in its drug application. Exclusivity is meant to encourage investment in research and development by providing innovators the exclusive use of the innovation represented by a newly approved drug product for a limited time. This exclusivity operates independently of patent protection and may protect the product from generic competition even if the patent on the active ingredient for the approved product has expired.

In the United States, the FDA will not grant final marketing approval to a generic competitor until the expiration of the regulatory exclusivity period (generally 5 years) that commences upon the first marketing authorization of the reference product. It will accept the filing of an Abbreviated New Drug Application (ANDA) containing a patent challenge a year before the end of this regulatory exclusivity period (see the descriptions of ANDAs, below). In addition to this exclusivity granted to new drug products, significant line extensions of existing products may qualify for an additional 3-year regulatory exclusivity. Also under certain limited conditions it is possible to extend any unexpired U.S. regulatory and patent-related exclusivities by a pediatric extension. See *Pediatric Extension*, below).

In the European Union, generic drug applications will not be accepted for 8 years after the first marketing authorization (data exclusivity) or approved for marketing for 10 years after the first marketing authorization of the reference product (marketing exclusivity). These exclusivities may be extended in some cases. While this exclusivity is intended to be applicable throughout the European Union, some competitors and national authorities have taken the position that EU marketing exclusivities need not always be applied by individual countries having recently acceded to the European Union, notably where generics had been approved by such country prior to its accession date. For example, on a basis contested by sanofi-aventis, Polish and Bulgarian authorities registered generics of clopidogrel bisulfate in 2006 despite the fact that European marketing exclusivity for Plavix® does not expire until July 2008 including for these countries.

Essentially no data protection is available in Canada for products for which the first marketing authorization (NOC) issued before June 2006. A generic drug application for marketing in Canada will not be accepted for 6 years after the first NOC or approved for marketing for 8 years after the first marketing authorization but only for products where the first NOC issued after June 2006. The 8 year period can be extended to 8.5 years with a pediatric extension.

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In Japan, the regulatory exclusivity period varies from 4 years (for medicinal products with new indications, formulations, dosages, or compositions with related prescriptions) to 6 years (for new drugs containing a medicinal composition, or requiring a new route of administration) to 8 years (for drugs containing a new chemical entity) to 10 years (for orphan drugs or new drugs requiring pharmaco-epidemiological study).

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Pediatric Extension

In the United States and Europe under certain conditions it is possible to extend a product's regulatory exclusivities for an additional period of time by providing data regarding pediatric studies. In the United States this also extends any FDA exclusivities related to the product's patents.

In the United States, the FDA may ask for pediatric studies if it has determined that information related to the use of the drugs in the pediatric population may produce health benefits. The FDA has invited us by written request to provide additional pediatric data on several of our top fifteen products. Under the Hatch-Waxman Act, timely provision of data meeting the FDA's requirements may result in the FDA treating the product as if its regulatory exclusivity and patent life had been extended by 6 months, to the extent these protections have not already expired (the so-called pediatric exclusivity). The Top 15 products having received past FDA grants of pediatric exclusivity are Aprovel[®], Lantus[®], Amaryl[®], Allegra[®], Eloxatine[®], and Ambien[®]/Ambien CR[®]. Written requests have also been issued to us with respect to Plavix[®] and Lovenox[®].

In Europe a new regulation on pediatric medicines entered into force on January 26, 2007. This regulation provides for the progressive implementation through 2009 of pediatric research obligations with associated possible rewards including an extension of patent protection (for patented medicinal products) and regulatory exclusivity for pediatric marketing authorization (for off-patent medicinal products). For additional details, see Regulation below.

Japanese regulations do not currently offer the possibility of similar extensions in exchange for pediatric study results.

Product Overview

We summarize below the intellectual property coverage in our major markets of the products described above at Principal Pharmaceutical Products. In the discussion of patents below, we focus on U.S. patents listed in the FDA's list of Approved Drug Products with Therapeutic Equivalence Evaluations (the Orange Book) because these patents are the most relevant in the event of an application by a competitor to produce a generic version of one of our products or the equivalent of these patents in other countries (see Challenges to Patented Products, below). In some cases, products may also benefit from pending patent applications and from patents not eligible for Orange Book listing (e.g., patents claiming industrial processes). In each case below, we specify whether the active ingredient is claimed by an unexpired patent. Where patent terms have been extended to compensate for regulatory delay, the extended dates are presented below. U.S. patent expirations presented below reflect U.S. Patent and Trademark Office dates, and therefore do not reflect six-month pediatric extensions to the FDA's Orange Book dates for the products concerned (Aprovel[®], Lantus[®], Amaryl[®], Eloxatine[®], Stilnox[®]/Ambien CR[®] and Allegra[®]). References below to patent protection in Europe indicate the existence of relevant patents in most major markets in the European Union. Specific situations may vary country by country, most notably with respect to older patents and to countries recently acceding to the European Union. See Patents, above.

We additionally set out any regulatory exclusivity from which these products continue to benefit in the United States or European Union. Regulatory exclusivities presented below incorporate any pediatric extensions obtained. While EU regulatory exclusivity is intended to be applied throughout the European Union, its application in some cases has been imperfect. See Regulatory Exclusivity, above.

Lovenox[®] (enoxaparin sodium). For Lovenox[®] our principal U.S. patent claims the active ingredient and expires in 2012. This patent was declared unenforceable in February 2007 by a U.S. District Court decision which sanofi-aventis has appealed. In Japan, the active ingredient is not patent protected, but the product benefits from regulatory exclusivity until January 2016. Lovenox[®] continues to benefit from patent

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protection in a number of significant markets outside the United States and Japan under patents claiming the active ingredient and expiring in or about 2012, depending on the country.

Plavix[®] (clopidogrel bisulfate). In the United States, *Plavix*[®] benefits from three patents, one covering the crystalline form 1 of the active ingredient expiring in 2011 and two covering the crystalline form 2 each expiring in 2019. The U.S. Form 1 patent was recently upheld by a U.S. District Court decision, which is being appealed by the defendants. In Europe, the product benefits from national patents derived from two European patents,

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expiring respectively in 2013 and 2019, and relating to form 1 and form 2 of clopidogrel bisulfate. In Japan, form 1 of the active ingredient is claimed by a patent expiring in 2013 and the form 2 of the active ingredient by a patent expiring in 2020.

Aprovel® (irbesartan). Aprovel®'s active ingredient is claimed by patents expiring in the United States in 2011, in Europe in 2012 and in Japan in 2016.

Tritace® (ramipril). The active ingredient of Tritace® is no longer claimed by a patent. Other patents, including formulation and method of use, remain in force in a number of countries. In Canada, a generic of this product was recently launched at risk notwithstanding unexpired patent coverage.

Lantus® (insulin glargine). The patent covering Lantus®'s active ingredient runs to 2014 in Europe, the United States and Japan.

Amaryl® (glimpiride). In the United States, this product does not benefit from any Orange-Book patents or regulatory exclusivity. Outside the United States, we have neither patent protection nor regulatory exclusivity for this product in our principal markets.

Acomplia® (rimonabant). A patent claiming the active ingredient expires in most countries in November 2014. The protection in Europe has been extended via SPC until 2019. In the United States, the patent expiration in April 2014 is expected to benefit from a Patent Term Extension (PTE) period of up to 5 years, the exact duration of which is to be determined only after FDA approval. The product benefits from additional patent coverage ranging through 2022.

Taxotere® (docetaxel). Taxotere®'s active ingredient is protected in the United States and Europe until 2010 and in Japan until 2012, and the product benefits from additional patent coverage ranging through 2013.

Eloxatine® (oxaliplatin). We do not own most Eloxatine® patents but license them from Debiopharm for marketing. The patent covering the active ingredient has expired, but other patents remain in force in our principal markets related to the lyophilized and/or solution formulations and having expiration dates ranging through 2016. Notwithstanding the unexpired patents, a number of generic versions of the lyophilized formulation have recently been launched in Europe. In the United States, Eloxatine® benefited from regulatory exclusivity through February 2008.

Stilnox® (zolpidem tartrate). The patent claiming Stilnox®'s active ingredient has expired in all major markets. However the Group holds a U.S. patent expiring in 2019 covering the formulation of Ambien CR®, which was launched in the United States in 2005. Because of regulatory exclusivity in the United States, as extended by pediatric exclusivities obtained in late 2006, the FDA may not approve a generic of the controlled release formulation Ambien CR® before March 2009.

Copaxone® (glatiramer acetate). Sanofi-aventis has licensed Copaxone® from Teva, with which we co-promote the product (see Alliances below). In both the United States and Europe the patents claiming the active ingredient expire after the respective termination dates of the relevant licenses.

Depakine® (sodium valproate). The patent claiming Depakine®'s active ingredient has expired in all major markets where we commercialize this product.

Allegra® (fexofenadine hydrochloride). Although different presentations of Allegra® are covered by a number of formulation, method of use and other patents including a U.S. patent claiming a particular crystalline form having expiration dates ranging through 2017, the original patent claiming Allegra®'s active ingredient has expired in all major markets. Notwithstanding the unexpired patents, generic fexofenadine hydrochloride tablets have been launched at risk in the United States. In Japan, Allegra® benefits from multiple process and formulation patents running through 2015.

Nasacort® (triamcinolone acetonide). The active ingredient of this product is no longer protected by a patent. In the United States, the Group holds a method of use and a formulation patent, each expiring in 2016. The corresponding European patent expires in 2017.

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Xatral[®] (alfuzosin hydrochloride). This product's active ingredient is not patent protected. A formulation patent remains in force through 2017 in Europe, the United States and Japan. In the United States, sanofi-aventis benefits from regulatory exclusivity for this product, expiring in June 2008 which prevented the submission for review of a paragraph IV ANDA prior to June 2007.

Actonel[®] (risedronate sodium). We commercialize Actonel[®] with Procter & Gamble Pharmaceuticals, which holds the NDA and the patents for this product in the United States. The U.S. patent on the active ingredient expires in December 2013, and a number of other patents having expiration dates ranging through 2018 cover this product. In Europe, the compound patent has expired in some national markets, but remains in force through December 2010 in a number of countries including France, Germany, the United Kingdom, and Italy. Additional patent coverage in Europe is provided by formulation patents with expiration dates in 2012 and 2018 as well as a process patent.

As disclosed in Note D.22.b) to our consolidated financial statements included at Item 18 of this report, we are involved in significant litigation concerning the patent protection of a number of products including Lovenox[®], Plavix[®], Tritace[®], Eloxatine[®], Taxotere[®], Ambien CR[®], Allegra[®], Nasacort[®], Xatral[®], and Actonel[®]. We caution the reader that there can be no assurance that we will prevail when we assert a patent in litigation and that there may be instances in which the Group determines that it does not have a sufficient basis to assert one or more of the patents mentioned in this report, for example in cases where a competitor proposes a formulation not appearing to fall within the claims of our formulation patent, a salt or crystalline form not claimed by our composition of matter patent, or an indication not covered by our method of use patent.

Challenges to Patented Products

In the United States, companies have filed Abbreviated New Drug Applications (ANDAs), containing challenges to patents related to a number of our products. An ANDA is an application by a drug manufacturer to receive authority to market a generic version of another company's approved product, by demonstrating that the purportedly generic version has the same properties as the original approved product. An ANDA relies on the safety and other technical data of the original approved product, and does not generally require the generic manufacturer to conduct clinical trials (thus the name abbreviated new drug application), presenting a significant benefit in terms of time and cost. As a result of regulatory protection of our safety and other technical data, the ANDA may generally be filed only 5 years following the initial U.S. marketing authorization of the original product. This period is reduced to 4 years if the ANDA includes a challenge to a patent listed in the FDA's list of Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book, and owned by or licensed to the manufacturer of the original version. However, in such a case if the patent holder or licensee brings suit in response to the patent challenge within the statutory window, then the FDA is barred from granting a final approval to an ANDA during the 30 months following the patent challenge (this bar being referred to in our industry as a 30 month stay), unless, before the end of the 30 months, a court decision or settlement has determined either that the ANDA does not infringe the listed patent or that the listed patent is invalid and/or unenforceable. FDA approval of an ANDA after this 30 month period does not resolve outstanding patent disputes, but it does remove the regulatory impediments to a product launch by a generic manufacturer willing to take the risk of later being ordered to pay damages to the patent holder. Procedures comparable to the ANDA exist in other major markets.

In Canada, an Abbreviated New Drug Submission may be filed with respect to a generic version of an existing drug only after data exclusivity has expired, and a stay on regulatory approval of a generic for up to 24 months may be obtained if a listed patent is asserted.

In the European Union, a generic drug manufacturer may reference the data of the regulatory file for the original approved product after data exclusivity has expired. However, there is no patent listing system in Europe comparable to the Orange Book, which would allow the patent holder to bar the competent authorities from granting the marketing approval by bringing patent infringement litigation prior to approval. As a result, generic products may be approved for marketing following the expiration of marketing exclusivity without regard to the patentee's rights.

Nevertheless, in most of these jurisdictions once the product is launched and in some jurisdictions already before (once launch is imminent), the patentee can seek an injunction against this marketing if its patents are

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infringed. See Item 8. Financial Information – A. Consolidated Financial Statements and Other Information – Information on Legal or Arbitral Proceedings – and Note D.22.b) to our consolidated financial statements included at Item 18 of this annual report.

The accelerated ANDA-type procedures are potentially applicable to most, but not all, of the products we manufacture. See Regulation below. We seek to defend our patent rights vigorously in these cases. Success or failure in the assertion of a given patent against one competing product is not necessarily predictive of the future success or failure in the assertion of the same patent – or a fortiori the corresponding foreign patent against a second competing product because of such factors as possible differences in the formulations of the competing products, intervening developments in law or jurisprudence, local variations in the patents and differences in national patent law and legal systems.

Trademarks

Our products are sold around the world under brand-name trademarks that we consider to be of material importance in the aggregate. It is our policy to register our trademarks worldwide, and to monitor the trademarks in our portfolio and defend them worldwide.

The degree of trademark protection varies country by country, as each state implements its own laws applicable to trademarks used in its territory. In most countries, trademark rights may only be obtained by registration. In some countries, trademark protection is primarily based on use. Registrations are granted for a fixed term (in most cases ten years) and are renewable indefinitely, but in some instances may be subject to the continued use of the trademark. When trademark protection is based on use, it covers the products and services for which the trademark is used. When trademark protection is based on registration, it covers only the products and services designated in the registration. Additionally, in certain cases, we may enter into a coexistence agreement with a third-party that owns potentially conflicting rights in order to better protect and defend our trademarks.

Production and Raw Materials

Our principal manufacturing processes consist of three stages: the manufacture of active ingredients, the incorporation of those ingredients into products, and packaging.

We generally develop and manufacture the active ingredients that we use in our products. We have a general policy of producing the active ingredients for our principal products at our own plants in order to minimize our dependence on external manufacturers and control the product throughout the production cycle. Although in some cases we outsource certain production elements, we are committed to this general principle.

The production of the active ingredients used in Stilnox[®], Kerlone[®], Xatral[®], Solian[®] and Tildiem[®] is partly outsourced to Dynamit Nobel, a company to which we sold the related facilities in 2001.

Among our other key products, we also depend on third parties in connection with the manufacture of Eloxatine[®]. Under the terms of our license agreement, we purchase the active ingredient from Debiopharm, and the production of the finished lyophilized product is outsourced to two manufacturers. The manufacturing of the liquid form of Eloxatine[®] is conducted at our facility in Dagenham (United Kingdom).

Under our partnership with BMS, a multi-sourcing organization and security stock are in place for Plavix® / clopidogrel bisulfate and Aprovel® / irbesartan.

In mid-2004, we sold the chemical manufacturing plant at Villeneuve-la-Garenne to PCAS. As a consequence we now outsource a part of the chemical activity linked with Lovenox® to PCAS (early stages of chemical synthesis), pursuant to a six-year outsourcing agreement.

In connection with the acquisition of Aventis, we divested our interests in Arixtra® and Fraxiparine®. Our facility at Notre-Dame de Bondeville, which produces those two products, was sold to GlaxoSmithKline on September 1, 2004. This plant also manufactures other formulations of products like Elitek®, Tranxene®, and Depakine® under a supply agreement until September 2009.

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For historical reasons the production of some of our products, mainly non-strategic, is outsourced to external manufacturers. Our main subcontractors are Patheon, Famar, Catalent, Haupt and Sofarimex. These subcontractors are required to follow our guidelines in terms of quality, logistics and other criteria.

Our main European production facilities are located in France, Germany, Italy, Spain, the United Kingdom and Hungary. In North America, we run two facilities in the United States (Kansas City and Saint Louis) and one in Canada (Laval). We have one plant in Japan (Kawagoe) and additional facilities located in many other parts of the world.

All our facilities are Good Manufacturing Practices (GMP) compliant in accordance with international guidelines. Our main facilities are also FDA approved, including our facilities in Ambarès, Tours, Le Trait, Maisons-Alfort and Compiègne in France, Dagenham and Holmes Chapel in the United Kingdom, Frankfurt in Germany, Veresegyhaz in Hungary, Saint Louis and Kansas City in the United States and Laval in Canada. Wherever possible, we seek to have multiple plants approved for the production of key active ingredients and finished products.

To carry out the production of Vaccines, sanofi pasteur uses a wide industrial operations network, with sites located in North America, France, China, Thailand and Argentina.

More details about our manufacturing sites are set forth below under D. Property, Plant and Equipment .

Health, Safety and Environment (HSE)

The manufacturing and research operations of sanofi-aventis are subject to increasingly stringent health, safety and environmental laws and regulations. These laws and regulations are complex and rapidly changing, and sanofi-aventis incurs the spending necessary to comply with them. This investment, aimed at respecting health, safety and the environment, varies from year to year and totaled approximately 104 million in 2007.

The applicable environmental laws and regulations may require sanofi-aventis to eradicate or reduce the effects of chemical substance usage and release at its various sites. The sites in question may belong to the company, be currently operational, or they may have been owned or operational in the past. Under some of these laws and regulations, a current or previous owner or operator of a property may be held liable for the costs of removal or remediation of hazardous substances on, under or in its property, or transported from its property to third party sites, without regard to whether the owner or operator knew of, or under certain circumstances caused the presence of the contaminants, or at the time site operations occurred, discharging those substances was authorized.

Moreover, as for a number of companies involved in the pharmaceutical, chemical and agrochemical industries, soil and groundwater contamination has occurred at some company sites in the past, and may still occur or be discovered at others. In the Group's case, such sites are mainly located in the United States, Canada, Germany, France, Brazil, Japan, Italy and United Kingdom. As part of a program of environmental audits conducted over the last few years, detailed assessments of the risk of soil and subsoil contamination have been carried out at current and former company sites. In cooperation with national and local authorities, the Group constantly assesses the rehabilitation work required and this work has been implemented when appropriate. Long-term rehabilitation work is in progress in Rochester, Cincinnati, Mount-Pleasant, Ambler and Portland in the United States; Frankfurt in Germany; Décines, Valernes, Limay, Beaucaire and Rousset in France; Brindisi in Italy; and on a number of sites divested to third parties and covered by contractual environmental guarantees granted by sanofi-aventis. Sanofi-aventis may also

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have potential liability for investigation and cleanup at several other sites. Provisions have been established for the sites already identified and to cover contractual guarantees for environmental liabilities for sites that have been divested. For example, in 2007 the State of New Jersey initiated a claim against Bayer CropScience seeking compensation for damages caused to natural resources (NRD) at a former Rhône-Poulenc site in the United States, resulting in indemnification claims by Bayer CropScience against the Group under contractual environmental guarantees granted at the time of Bayer's acquisition of the CropScience business. Similar cases involving other sites formerly owned by the Group cannot be excluded in the future. Potential environmental contingencies arising from certain business divestitures are described in Note D.22.e) to the consolidated financial statements included at Item 18 of this annual report. In 2007, sanofi-aventis spent more than 45 million on rehabilitating sites previously contaminated by ground

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pollution. As of December 2007, the most in-depth review possible was carried out of the legacy of environmental pollution. In light of data collected during this review, the Group adjusted the provisions to approximately 494 million as at December 31, 2007.

Because of the evolution of environmental regulations governing site remediation the Group's provisions for remediation obligations may not be adequate due to the multiple factors involved, such as the complexity of operational or previously operational sites, the nature of claims received, the rehabilitation techniques considered, the planned timetable for rehabilitation, and the outcome of discussions with national Regulatory Authorities or other potentially responsible parties, as in the case of multiparty sites. Given the long industrial history of some of our sites and the legacy obligations of Aventis arising from its past involvement in the chemical and agrochemical industries, it is impossible to quantify the future impact of these laws and regulations with precision.

To our knowledge, the Group is not currently subject to liabilities for non-compliance with current HSE laws and regulations that could be expected to significantly jeopardize its activities, financial situation or operating income. We also believe that we are in substantial compliance with current HSE laws and regulations and that all the environmental permits required to operate our facilities have been obtained. Regular HSE audits (54 in 2007) are carried out by the Group in order to detect possible instances of non-compliance with regulations and to initiate corrective measures. Moreover, 62 loss prevention technical visits were carried out in 2007.

Sanofi-aventis has implemented a worldwide policy on health, safety and the environment to promote the health and well-being of the employees and contractors working on its sites and respect for the environment. We consider this policy to be an integral part of our commitment to social responsibility. In order to implement this policy, 77 rules have been drawn up in the key fields of HSE management, Good HSE Practices, safety in the workplace, process safety, industrial hygiene, health in the workplace and protection of the environment.

Health

From the development of compounds to the commercial launch of new drugs, sanofi-aventis research scientists continuously assess the effect of products on people's health. This expertise is made available to employees through two committees responsible for chemical and biological risk assessment. The COVALIS committee classifies all chemical and pharmaceutical products handled within the Group and establishes workplace exposure limits for each of them. The TRIBIO Committee is responsible for classifying all biological agents according to their degree of pathogenicity, and applies rules for their containment and the preventive measures to be respected throughout the Group.

Appropriate Industrial Hygiene practices and programs are defined and implemented in each site. These practices consist essentially of containment measures of collective and individual protection against exposure in all workplaces where chemical substances or biological agents are handled. All personnel are monitored with an appropriate initial and routine medical program, focused on the potential occupational health risks linked to their duties.

Safety

Sanofi-aventis has a rigorous policy to identify and evaluate risks and to develop preventive measures, and methods for checking their efficacy. Additionally, sanofi-aventis invests in training that is designed to instill in all employees a sense of concern for safety, regardless of their duties. These policies are implemented on a worldwide scale to ensure the safety of all employees and to protect their health. Each project, whether in research, development or manufacturing, is subject to evaluation procedures, incorporating the chemical substance and process data

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communicated by the COVALIS and TRIBIO committees described above. The preventive measures are designed primarily to reduce the number and seriousness of work accidents and to minimize exposures involving permanent and temporary sanofi-aventis employees as well as our sub-contractors. In addition, a committee has been set up to prepare and support the implementation of the new European Union REACH regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals.

The French chemical manufacturing sites in Aramon, Neuville-sur-Saône, Saint-Aubin-lès-Elbeuf, Sisteron, Vertolaye and Vitry, as well as the plants located in the Hoechst Industry Park in Frankfurt, Germany, and the chemical production site in Budapest, Hungary, are listed Seveso II (from the name of the European directive

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that deals with potentially dangerous sites through a list of activities and substances associated with classification thresholds). In accordance with the French law on technological risk prevention, the French sites are also subject to heightened security inspections in light of the toxic or flammable materials stored on the sites and used in the operating processes.

Risk assessments of processes and their installations are drawn up according to standards and internal guidelines incorporating the best state-of-the-art benchmarks for the industry. These assessments are used to fulfill regulatory requirements and are regularly updated. Particular attention is paid to any risk-generating changes: process or installation changes, as well as changes in production scale and transfers between industrial or research units.

The laboratories which specialize in process safety testing, which are an integral part of our chemical development activities, apply methods to obtain the physico-chemical parameters of manufactured chemical substances (intermediate chemical compounds and active ingredients) and apply models to measure the effect of potentially leachable substances in the event of a major accident. In these laboratories the parameters for qualifying hazardous reactions are also determined to define scale-up process conditions while transferring from development stage to industrial scale. All these data ensure the relevance of the risk assessments.

We believe that the safety management systems implemented at each site, the hazard studies carried out and the risk management methods implemented, as well as the insurance policies covering any third-party material damages, are consistent with legal requirements and the best practices in the industry.

Environment

The main objectives of the environmental policy of sanofi-aventis are to implement clean manufacturing techniques, minimize the use of natural resources and reduce the environmental impact of its activities. In order to optimize and improve our environmental performance, sanofi-aventis is committed to progressively obtaining ISO 14001 certification. Thirty-five manufacturing sites and three Research & Development sites are currently certified. This commitment is part of a strategy of continuous improvement practiced at all Group sites through the annual implementation of HSE progress plans. We believe that this strategy clearly expresses the commitment of both management and individuals to health, safety and the environment. Thanks to capital expenditures updating plants and improving efficiency, four of the Group's European sites are no longer in the scope of the European CO₂ Emissions Trading Scheme, which is aimed at helping to reach the targets set by the Kyoto protocol. As of January 1, 2008, only six of the Group's European sites were still included in the scheme.

The recent efforts of the Group in terms of environmental protection have mainly targeted reductions in energy consumption, greenhouse gas emissions control, improvements in the performance of water treatment installations, reduction of volatile organic compound emissions, raw material savings and recycling, and reductions in waste materials or increases in the percentage being recycled. In 2007, we managed to control and in some fields substantially improve our performance in terms of consumption and waste measured in relation to our activity levels.

In order to assess the environmental impact of the drug substances found in products marketed by sanofi-aventis, a committee of experts called ECOVAL has been set up to develop an environmental risk assessment methodology, and to run programs to collect the necessary data for such assessments. Because they predated current regulations, additional ecotoxicity assessments were performed in 2006-2007 on six substances in order to obtain information that was not gathered when they were launched (as regulatory requirements were different at that time) and evaluate environmental risks resulting from their use by patients.

Markets

Segment information relating to 2005, 2006 and 2007 can be found at Note D.35 to our consolidated financial statements included at item 18 of this annual report.

Marketing and Distribution

Sanofi-aventis has a commercial presence in approximately 100 countries, and our products are available in more than 170. Our top five national markets in terms of net sales are, respectively, the United States, France, Germany, Italy and Japan.

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A breakdown of our sales by geographic market is presented in Item 5. Operating and Financial Review and Prospects Results of Operations Year Ended December 31, 2007 Compared with Year Ended December 31, 2006. Accounting for almost half of global prescription drug sales, the United States is the world's largest pharmaceutical market and our single largest national market. In 2007, we generated 33.8% of our net sales in the United States. In Europe, our leading markets are France, Germany, Italy, United Kingdom and Spain. Japan, the world's second-largest national pharmaceutical market, accounted for 4.1% of our net sales in 2007 (source: IMS 2007 sales, all monthly available channels).

Although specific distribution patterns vary by country, we sell prescription drugs primarily to wholesale drug distributors, independent and chain retail drug outlets, hospitals, clinics, managed care organizations and government institutions. With the notable exception of OTC products, these drugs are ordinarily dispensed to the patients by pharmacies upon presentation of a doctor's prescription.

We have a global sales force of 35,115 representatives, including approximately 11,600 in Europe, 8,400 in the United States, 1,700 in Japan and 2,000 in China.

Our medical sales representatives, who work closely with health care professionals, use their expertise to promote and provide information on our drugs. These representatives embody our values on a day-to-day basis and are required to adhere to a code of ethics. This commitment extends to promoting and providing information not only on the latest therapeutic advances but also on our mature products, which provide the foundation for satisfying major therapeutic needs. With regard to this commitment, we initiated a worldwide project at the beginning of 2007 aimed at increasing our sales forces' competitiveness and productivity. This resulted in the deployment of new management tools and the building of a more customer-focused selling model.

Our sales forces directly promote our products to physicians and pharmacists. As most pharmaceutical companies do, we also market and promote our products through a variety of advertising, public relations and promotional tools. We regularly advertise in medical journals and exhibit at major medical congresses. In some countries, some of our products are also marketed directly to patients by way of television, radio, newspapers and magazines. We sometimes use specific media channels to market our products. National advertising campaigns are used to enhance awareness of conditions such as deep vein thrombosis, osteoporosis, uncontrolled diabetes, influenza and peripheral arterial disease in markets such as Germany, France and the United States.

Although we market most of our products with our own sales forces, we have entered into and continue to form partnerships to co-promote/co-market certain products in specific geographic areas. Our major alliances are detailed below under Alliances .

Our Vaccines are sold and distributed through multiple channels, including physicians, pharmacies and distributors in the private sector, and governmental entities and non-governmental organizations in the public and international donor markets, respectively.

Alliances

We have three major alliances through which four of our top 15 products are marketed. The first, with Bristol-Myers Squibb, governs the development and marketing of Plavix® and Aprove1®. The second, with Procter & Gamble Pharmaceuticals, governs the development and commercialization of Actonel®. The third is a marketing agreement with Teva Pharmaceutical Industries regarding Copaxone®.

The financial impact of our principal alliances on our financial condition or results of operations is significant and is described under Item 5. Operating and Financial Review and Prospects Financial Presentation of Alliances.

Bristol-Myers Squibb (BMS)

We market Plavix® and Aprovel® through a series of alliances with BMS. The alliance agreements include marketing and financial arrangements that vary depending on the country in which the products are marketed.

There are three principal marketing arrangements that are used in the BMS alliance:

co-marketing: each company markets the products independently under its own brand names;

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exclusive marketing: one company has the exclusive right to market the products; and

co-promotion: the products are marketed through the alliance arrangements (either by contractual arrangements or by separate entities) under a single brand name.

Under the alliance arrangements, there are two territories, one under our operational management and the other under the operational management of BMS. The territory under our operational management consists of Europe and most of Africa and Asia, while the territory under the operational management of BMS consists of the rest of the world excluding Japan. In Japan, Aprovel[®] is under development through agreements between BMS and the Japanese pharmaceutical company Shionogi Pharmaceuticals. Since July 2006, BMS has sublicensed its Japanese rights to irbesartan to Dainippon Sumitomo Pharma Co. Ltd. The BMS alliance does not cover rights to Plavix[®] in Japan.

In the territory under our operational management, the marketing arrangements are as follows:

we use the co-promotion system for most of the countries of Western Europe for Aprovel[®] and Plavix[®] and for certain Asian countries for Plavix[®];

we use the co-marketing system in Germany, Spain and Greece for both Aprovel[®] and Plavix[®] and in Italy for Aprovel[®]; and

we have the exclusive right to market Aprovel[®] and Plavix[®] in Eastern Europe, Africa and the Middle East, and we have the exclusive right to market Aprovel[®] in Asia (excluding Japan). Since September 2006 we have had the exclusive right to market Aprovel[®] in Scandinavia and in Ireland.

In the territory under BMS operational management, the marketing arrangements are as follows:

we use the co-promotion system in the United States and Canada, where the products are sold through the alliances under the operational management of BMS;

we use the co-marketing system in Brazil, Mexico, Argentina and Australia for Plavix[®] and Aprovel[®] and in Colombia only for Plavix[®]; and

we have the exclusive right to market the products in certain other countries of Latin America.

In countries where the products are marketed by BMS on a co-marketing basis, or through alliances under the operational management of BMS, we often sell the active ingredients for the products to BMS or such entities.

Procter & Gamble Pharmaceuticals (P&G)

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We in-license Actonel[®] from P&G. An alliance with P&G was concluded in April 1997 for the co-development and marketing of Actonel[®]. The 1997 agreements were amended in October 2004 following the acquisition of Aventis by sanofi-aventis, and again in December 2007 with respect to the marketing rights for Actonel[®] in certain countries in Europe.

The alliance agreement with P&G includes the development and marketing arrangements for Actonel[®] worldwide (except Japan). The ongoing R&D costs for the product are shared equally between the parties, while the marketing arrangements vary depending on the country in which the product is marketed.

Under the alliance arrangements with P&G, there are five principal territories with different marketing arrangements:

co-promotion territory: the product is jointly marketed through the alliance arrangements under the brand name Actonel[®] with sales booked by P&G. The co-promotion territory includes the United States, Canada and France. Germany, Belgium and Luxemburg were also included until December 31, 2007 and the Netherlands until March 31, 2008;

secondary co-promotion territory: the product is jointly marketed through the alliance arrangements under the brand name Actonel[®] with sales booked by sanofi-aventis. The secondary co-promotion territory includes the United Kingdom, Ireland, Sweden, Finland, Greece, Switzerland, Austria, Portugal and Australia. P&G may also at a later date exercise an option to co-promote the product in Denmark, Norway, Mexico and/or Brazil;

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co-marketing territory: each company markets the products independently under its own brand name. This territory currently includes Italy. In Italy the product is sold under the brand name Actonel[®] by P&G and under the brand name Optinate[®] by sanofi-aventis. Each company also markets the product independently under its own brand name in Spain, although Spain is not included in the co-marketing territory; the product is marketed in Spain under the brand name Acrel[®] by P&G and under the brand name Actonel[®] by sanofi-aventis;

P&G only territory: the product has been marketed by P&G independently under the brand name Actonel[®] in Germany, Belgium and Luxemburg since January 1, 2008 and will be marketed independently by P&G in the Netherlands starting April 1, 2008; and

sanofi-aventis only territory: the product is marketed by sanofi-aventis independently under the brand name Actonel[®] or another agreed trademark in all other territories.

Teva Pharmaceutical Industries (Teva)

We in-license Copaxone[®] from Teva and market it through an alliance agreement with Teva, which was originally concluded in 1995, and has been amended several times, most recently in 2005.

Under the alliance agreement with Teva, marketing and financial arrangements vary depending on the country in which the products are marketed.

Outside the United States and Canada, there are two principal marketing arrangements under the Teva alliance:

exclusive marketing: we have the exclusive right to market the product. This system is used in a number of European countries (Portugal, Italy, Greece, Finland, Denmark, Sweden, Norway, Iceland, Ireland, Luxemburg, Poland, Lichtenstein, Switzerland), Australia and New Zealand; and

co-promotion: the product is marketed through the alliance arrangements under a single brand name. We use the co-promotion system in Germany, the United Kingdom, France, the Netherlands, Austria, Belgium, the Czech Republic and Spain.

In the United States and Canada, Copaxone[®] is being sold and distributed by sanofi-aventis but marketed by Teva until March 31, 2008. From this date on Teva will assume the Copaxone[®] business, including sales of the product, in the United States and Canada. Sanofi-aventis will no longer share certain marketing expenses and, for a period of two years, will receive from Teva a royalty of 25% of sales in these markets.

Competition

The pharmaceutical industry is currently experiencing significant changes in its competitive environment. Innovative drugs, a broad product range, and a presence in all geographical markets are key factors in maintaining a strong position relative to the competition.

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There are four types of competition in the pharmaceutical market:

competition between pharmaceutical companies to research and develop new patented products or new therapeutic indications;

competition between different patented pharmaceutical products marketed for the same therapeutic indication;

competition between original and bioequivalent generic products and biosimilars at the end of patent protection; and

competition between generic products.

We compete with other pharmaceutical companies in all major markets to develop innovative new products. We may develop new technologies and new patented products wholly in-house, but we also enter into collaborative R&D agreements in order to access new technologies.

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Our prescription drugs compete in all major markets against patented drugs from major pharmaceutical companies like Abbott in benign prostatic hyperplasia and antiobesity; AstraZeneca in cardiovascular disease, hypertension and oncology; Boehringer-Ingelheim in atherothrombosis and benign prostatic hyperplasia; Bristol-Myers Squibb in oncology; Eli Lilly in osteoporosis, diabetes and oncology; GlaxoSmithKline in oncology, allergies, diabetes and thrombosis; Merck & Co. in hypertension, osteoporosis, diabetes and benign prostatic hyperplasia; Novartis in hypertension and oncology; Novo Nordisk in diabetes; Pfizer in antibiotics, oncology, thrombosis and allergies; and Roche in oncology and antiobesity.

In our Vaccines business, we compete primarily with Merck & Co, GlaxoSmithKline and Novartis.

We also face competition from generic drugs that enter the market when our patent protection or regulatory exclusivity expires, or when we lose a patent infringement lawsuit (see Patents, Intellectual Property and Other Rights above). Similarly, when a competing patented drug from another pharmaceutical company faces generic competition, these generic products can also affect the competitive environment of our own patented product.

Competition from producers of generics has increased sharply in response to healthcare cost containment measures and to the increased number of products going off patent.

Generics manufacturers who have received all necessary regulatory approvals for a product may decide to launch a generic version before the patent expiry date. This may occur notwithstanding the fact that the owner of the original product may already have commenced patent infringement litigation against the generics manufacturer. Such launches are said to be at risk for the promoter of the generic product because of the risk it will be required to pay substantial damages to the owner of the original product; however, they may also significantly impair the profitability of the pharmaceutical company whose product is challenged.

Another competitive issue drugs manufacturers are facing is the increasing incidence of parallel trade, also known as reimportation. This takes place when drugs sold abroad under the same brand name as in a domestic market are then imported into that domestic market by parallel traders, who may repackage or resize the original product or sell it through alternative channels such as mail order or the internet. This issue is of particular relevance to the European Union, where these practices have been encouraged by the current regulatory framework. Parallel traders take advantage of the price differentials between markets for a product arising from factors including sales costs, market conditions (such as intermediate trading stages), tax rates, or national regulation of prices.

Finally, pharmaceutical companies face illegal competition from counterfeit drugs. The WHO estimates that counterfeit products account for 10% of the market worldwide, rising to as much as 30% in some countries. However, in markets where powerful regulatory controls are in place, counterfeit drugs are estimated to represent less than 1% of market value. The WHO also estimates that 50% of sales over the internet are of counterfeit drugs.

Note: The following market shares and ranking information is based on sales data from IMS Health MIDAS, retail and hospital, for calendar year 2007, in constant euros (unless otherwise indicated). For more information, see Presentation of Financial and Other Information above.

United States

We rank tenth in the United States with a 3.46% market share.

Key events in 2007 were:

- introduction of generics of Ambien® IR in April;
- strong performances from Lantus® and Lovenox®;
- the workdown over the first half of the year of the inventories held in distribution channels of a generic clopidogrel bisulfate, launched at risk in August 2006 and competing with Plavix®, and the recovery of Plavix® sales since the end of the second quarter of 2007.

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France

We are France's leading pharmaceutical company, but were affected during 2007 by growing competition from generics for several of our products and public authorities' cost containment measures.

Our market share is 13.6%. Plavix[®], Lovenox[®], Taxotere[®] and Lantus[®] are the top-selling products in their respective fields.

Germany

We rank second in Germany, with a 6.0% market share. Our major products are Plavix[®], Lovenox[®], and the diabetes treatments Insuman[®] and Lantus[®].

We were affected by the generification of Eloxatine[®] and public authorities' cost containment measures.

Japan

We rank fourteenth in Japan with a 2.3% market share, representing a sharp rise versus 2006, with a strong contribution from Plavix[®].

Our main products are Allegra[®], Amaryl[®], Ancaron[®], Taxotere[®] and Stilnox[®] (zolpidem tartrate), sold under the brand name Myslee[®].

Main events for the year 2007 were:

February 2007: termination of co-promotion of Plavix[®] with Daiichi Sankyo Co., Ltd., the rights being taken back by sanofi-aventis;

October 2007: transfer to sanofi-aventis of commercial rights for Panaldine[®] (ticlopidine) from Daiichi Sankyo Co., Ltd.;

December 31, 2007 : transfer to sanofi-aventis of commercial rights for seven products licensed to Chugai: Amoban[®] (zopiclone), Rythmodan[®] (disopyramide), Preran[®] (trandolapril), Benambax[®] (pentamidine), Cefotax[®] (cefotaxime), Acetanol[®] (acebutolol), Menamin[®] (ketoprofen);

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December 31, 2007: transfer to sanofi-aventis of certain rights for Myslee®.

Lovenox® was approved in Japan in its first indication in January 2008 under the brand name Clexane® (See Principal pharmaceutical products Thrombosis Lovenox®/Clexane® above).

Regulation

The global production and distribution of pharmaceuticals is highly regulated. National and supranational regulatory authorities administer a vast array of laws, directives and regulations which dictate the pre-approval testing, and the quality standards, in order to ensure safety and efficacy of a new drug. These authorities also regulate product labeling, manufacturing, importation/exportation and marketing as well as post-approval commitments which the product manufacturer is required to honor.

Of significant importance are the requirements to obtain approval for a pharmaceutical product from a country's national regulatory authority prior to marketing in that country and to maintain the dossier thereafter. These regulatory requirements are key in determining whether an active ingredient will be developed into a marketable product, as well as the amount of time and expense associated with such a development program.

The submission of an application to a regulatory authority does not guarantee product approval, or that a license to market the product will be granted. Furthermore, each regulatory authority may impose its own requirements during product review. It may refuse to grant approval, or may require additional data before and also after granting an approval, even though the relevant product has already been approved in one or several other countries. Regulatory authorities also have administrative powers to determine product recalls, seizure of products and other penalties for violations of regulations.

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Europe, the United States and Japan all have high standards for pharmaceutical technical appraisal. Product approval usually takes one to two years, but depending on the country it can vary from six months to, in some cases, several years from the date of application. Factors such as the quality of data submitted, the degree of control exercised by the regulatory authority, the review procedures, the nature of the product and the condition to be treated, play a major role in the length of time a product is under review.

In recent years, intensive efforts have been made among the United States, the European Union and Japan to harmonize product development and regulatory submission requirements. Many pharmaceutical companies are now able to prepare and submit a common technical document (CTD) that can be used in each jurisdiction for a particular product with only local or regional adaptation.

However, the requirement of many countries (including Japan and several Member States of the European Union) to negotiate selling prices or reimbursement rates for pharmaceutical products with government regulators can substantially extend the time for market entry to long after initial marketing approval is granted. While marketing authorizations for new pharmaceutical products in the European Union have been substantially centralized with the European Medicines Agency (EMA), pricing and reimbursement remain a matter of national competence. See Pricing & Reimbursement below.

In the European Union, there are three main procedures by which to apply for marketing authorization:

the Centralized Procedure is compulsory for medicinal products derived from biotechnology and for drugs intended to treat certain conditions and is also available at the request of companies for any other innovative products. In the Centralized Procedure the license application is submitted directly to the EMA. The Committee for Medicinal Products (CHMP) evaluates the application for human use. The European Commission makes the final binding decision. Once granted, an approval via the Centralized Procedure is valid throughout the European Union without further action and the drug may be marketed within all European Union member states;

the Mutual Recognition Procedure (MRP) operates by having one country (*i.e.*, the Reference Member State, RMS) carry out the primary evaluation of a new compound. Once the first license is granted by the RMS, other European Union member states (Concerned Member States, CMS) must then decide whether they will accept, request clarifications or reject the approval granted by the RMS; and

the Decentralized Procedure applies to products that have not yet obtained a marketing authorization in a European member state. The key procedural difference compared to the Mutual Recognition Procedure is that an initial evaluation is done by the RMS with all the CMS being involved earlier in the process by contributing to the draft assessment report.

The EMA has introduced a series of initiatives aiming at improving the openness and the transparency of its activities, such as procedures dealing with the publication of the European Public Assessment Report (for approved, withdrawn or rejected projects), which will now be more detailed. New initiatives are being proposed with regard to the publication of question and answer documents and of safety bulletins on medicines for human use.

National authorizations are still possible, but are only for products intended for commercialization in a single EU Member State, or for line extensions to existing national product licenses.

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A new regulation in pediatric development came into force in January 2007 with implementation ongoing until 2009. It is aimed at promoting the development of drugs well adapted to children and ensuring safe use in the pediatric population. Incentives are proposed such as extension of SPC (Summary of Product Characteristics) or data protection for PUMA (Pediatric Use Marketing Authorization)

In the United States, applications for drug approval are submitted for review by the U.S. Food and Drug Administration (FDA). The FDA has broad regulatory powers over all pharmaceutical products that are intended for sale and marketing in the United States. To commercialize a product in the United States, a New Drug Application (NDA) is filed with the FDA with data that sufficiently demonstrate the drug's quality, safety and efficacy. Specifically, the FDA must decide whether the drug is safe and effective for its proposed use, if the benefits of the drug's use outweigh its risks, whether the drug's labeling is adequate, and if the manufacturing of the drug and the controls used for maintaining quality are adequate to preserve the drug's identity, strength, quality and purity. Based upon this review, the FDA can require post-approval commitments. Approval for a new indication of a previously registered drug requires the submission of a supplemental NDA (sNDA).

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Pharmaceutical manufacturers have committed to publishing protocols and results of clinical studies performed with their compounds in publicly accessible registries (Clinical Trials Registry and Clinical Trial Results Registry).

Once marketing authorization is granted, the new drug may be prescribed by physicians. Thereafter, the drug owner must submit periodic reports to the regulatory authorities including assessment of adverse reactions. For some medications, regulatory authorities may require additional studies to evaluate long-term effects or to gather information on the use of the product under special conditions. In addition, manufacturing facilities must be approved by regulatory authorities, and are subject to periodic inspections. Non-U.S. manufacturing facilities that export products for sale in the United States must be approved by the FDA in addition to local regulatory approvals, and are also subject to periodic FDA inspections.

In the United States, generic drug manufacturers may file an Abbreviated NDA (ANDA). These applications are abbreviated because they are generally not required to include preclinical data, such as animal studies and human clinical data to establish safety and effectiveness. Instead, generic manufacturers need to demonstrate that their product is bioequivalent, i.e., that it performs in humans in the same manner as the innovator's product. Consequently, the length of time and cost required for development of such product can be considerably less than for the innovator's drug. See Patents, Intellectual Property and Other Rights, above, for additional information. The ANDA procedures in the United States can be used for pharmaceutical products classified as drugs.

The *Food and Drug Administration Amendments Act of 2007* (FDAAA) was signed in law in September 2007. Currently, the U.S. Congress is considering Technical Amendments to the FDAAA, which are corrections and clarifications of the original law. At the same time, the FDA has developed performance goals and procedures for the implementation of the new law. In the near future, the FDA Office of Chief Council will decide which provisions of the new law can be implemented directly by the FDA and which will require new regulations for the FDA to perform their new duties.

In Japan, the regulatory authorities can require local development studies; they can also request bridging studies to verify that foreign clinical data are applicable to Japanese patients and also require data to determine the appropriateness of the dosages for Japanese patients. In the past, these additional procedures have created differences of several years in the registration dates of some of our products in Japan compared to our other major countries.

Pricing & Reimbursement

In most markets in which we operate, governments exercise some degree of control over pharmaceutical prices. The nature of these controls and their effect on the pharmaceutical industry vary greatly from country to country. In recent years, national healthcare reimbursement policies have become more stringent in a number of countries in which we do business as part of an overall effort to reduce the cost of healthcare. Different methods are applied to both the demand and supply side to control pharmaceutical costs, such as reference pricing, patient co-payment requirements, reimbursement limitations and volume containment measures, depending on the country. Especially in the EU Member States, the accumulation of controls and the cross-fertilization among countries are major trends combined with various policies in each country.

We believe that governments will continue to enact measures in the future aimed at reducing the cost of pharmaceutical products. It cannot be predicted with certainty what future effects the various pharmaceutical price control efforts will have on our business. These efforts could have significant adverse consequences for the pharmaceutical industry as a whole and, consequently, also for sanofi-aventis. Stricter budgeting and price controls, incorporation of patent protected drugs into national reference price systems, changes to approved drug lists and other similar measures may continue to occur in the future. We expect that reward for innovation will stagnate and may decrease and that market access

delays, rebates/payback mechanisms and the lack of transparency and objectivity will continue and may increase.

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United States

The United States does not have a universal regulatory drug pricing control system. However, public and private third-party payers in the United States increasingly pursue cost-containment, through such measures as: (i) higher patient co-payments for brand products; (ii) step therapy (also known as “fail first”, a protocol under which a brand product may be prescribed and reimbursed only if therapy has already failed using at least one low-cost generic drug); and (iii) requirements that a prescriber obtain third-party payer authorization prior to prescribing certain medications. As these measures become more widespread, the cumulative effect is the construction in practice of positive and negative lists of drugs that will or will not be reimbursed by third-party payers.

The Medicare Part D program was initiated in 2006 to cover out-patient drugs for the elderly. Combined with Medicaid and other federal and state drug coverage programs, it puts the public sector on a par with the private health insurance sector in terms of total drug reimbursement. This federal program is implemented through third party market drug benefit providers utilizing formulary design and a discount negotiation process. As in private sector plans, benefit managers dynamically manage the formulary process to manage overall cost trends and utilization.

Some segments of the publicly funded drug market (military personnel and retirees and their dependents) as well as public health service programs (Medicaid, etc.) are greatly affected by government actions. Federal and state efforts to increase price transparency have led those market segments away from average wholesale price toward visible and reportable product pricing benchmarks (wholesale acquisition cost, average manufacturer price, average sales price). Moreover, individual state governments actively seek ways to further reduce the cost of pharmaceutical products; various methods are used, such as more formulary controls, preference for generic product usage, supplemental rebates for preferred access to their Medicaid formulary, etc.

France

In France, the government regulates cost containment through various measures.

The reimbursement status and the prices of all reimbursed products are administered and controlled by the High Authority for Health (Haute Autorité de Santé or HAS), created in 2005. The HAS is in charge of evaluating medicines and other forms of treatment, providing good clinical practice guidelines and offering periodically reviewed recommendations on reimbursement status. These could lead to withdrawal from the reimbursement list if the medical value is considered insufficient.

For most off-patent products, price control is mainly driven by the reference price system. Patients pay the difference, if any, between the product price and the reference price (usually based on the generic price). In parallel, for new innovative drugs, the principle of a “fast-track” procedure to set prices and provide reimbursement has been introduced. This measure can extend by many months the duration of commercialization for drugs under patent protection.

The Health Care Budget – including the Drug Budget – is determined annually by the Health Insurance Bill. A compensation mechanism has been set up in case of overspending.

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A tax on reimbursed products (set at 1% in 2007), incentives to substitute generics for branded medicines, price cuts and control over prescriptions are also used to better contain the drug budget.

Germany

Since the late 1980s, the German government has imposed a large range of supply- and demand-side restrictions intended to curb the level of overall spending on pharmaceuticals.

On- and off- patent drugs in specific therapeutic classes are subject to the reference pricing system. It requires patients to pay the difference between the actual price of the prescribed drug and the reimbursed price. In practice, patients are often not willing to pay the difference. As a result, pharmaceutical companies face the decision either to reduce prices to the reference price level or risk a substantial drop in prescriptions.

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Individual prescription limits for physicians were introduced in 2001, which have to be negotiated annually between the Statutory Health Insurance (SHI) and the National Association of SHI-accredited Physicians. The legislation is also aimed at increasing the prescription of generic and parallel imported drugs.

For non reference-priced products and also for some off-patent drugs, compulsory rebates have been applied by SHI since 2003 with fluctuating rates. In 2007 rebates amounted to 6% and 10% respectively.

Meanwhile, Germany's newly created Institute for Quality and Economic Efficiency (IQWiG) has begun to conduct Health Technology Assessments. It has been criticized as having cost-control, rather than health benefits, as its principal objective, using criteria lacking transparency and basing its assessments only on randomized clinical trials. IQWiG is an advisory body, but its recommendations have an impact on pricing and reimbursement decisions for innovative drugs, as seen in their evaluation on short-acting insulin analogs judged to have no therapeutic advantage over short-acting human insulin in the treatment of type 2 diabetes mellitus.

The new SHI Competition Enhancement Act was introduced in April 2007 and requires cost-benefit assessments to be made in line with international standards. This act has also dramatically increased the importance of rebate agreements with SHI through various new enforcement mechanisms. Amongst others, products with generic alternative are now subject to a mandatory substitution at pharmacy level by rebated drugs (aut idem rule) and SHI may cease or reduce patient co-payment for rebated products. On this basis, manufacturers have therefore started to negotiate such discount prices with SHI for their products with generic competition. So far, patented products have only been slightly affected by this new rule.

Japan

The Ministry for Health, Labor and Welfare (MHLW) controls the pricing of pharmaceutical products in Japan. The MHLW determines the reimbursement price paid by the National Health Insurance (NHI) to medical institutions for each prescription drug. Since the price at which medical institutions purchase drugs can be set at a lower price than the reimbursement price through negotiation with wholesalers, a gap may exist between the selling price and the NHI drug price. Every other year, the MHLW carries out a revision of drug reimbursement prices aimed at bringing NHI prices closer to market prices. The drug price for fiscal year 2008 will be reduced by 5.2% while the April 2006 price cut was on average 6.7%.

A government-private sector dialogue on the pharmaceutical industry started at the end of 2006. Its members are ministers from MHLW, METI (Ministry of Economy, Trade and Industry), MEXT (Ministry of Education, Culture, Sports, Science and Technology), and representatives from academia and pharmaceutical manufacturers. The continuation of this dialogue, which highlighted the importance of innovation for the nation's healthcare, was reaffirmed recently.

The New Pharmaceutical Industry Vision including a 5-year action plan was published in August 2007 with the aim of further strengthening Japan's global competitiveness in this area. Appropriate evaluation of innovation is one of the key tasks in the government's Five-Year Strategy for Creation of Innovative Drugs and Medical Devices. Similarly and for the first time, a Vision for Vaccines was drafted and sent a positive signal towards improving market access conditions for vaccines in Japan. These reports stress the importance of resolving the existing Drug Lag (*i.e.*, therapeutically important drugs already available in major countries but not yet available in Japan) and some steps have already been taken to resolve it, such as the recruitment of qualified reviewers at the Pharmaceutical and Medical Devices Agency (PMDA). As a result of industry

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pressure, the data protection period for New Chemical Entities (NCEs) has been extended from 6 years to 8 years.

Meanwhile, the government Basic Policy aims to double the generic volume share to 30% in the next 5 years. The implementation of some practical measures supporting this objective, such as a biannual listing of new generics and a change in the script format, has already begun.

Italy

A new public body, the Italian medicines agency (AIFA), has taken over all the responsibilities covering medicine approval, pricing and reimbursement, as well as pharmaceutical expenditure in general since 2004. The AIFA has the authority to reassess the reimbursement list on an annual basis.

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After a succession of price cuts in 2006 to compensate the overspending of the previous years, the financial law for 2007 introduced the possibility of substituting a payback due in installments for the 5% price discount in force since October 2006. This applies to all commercialized drugs belonging to reimbursement Classes A (100% reimbursement) and H (hospital only drugs).

This measure has been maintained in 2008 alongside a more structural reform providing in particular for the definition of a budget per company, the definition of the NHS budget for retail and hospital markets and the allocation of responsibility / liability for budget overspend between companies and regions. This reform is also introducing a specific budget for innovative products (the degree of innovation being decided by the central Authorities). AIFA is also going to encourage investment in R&D and Production in the Italian market (Accordi di Programma published in November 2007).

In addition to the AIFA regulation, several Italian regions continue to enforce initiatives to contain local drug expenditures, such as for hospitals to provide drugs for out-patient use. However, the AIFA has not allowed for the possibility of setting up regional reference prices.

In January 2008, the free-market pricing rules for non-prescription products (OTC and other) came into force, allowing sale through mass distribution channels (e.g., supermarkets) in addition to the traditional pharmacy.

United Kingdom

The Department of Health has the power, set forth in the Health Act 1999, to limit prices of pharmaceuticals and control the profits of pharmaceutical companies. A five-year price-regulation agreement called the Pharmaceutical Price Regulation Scheme (PPRS) was concluded between the industry association and the Department of Health.

Within a framework relating to profit, manufacturers are free to set initial prices but restricted in making subsequent price changes. In November 2004 the Department of Health announced that it had re-negotiated the PPRS for the next five years for the period through 2010. This includes an overall 7% price cut, which the companies can achieve by modulating reductions on their products covered by PPRS. In August 2007, the Department of Health announced its intention to renegotiate the current PPRS, prior to the expiry of the current agreement in 2010. Negotiations with the Industry Association have commenced and the expectation is that a revised agreement will be concluded during 2008.

The 192 Primary Care Trusts operating in the United Kingdom increasingly define their own prescription guidelines. These Primary Care Trusts largely follow the guidelines of the national health authorities, but the timing of implementation can vary among Trusts. In England, the National Institute for Health and Clinical Excellence (NICE) is empowered to issue guidelines in relation to therapeutic areas and guidance on the clinical effectiveness and cost effectiveness of particular treatments. Guidance by NICE influences the extent to which supply of the product is financed within the National Health Service. Under public and industry pressure, NICE adopted a fast-track appraisal system for life-saving drugs that could lead to faster adoption of innovative drugs by the National Health Service. In Scotland, the role of NICE is performed by the Scottish Medicines Consortium (SMC).

Spain

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The Spanish health care system has traditionally offered beneficiaries favorable reimbursement terms for prescription drugs. Nevertheless, drug prices are generally lower than in other major markets. Companies must negotiate the price of a reimbursable drug with the Central Government.

Unlike in previous years, no across-the-board price cut occurred in 2007 (4.2% and 2.0% reductions had taken place in 2005 and 2006 respectively), but the new reference price system was implemented. In the latest Order of Reference Prices in December 2007, the Government announced significant savings for the National Health System in 2008.

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In addition, the still recent decentralization of the health care system is significantly influencing the development of the market, as regional governments have sought greater control over pricing and reimbursement and to monitor their health budget through various cost-containment measures or incentives.

Insurance and Risk coverage

We have four main insurance programs. This insurance is provided by corporate insurance and reinsurance companies, a mutual insurance company formed by various pharmaceutical groups, and CARRAIG, our captive insurance company.

The Property & Business Interruption insurance program covers all of our sites. This program also includes efforts to improve safety and security.

The Stock & Transit program protects all of our goods, regardless of type, when shipped domestically or internationally by any means of transport, and also covers our inventories wherever they may be. This program also includes efforts to improve safety and security.

The General Liability & Product Liability program was renewed last May, despite the increasing reluctance of insurers and reinsurers to cover the product liability risk of large pharmaceutical groups. Because of these market conditions we reduced our coverage under this program by excluding certain products, accepting various restrictions, and also by increasing our exposure. Due to heavy exposure in the United States, our coverage includes differentiated limits.

The Directors & Officers Liability program protects all of the Group's directors and officers.

These insurance programs are backed by best in class insurance and reinsurance groups and cover the consolidated Group. The amounts of coverage have been adjusted in accordance with our risk profile and insurance market conditions. This centralization of insurance coverage not only reduces costs but also gives local entities access to world-class coverage.

Animal Health: Merial

Merial, a 50-50 joint venture with Merck & Co. Inc., is one of the world's leading animal healthcare companies dedicated to the research, development, manufacture and delivery of innovative pharmaceuticals and vaccines used by veterinarians, farmers and pet owners.

The animal healthcare product range comprises four major segments: parasiticides, anti-infectious drugs, other pharmaceutical products (such as anti-inflammatory agents, anti-ulcerous agents, etc.) and vaccines. The company's top-selling products include Frontline®, a topical anti-parasitic flea and tick brand for dogs and cats, as well as Ivomec®, a parasiticide for the control of internal and external parasites in livestock, Heartgard®, a parasiticide for control of heartworm in companion animals, and Eprinex®, a parasiticide for use in cattle. As provided for in the license

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contract we stopped receiving royalties on Frontline[®] sales as of January 1, 2007.

Merial's major markets are the United States, France, Italy, the United Kingdom, Brazil, Australia, Japan, Germany, Spain and Canada.

Merial operates through a network of 16 production sites, with major sites located in France, the United States, Brazil and China. The major R&D sites are located in France and in the United States. Merial employs approximately 5,400 employees worldwide.

In October 2007, Merial acquired ANCARE, a private company based in New Zealand, specialized in the development and marketing of parasiticides for ruminants.

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Sanofi-aventis is the holding company of a consolidated group of subsidiaries. The table below sets forth our significant subsidiaries and affiliates as of December 31, 2007. For a complete list of our main consolidated subsidiaries, see Note E to our consolidated financial statements, included in this annual report at Item 18.

Significant Subsidiary or Affiliate	Country	Ownership Interest
Aventis Inc.	United States	100%
Aventis Pharma SA	France	100%
Hoechst GmbH	Germany	100%
Sanofi-aventis Amerique du Nord S.N.C.	France	100%
Sanofi-aventis Deutschland GmbH	Germany	100%
Sanofi-Pasteur Inc	United States	100%
Sanofi-Synthelabo Inc.	United States	100%
Sanofi-aventis U.S. LLC	United States	100%
Sanofi-aventis U.S. Inc	United States	100%
Sanofi-aventis France S.A.	France	100%
Sanofi Winthrop Industries S.A.	France	100%
Sanofi-aventis Europe S.A.S.	France	100%

Sanofi-aventis and its subsidiaries form a Group, organized around two business segments: pharmaceutical products and human vaccines.

During 2007, we continued the rationalization of our legal structure which we began in 2005. As part of this process equity holdings were transferred between Group entities.

The patents and trademarks of the pharmaceuticals activity are primarily owned by the sanofi-aventis parent company, Aventis Pharma SA (France) and Sanofi-Aventis Deutschland GmbH (Germany).

Within the Group, the holding company oversees research and development activities, by defining strategic priorities, coordinating work, and taking out the industrial property rights under its own name and at its own expense. In order to fulfill this role, sanofi-aventis subcontracts research and development to its specialized French and foreign subsidiaries, in many cases licensing its patents, manufacturing know-how and trademarks. In these cases, the licensee subsidiaries manufacture and distribute the Group's products, either directly or via local distribution entities.

In several countries, sanofi-aventis carries out part of its business operations through ventures with local partners. In addition, the Group has signed worldwide alliances by which two of its products (Plavix[®] and Aprovel[®]) are marketed through an alliance with BMS (see Alliances, above).

For most Group subsidiaries, sanofi-aventis provides financing and centrally manages their cash surpluses. Under the alliance arrangement with BMS, cash surpluses and cash needs arising within alliance entities give rise to symmetrical monthly transfers between the two groups. The

holding company also operates a centralized foreign exchange risk management system, which enters into positions to manage the operational risks of its main subsidiaries.

D. Property, Plant and Equipment

Our worldwide headquarters and principal executive offices are located in Paris, France. Our U.S. headquarters are located in Bridgewater, New Jersey.

We operate our business through offices and research, production and logistics facilities on approximately 700 sites worldwide. All our support functions operate out of our office premises.

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A breakdown of these sites by function, ownership/leasehold status, and location (France and worldwide) is provided below. Breakdowns are based on surface area. All surface area figures are unaudited.

Breakdown of sites by function (France and Worldwide)

	France	Worldwide
Industrial	53%	55%
Research	25%	14%
Offices	16%	24%
Logistics	6%	7%

Research and development sites for the Pharmaceutical Activity

Research and Development activities are housed at 27 sites:

13 sites in France, the largest in terms of surface area being in Vitry/Alfortville (approximately 96,000 m²), Chilly-Mazarin (73,000 m²), Montpellier (77,000 m²) and Toulouse (38,000 m²).

7 sites in other European countries (Germany, United Kingdom, Hungary and Italy), the largest being in Frankfurt, Germany (84,000 m²).

5 sites in the United States, the largest being in Bridgewater, New Jersey (111,000 m²).

2 sites in Japan, in Tokyo and Kawagoe.

Industrial sites for the Pharmaceutical Activity

Production of chemical and pharmaceutical products is the responsibility of the Industrial Affairs Directorate, which is also in charge of most of our logistics facilities (distribution and storage centers).

We have 72 industrial sites worldwide. The sites where the major sanofi-aventis drugs, active ingredients and medical devices are manufactured are:

France: Ambarès (Plavix[®], Aprovel[®], Depakine[®]), Aramon (irbesartan), Le Trait (Lovenox[®]), Maisons Alfort (Lovenox[®]), Quetigny (Stilnox[®], Plavix[®]), Sisteron (clopidogrel bisulfate), Tours (Stilnox[®], Aprovel[®], Xatral[®], Acomplia[®]), Vitry (docetaxel)

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Germany: Frankfurt (insulins, ramipril, telithromycin, Lantus[®], Tritace[®], pens)

Italy: Scoppito (Tritace[®], Amaryl[®])

United Kingdom: Dagenham (Taxotere[®]), Fawdon (Plavix[®], Aprovel[®]), Holmes Chapel (Nasacort[®])

Hungary: Ujpest (irbesartan), Csanyikvölgy (Lovenox[®])

United States: Kansas City (Allegra[®], Amaryl[®])

Sanofi Pasteur Sites

The headquarters of our Vaccines subsidiary sanofi pasteur are located in Lyon, France. Their capacity was increased by 4,800 m² in 2007. Sanofi Pasteur's Research and Development sites are located in Swiftwater (United States), Toronto (Canada) and Marcy l'Etoile (France). Sanofi Pasteur has industrial sites located in France (Marcy l'Etoile, Val de Reuil), in North America (Swiftwater, Pennsylvania, United States; Toronto, Canada), in China (Shenzhen), Thailand (Bangkok) and Argentina (Pilar).

Breakdown of sites between owned and leased (worldwide)

Leased	71%
Owned	29%

We own most of sanofi pasteur's Research & Development and production sites, either freehold or under finance leases with a purchase option exercisable at expiration.

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The carrying amount of our property, plant and equipment at December 31, 2007 was 6,538 million. During 2007, we invested 1,335 million (see note D.3 to the consolidated financial statements) in increasing capacity and improving productivity at our various production and R&D sites.

We believe that our production plants and research facilities are in full compliance with regulatory requirements, well maintained, and generally adequate to meet our needs for the foreseeable future. However, we review our production facilities on a regular basis with regard to environmental, health, safety and security issues, quality compliance, and capacity utilization. For more information about our property, plant and equipment, see Note D.3 to the consolidated financial statements.

Capital Expenditures and Divestitures

The Group's principal capital expenditures and divestitures for the years 2007, 2006 and 2005 are set out in this report at Item 5. Operating and Financial Review and Prospects Divestments, Acquisitions and Liquidity and Capital Resources and in the notes to the consolidated financial statements (Note D.1., Significant Acquisitions and Note D.2., Significant Divestments).

Our principal investments in progress are related to the Vaccines activity with the construction of a formulation and filling facility in Val de Reuil, France, to boost filling capabilities, mainly for influenza vaccines.

We believe that our existing cash resources and unused credit facilities will be sufficient to finance these investments.

Item 4A. Unresolved Staff Comments

N/A

Item 5. Operating and Financial Review and Prospects

You should read the following discussion in conjunction with our consolidated financial statements and the notes thereto included in this annual report at Item 18.

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with IFRS adopted by the European Union as of December 31, 2007.

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The following discussion contains forward-looking statements that involve inherent risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements. See [Cautionary Statement Regarding Forward-Looking Statements](#) at the beginning of this document.

2007 Overview

During 2007, the Group demonstrated its ability to respond to the challenges and constraints of the pharmaceutical environment to deliver another solid performance.

While the year saw the introduction of generics of Ambien® IR in the United States and Eloxatine® in Europe, there were many positive developments. Our flagship products such as Lovenox®, Plavix®, Lantus® and Taxotere® recorded very strong performances, and we enjoyed significant growth in a number of geographical regions, especially Japan and the BRIC-M regions (Brazil, Russia, India, China, Mexico). Our human vaccines (Vaccines) business remained buoyant. These factors helped us generate net sales of 28,052 million in 2007, an increase of 2.8% on a comparable basis relative to 2006.

In June 2007, we prevailed in the patent infringement action brought against a generics company relating to Plavix® in the United States. As the stock of generic product sold at risk in 2006 and early 2007 worked its way through the market, this product regained its market ranking from the end of the first half.

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In 2007 we pursued an active acquisitions policy. In oncology, we acquired the rights to the TroVax[®] therapeutic vaccine developed by Oxford BioMedica. In vaccines, we have recently contracted an alliance with Acambis plc to develop a vaccine against West Nile virus. At the end of November, we signed a major agreement with Regeneron Pharmaceuticals (Regeneron) to develop and market therapeutic human antibodies, which we believe to be one of the most promising fields in the pharmaceutical industry. In Japan, we continued to consolidate our market positions by purchasing out the rights to some of our products that had previously been licensed out to local pharmaceutical companies.

In an environment characterized by competition from generics and downward pressure on prices, we continued with our cost adaptation policy, initiated in Europe and the United States in 2006. Selling and general expenses represented only 26.9% of our net sales in 2007, compared with 28.3% in 2006 (-1.4 points of net sales).

Operating income before restructuring, impairment of property, plant and equipment and intangibles, gains/losses on disposals, and litigation rose by 6.6% in absolute terms in 2007, to 6,106 million (+1.6 points of net sales).

Operating income rose by 22.4% to 5,911 million (+4.1 points of net sales). Impairment losses charged against intangible assets amounted to 58 million in 2007, compared with 953 million in 2006.

Net income attributable to equity holders of the company for 2007 was 5,263 million, against 4,006 million for 2006. Our adjusted net income amounted to 7,110 million in 2007, 1.0% higher than the 2006 figure of 7,040 million.

Adjusted net income is a non-GAAP financial measure which our management uses to monitor our operational performance, and which is defined at Sources of Revenues and Expenses Adjusted Net Income, below.

Earnings per share (EPS) for the year ended December 31, 2007 was 3.91, compared with 2.97 for 2006 (based on an average number of shares outstanding of 1,346.9 million in 2007 and 1,346.8 million in 2006).

Adjusted earnings per share (adjusted EPS) was 5.28 for 2007, 1.0% higher than the 2006 figure of 5.23.

Our operations generate significant cash flow. We recorded 7,106 million of net cash provided by operating activities in 2007 against 6,604 million in 2006. In 2004, we incurred significant debt to finance the acquisition of Aventis. As of year end 2007, we have reimbursed a substantial portion of this debt. In terms of financial position, we ended 2007 with our debt, net of cash and cash equivalents (meaning the sum of short-term debt and long-term debt less cash and cash equivalents) reduced to 4.2 billion, after repurchasing our own shares for a total of 1.8 billion under the 3 billion share repurchase program approved by our Board of Directors on May 31, 2007. As of December 31, 2006, our debt, net of cash and cash equivalents amounted to 5.8 billion. Debt, net of cash and cash equivalents, is a financial indicator that is used by management and investors to measure the Company's overall net indebtedness and to assess the Company's financing risk as measured by its gearing ratio (debt, net of cash and cash equivalents, to shareholders' equity). The gearing ratio improved from 12.6% in 2006 to 9.5% in 2007. See Liquidity and Capital Resources Consolidated Balance Sheet and Debt, below.

Purchase Accounting Effects (primarily the acquisition of Aventis in 2004)

Our results of operations and financial condition for the years ended December 31, 2005, December 31, 2006 and December 31, 2007 have been significantly affected by our August 2004 acquisition of Aventis and certain subsequent transactions.

The acquisition gave rise to significant amortization (3,511 million in 2007, 3,866 million in 2006 and 3,925 million in 2005) and impairments of intangible assets (58 million in 2007, 946 million in 2006 and 965 million in 2005).

Gross margin was affected mainly in 2005 by the allocation of a portion of the purchase price to inventory at fair value.

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Similar effects were recorded in respect of associates (i.e. companies accounted for by the equity method).

In addition, we recorded significant restructuring charges in 2005 as a result of the acquisition.

In order to isolate the impact of these items, we use as an evaluation tool a non-GAAP financial measure that we refer to as adjusted net income. For a further discussion and definition of adjusted net income, see Sources of Revenues and Expenses Adjusted Net Income, below. For consistency of application of this principle, adjusted net income is also adjusted for the impact of the acquisition of a minority stake in Zentiva N.V. (purchased in 2006).

The components of our adjusted net income for 2005, 2006 and 2007 are shown in the table below:

<i>(million, except per share data)</i>	2007	2006	2005
Net income attributable to equity holders of the Company	5,263	4,006	2,258
Material accounting adjustments related to business combinations	1,847	2,969	3,462
- elimination of expense arising on the workdown of acquired inventories remeasured at fair value, net of tax		21	248
- elimination of expenses arising on amortization and impairment of intangible assets, net of tax (portion attributable to equity holders of the Company)	1,684 ⁽²⁾	2,935	3,156
- elimination of expenses arising from the impact of the acquisitions on equity investees (workdown of acquired inventory, amortization and impairment of intangible assets, and impairment of goodwill)	163 ⁽³⁾	13 ⁽⁴⁾	58
- elimination of impairment losses charged against goodwill			
Elimination of acquisition-related integration and restructuring charges, net of tax		65	615
Adjusted net income	7,110	7,040	6,335
Adjusted earnings per share (in euro)⁽¹⁾	5.28	5.23	4.74

(1) Based on 1,336.5 million shares for 2005, 1,346.8 million shares for 2006 and 1,346.9 million shares for 2007, representing the weighted average number of shares outstanding.

(2) After taking account of a gain of 566 million arising from the impact of cuts in tax rates (primarily in Germany) on deferred tax liabilities recognized in 2004 on the remeasurement of acquired intangible assets of Aventis.

(3) Includes the impact of the acquisition of Zentiva (108 million, including 102 million of impairment losses on the investment in Zentiva).

(4) Includes the impact of the acquisition of Zentiva (11 million), amortization and impairment (net of tax) relating to the acquisition of Aventis (97 million), and the reversal of a deferred tax liability on the investment in Merial (95 million).

Sources of Revenues and Expenses

Revenue. Revenue arising from the sale of goods is presented in the income statement under Net sales. Net sales comprise revenue from sales of pharmaceutical products, vaccines, and active ingredients, net of sales returns, of customer incentives and discounts, and of certain sales-based payments paid or payable to the healthcare authorities. Returns, discounts, incentives and rebates described above are recognized in the period in which the underlying sales are recognized, as a reduction of sales revenue. See Note B.14 to the consolidated financial statements included at Item 18 of this annual report. We sell pharmaceutical products and human vaccines directly, through alliances, and through licensees throughout

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the world. When we sell products directly, we record sales revenues as part of our consolidated net sales. When we sell products through alliances, the revenues reflected in our consolidated financial statements are based on the overall level of sales of the products and on the arrangements governing those alliances. For more information about our alliances, see Financial Presentation of Alliances, below. When we sell products through licensees, we receive royalty income that we record in Other revenues. See Note C to the consolidated financial statements included at Item 18 of this annual report.

Cost of Sales. Our cost of sales consists primarily of the cost of purchasing active ingredients and raw materials, labor and other costs relating to our manufacturing activities, packaging materials, payments made under licensing agreements and distribution costs. We have license agreements under which we distribute

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products that are patented by other companies and license agreements under which other companies distribute products that we have patented. When we pay royalties, we record them in cost of sales, and when we receive royalties, we record them in Other revenues as discussed above.

Adjusted Net Income. We believe that investors' understanding of our operational performance following the combination of Sanofi-Synthélabo and Aventis is enhanced by disclosing our adjusted net income.

We define adjusted net income, an unaudited non-GAAP financial measure, as net income attributable to equity holders of the Company determined under IFRS, adjusted to exclude (i) the material impacts of the application of purchase accounting to acquisitions (primarily the Aventis acquisition) and (ii) certain acquisition-related integration and restructuring costs. We view adjusted net income as an operating performance measure and believe that the most directly comparable IFRS measure is net income attributable to equity holders of the Company.

Non-GAAP adjusted net income excludes the effects of purchase-accounting treatment under IFRS related to acquisitions (primarily our acquisition of Aventis). We believe that excluding these non-cash charges will enhance an investor's understanding of our underlying economic performance after the combination with Aventis because we do not consider that the excluded charges reflect the combined entity's ongoing operating performance. Rather, we consider that each of the excluded charges reflects the decision to acquire the businesses concerned.

The purchase-accounting effects on net income primarily relate to:

the charges to cost of sales resulting from the workdown of acquired inventory that was written up to fair value, net of tax;

the charges related to the impairment of the goodwill; and

the charges related to the amortization and impairment of intangible assets, net of tax and minority interests.

For consistency of application of this principle, adjusted net income is also adjusted for the impact of the acquisition of a minority stake in Zentiva (purchased in 2006). The purchase-accounting effects on 2007 net income of this acquisition primarily relate to impairment losses on the investment in Zentiva (€102 million). The purchase-accounting effects on 2006 net income of the acquisition of Zentiva primarily relate to the charges to cost of sales resulting from the workdown of acquired inventory that was written up to fair value, net of tax and to the charges related to the amortization and impairment of Zentiva definite-lived intangible assets. Zentiva is accounted for as an associate using the equity method.

We believe (subject to the material limitations discussed below) that disclosing non-GAAP adjusted net income also enhances the comparability of our ongoing operating performance. The elimination of the non-recurring items, such as the increase in cost of sales arising from the workdown of inventories remeasured at fair value, improves comparability between one period and the next. Lastly, we believe that the elimination of charges related to the amortization of definite-lived intangible assets also enhances the comparability of our ongoing operating performance relative to our peers in the pharmaceutical industry that carry these intangible assets (principally patents and trademarks) at low book values either because they are the result of in-house research and development that has already been expensed in prior periods or because they were acquired through business combinations that were accounted for as poolings-of-interest.

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As a result of the acquisition of Aventis, we have incurred significant integration and restructuring costs. We believe it is appropriate to exclude these costs from non-GAAP adjusted net income because these integration and restructuring costs are directly and only incurred in connection with the acquisition of Aventis. As of year-end 2006, the Company had incurred all the announced integration and restructuring costs related to the acquisition of Aventis and the subsequent merger. No such cost was incurred in 2007.

Our management uses and intends to use non-GAAP adjusted net income to manage and to evaluate our performance and we believe it is appropriate to disclose this non-GAAP financial measure, as a supplement to our IFRS reporting, to assist investors with their analysis of the factors and trends affecting our business

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performance. We also report non-GAAP adjusted net income as a subtotal in reporting our segment information. See Note D.35 to our consolidated financial statements included in Item 18 of this annual report. Our management also uses the measure as a component in setting incentive compensation targets, because it better measures the underlying operational performance of the business and excludes charges over which managers have no control. Our management also uses adjusted net income as the basis for proposing dividend policy for the Group. Accordingly, management believes that an investor's understanding of trends in our dividend policy is enhanced by disclosing non-GAAP adjusted net income.

We have also decided to report adjusted earnings per share. Adjusted earnings per share is a specific financial indicator, which we define as adjusted net income divided by the weighted average number of shares outstanding. Our management also intends to give earnings guidance based on adjusted earnings per share.

We remind investors, however, that non-GAAP adjusted net income should not be considered in isolation from, or as a substitute for, net income reported in accordance with IFRS. In addition, we strongly encourage investors and potential investors not to rely on any single financial measure but to review our financial statements, including the notes thereto, and our other publicly filed reports, carefully and in their entirety.

There are material limitations associated with the use of non-GAAP adjusted net income as compared to the use of IFRS net income in evaluating our performance, as described below:

The results presented by non-GAAP adjusted net income cannot be achieved without incurring the following costs that the measure excludes:

Amortization of identifiable intangible assets acquired, primarily from Aventis. Although this amortization is a non-cash charge, it is important for investors to consider it because it represents an allocation in each reporting period of a portion of the purchase price that we paid for the identifiable intangible assets of Aventis (principally patents and trademarks). We paid an aggregate of 31,279 million for these intangible assets (which, in general, will be amortized over their useful lives, which represents an average amortization period of eight years). A large part of our revenues after the combination could not be generated without owning these assets. Also, a significant portion of the purchase price paid for these assets has been financed by debt obligations which will need to be repaid in cash in the future. Further, if we do not continuously replace revenue-generating intangible assets as they become unproductive (for example, through researching and developing new pharmaceutical products), we may not be able to maintain or grow our revenues.

Integration and restructuring costs. Non-GAAP adjusted net income does not reflect any integration and restructuring costs even though it reflects any synergies that arise from the merger of sanofi-aventis and Aventis.

The difference in treatment of similar charges may complicate the use of non-GAAP adjusted net income as a comparative measure:

Amortization of identifiable intangible assets. Non-GAAP adjusted net income reflects amortization charges related to intangible assets that we owned at the time that we acquired Aventis and to intangible assets that we may acquire after that acquisition, even though non-GAAP adjusted net income will not reflect the amortization charges related to identifiable intangible assets acquired from Aventis and potential future other business combinations.

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

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adjusted net income. In addition, subject to applicable law, we may in the future decide to report additional non-GAAP financial measures which, in combination with non-GAAP adjusted net income, may compensate further for some of the material limitations described above.

In determining the level of future dividend payments, and in analyzing dividend policy on the basis of non-GAAP adjusted net income, our management intends to take into account the fact that a significant portion (approximately 10.5 billion) of the purchase price we paid for Aventis (including the purchase price allocated to identifiable intangible assets and goodwill) has been financed with borrowed funds and that this borrowed money

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will have to be repaid in cash in the medium term (to the extent not already repaid). See [Liquidity and Capital Resources](#) [Consolidated Balance Sheet and Debt](#), [below](#). Further, our management intends to take into account the fact that the adjustments reflected in non-GAAP adjusted net income have no effect on the underlying amount of cash available to pay dividends, and that although the adjustments relating to the elimination of the effect of the purchase accounting treatment of the Aventis acquisition and other acquisitions represent non-cash charges, the adjustments relating to integration and restructuring costs represent significant cash charges in the periods immediately following the closing of the acquisition.

This Item 5 contains discussion and analysis of adjusted net income on the basis of consolidated financial data. Because our non-GAAP adjusted net income is not a standardized measure, it may not be comparable with the non-GAAP financial measures of other companies having the same or a similar name.

Presentation of Net Sales

In the discussion below, we present our consolidated net sales for 2005, 2006 and 2007. We break down our net sales among various categories, such as by activity, product and geographical area. We refer to our consolidated net sales as [reported sales](#).

In addition to reported sales, we also present and discuss comparable sales, another unaudited non-GAAP indicator that we believe is a useful measurement tool to explain changes in our reported net sales.

When we refer to the change in our net sales on a [comparable basis](#), we mean that we exclude the impact of exchange rate fluctuations and changes in our group structure (due to acquisitions and divestitures of entities, rights to products and changes in the consolidation percentage for consolidated entities). For any two periods, we exclude the impact of exchange rates by recalculating net sales for the earlier period on the basis of exchange rates used in the later period. We exclude the impact of acquisitions by including sales for a portion of the prior period equal to the portion of the current period during which we owned the entity or product rights based on sales information we receive from the party from whom we make the acquisition. Similarly, we exclude sales in the relevant portion of the prior period when we have sold an entity or rights to a product. If there is a change in the consolidation percentage of a consolidated entity, the prior period is recalculated on the basis of the consolidation method used for the current period.

A reconciliation of our reported net sales to our comparable net sales is provided at [Results of Operations](#) [Year Ended December 31, 2007](#) compared with [Year Ended December 31, 2006](#) [Net Sales](#) and [Results of Operations](#) [Year Ended December 31, 2006](#) compared with [Year Ended December 31, 2005](#) [Net Sales](#) [below](#).

Financial Presentation of Alliances

We have entered into a number of alliances for the development, co-promotion and/or co-marketing of our products. We believe that a presentation of our two principal alliances is useful to an understanding of our financial statements.

Bristol-Myers Squibb (BMS) Alliance

Our revenues, expenses and operating income are affected significantly by the presentation of our alliance with BMS in our consolidated financial statements.

There are three principal marketing arrangements that are used:

Co-marketing. Under the co-marketing system, each company markets the products independently under its own brand names. We record our own sales and related costs in our consolidated financial statements.

Exclusive Marketing. Under the exclusive marketing system, one company has the exclusive right to market the products. We record our own sales and related costs in our consolidated financial statements.

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Co-promotion. Under the co-promotion system, the products are marketed through the alliance arrangements (either by contractual arrangements or by separate entities) under a single brand name. The accounting treatment of the co-promotion arrangement depends upon who has majority ownership and operational management in that territory, as discussed below.

The alliance arrangements include two royalty streams that are applied on a worldwide basis (excluding Japan), regardless of the marketing system and regardless of which company has majority ownership and operational management:

Discovery Royalty. We earn a discovery royalty on all sales of Aprovel[®] and Plavix[®] regardless of the marketing system. The discovery royalty is reflected in our consolidated income statement in other revenues.

Development Royalty. In addition to the discovery royalty, we and BMS are each entitled to a development royalty related to certain know-how and other intellectual property in connection with sales of Aprovel[®] and Plavix[®]. Each legal entity that markets products pays a development royalty. We record development royalties paid to BMS in our consolidated income statement as an increase to our cost of sales in countries where we consolidate sales of the products. We record development royalties that we receive as other revenues in countries where BMS consolidates sales of the products.

Under the alliance arrangements, there are two territories, one under our operational management and the other under the operational management of BMS. The territory under our operational management consists of Europe and most of Africa and Asia, while the territory under the operational management of BMS consists of the rest of the world. Our alliance with BMS does not cover Plavix[®] in Japan. In Japan, Aprovel[®] is under development through agreements between BMS and the Japanese pharmaceutical company Shionogi Pharmaceuticals and Dainippon Somitomo Pharma Company Limited.

Territory under our operational management. In the territory under our operational management, the marketing arrangements are as follows:

we use the co-promotion system for most of the countries of Western Europe for Aprovel[®] and Plavix[®] and for certain Asian countries for Plavix[®]. We record 100% of all alliance revenues and expenses in our consolidated financial statements. We also record, as selling and general expenses, payments to BMS for the cost of BMS's personnel involved in the promotion of the products. BMS's share of the operating income of the alliances is recorded as minority interests.

we use the co-marketing system in Germany, Spain and Greece for both Aprovel[®] and Plavix[®] and in Italy for Aprovel[®].

we have the exclusive right to market Aprovel[®] and Plavix[®] in Eastern Europe, Africa and the Middle East, and we have the exclusive right to market Aprovel[®] in Asia (excluding Japan). Since September 2006, we have had the exclusive right to market Aprovel[®] in Scandinavia and in Ireland.

Territory under BMS operational management. In the territory under BMS operational management, the marketing arrangements are as follows:

we use the co-promotion system in the United States and Canada, where the products are sold through the alliances under the operational management of BMS. With respect to Avapro[®] (the brand name used in the United States for Aprovel[®]) and Plavix[®], we record our share of the alliance's operating income under share of profit/loss of associates. We also record payments from BMS for the cost of our personnel in connection with the promotion of the product as a deduction from our selling and general expenses.

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we use the co-marketing system in Brazil, Mexico, Argentina and Australia for Plavix[®] and Aprove[®] and in Colombia for Plavix[®].

we have the exclusive right to market the products in certain other countries of Latin America.

In countries where the products are marketed by BMS on a co-marketing basis, or through alliances under the operational management of BMS, we also earn revenues from the sale of the active ingredients for the products, which we record as net sales in our consolidated income statement.

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The financial impacts of the alliance on the Company's income statement are described in Results of Operations, in particular in Net sales, Other Revenues, Share of Profit/Loss of Associates and Net Income Attributable to Minority Interests.

Procter & Gamble Pharmaceuticals (P&G) Alliance

The other principal alliance with a significant effect on our revenues, expenses and operating income is our alliance with P&G relating to the product Actonel® (risedronate sodium). Actonel®, a new-generation biphosphonate indicated for the treatment and prevention of osteoporosis, is developed and marketed in collaboration with P&G. This agreement covers the worldwide development and marketing of the product, except for Japan, which is not included in the alliance and is covered by a separate marketing agreement.

Under the Actonel® alliance, local marketing arrangements may take various forms:

Co-promotion, whereby sales resources are pooled but only one of the two partners invoices product sales. Co-promotion is carried out under contractual agreements and is not based on any specific legal entity. P&G sells the product and incurs all the related costs for the following countries: United States, Canada, France, Germany, Belgium, the Netherlands and Luxembourg. We recognize our share of income under the agreement in the income statement as a component of operating income on the line Other operating income. In the *secondary co-promotion* territories (the United Kingdom, Ireland, Sweden, Finland, Greece, Switzerland, Austria, Portugal and Australia), we sell the product and recognize all the revenues from sales of the product along with the corresponding expenses in our consolidated income statement.

Co-marketing, which applies in Italy and Spain, whereby each partner sells the product in the country under its own name and recognizes all revenues and expenses from its own operations in its income statement.

In all other territories, we have *exclusive rights* to sell the product. We recognize all revenues and expenses from our own operations in our income statement, but in return for these exclusive rights pay P&G a royalty based on actual sales. This royalty is recognized in cost of sales.

Impact of Exchange Rates

We report our consolidated financial statements in euros. Because we earn a significant portion of our revenues in countries where the euro is not the local currency, our results of operations can be significantly affected by exchange rate movements between the euro and other currencies, primarily the U.S. dollar and, to a lesser extent, the British pound, the Japanese yen, and currencies in emerging countries. We experience these effects even though certain of these countries do not account for a large portion of our net sales. In 2007, we earned 33.8% of our net sales in the United States. A decrease in the value of the U.S. dollar against the euro has a negative impact on our revenues, which is not offset by an equal reduction in our costs and therefore negatively affects our operating income. A decrease in the value of the U.S. dollar has a particularly significant impact on our operating income, which is higher in the United States than elsewhere, and on the contribution to net income of our alliance with BMS in the United States, which is under the operational management of BMS, as described in Financial Presentation of Alliances BMS Alliance above.

For a description of positions entered into to manage operational exchange rate risks as well as our hedging policy, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Divestments

There were no significant divestments during 2007.

Our main divestment during 2006 was the transfer of our rights to Exubera[®] and our interest in the Diabel joint venture to Pfizer. In return for the transfer of these assets and rights, sanofi-aventis received a payment of \$1.3 billion (net of German taxes). The impact of this transaction in 2006 was a pre-tax gain of 460 million, recognized in Gains and losses on disposals, and litigation, and an after-tax gain of 384 million.

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In 2005, divestments (733 million) consisted of the divestment of Wacker-Chemie (405 million), the oral hygiene business, and various minority interests in the biotechnology sector.

Acquisitions

The principal acquisitions during 2007 were as follows:

In June 2007, sanofi-aventis bought out preferred shares representing a financial interest of 36.7% in Carderm Capital LP for \$250 million. (See Note D.18.4. to our consolidated financial statements included under Item 18).

In November 2007, sanofi-aventis acquired 12 million newly-issued shares in biopharmaceutical company Regeneron for \$312 million, raising its interest in Regeneron to approximately 19%. As part of this transaction, sanofi-aventis signed an Investor Agreement which limits its ability to exercise certain voting rights. Consequently, the acquisition of this additional interest does not give sanofi-aventis significant influence over Regeneron. The shares acquired are classified as an available-for-sale financial asset, and are included in Financial assets non-current. See Note D.7. to our consolidated financial statements included under Item 18 of this annual report.

Our main acquisition during 2006 was a 24.9% interest in the capital of Zentiva for 433 million. Zentiva is an international pharmaceutical company that develops, manufactures and markets low-cost branded pharmaceutical products, primarily in Eastern Europe. We do not control Zentiva, although as a result of our significant interest in Zentiva, this investment is accounted for as an associate using the equity method.

In 2005, acquisitions consisted principally of investments in consolidated undertakings (692 million), mainly the buyout of the Hoechst minority shareholders.

Table of Contents**Results of Operations***Year Ended December 31, 2007 Compared with Year Ended December 31, 2006*

The table below shows the main components of net income in 2007 and 2006:

<i>(under IFRS)</i>	2007		2006	
<i>(million)</i>		as % of net sales		as % of net sales
Net sales	28,052	100.0%	28,373	100.0%
Other revenues	1,155	4.1%	1,116	3.9%
Cost of sales	(7,571)	(27.0%)	(7,587)	(26.7%)
Gross profit	21,636	77.1%	21,902	77.2%
Research & development expenses	(4,537)	(16.2%)	(4,430)	(15.6%)
Selling & general expenses	(7,554)	(26.9%)	(8,020)	(28.3%)
Other operating income	522	1.9%	391	1.4%
Other operating expenses	(307)	(1.1%)	(116)	(0.4%)
Amortization of intangibles	(3,654)	(13.0%)	(3,998)	(14.1%)
Operating income before restructuring, impairment of property, plant & equipment and intangibles, gains & losses on disposals, and litigation	6,106	21.8%	5,729	20.2%
Restructuring costs	(137)	(0.5%)	(274)	(1.0%)
Impairment of property, plant & equipment and intangibles	(58)	(0.2%)	(1,163)	(4.1%)
Gains and losses on disposals, and litigation			536	1.9%
Operating income	5,911	21.1%	4,828	17.0%
Financial expenses	(329)	(1.2%)	(455)	(1.6%)
Financial income	190	0.7%	375	1.3%
Income before tax and associates	5,772	20.6%	4,748	16.7%
Income tax expense	(687)	(2.5%)	(800)	(2.8%)
Share of profit/loss of associates	597	2.1%	451	1.6%
Net income	5,682	20.2%	4,399	15.5%
- attributable to minority interests	419	1.5%	393	1.4%
- attributable to equity holders of the Company	5,263	18.7%	4,006	14.1%

Net Sales

Net sales for the year ended December 31, 2007 were 28,052 million, a rise of 2.8% on a comparable basis relative to 2006. Exchange rate movements had a negative effect of 3.8 points, nearly 80% of which was related to the U.S. dollar. Changes in Group structure had a negative effect of 0.1 of a point. After taking these effects into account, net sales fell by 1.1% on a reported basis.

The following table sets forth a reconciliation of our reported net sales for the year ended December 31, 2006 to our comparable net sales for that year based on 2007 exchange rates and Group structure:

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<i>(million)</i>	2006
2006 Net Sales	28,373
Impact of changes in Group structure	(15)
Impact of exchange rates	(1,069)
2006 Comparable Net Sales	27,289

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Our net sales are generated by our two business segments: Pharmaceuticals and Human Vaccines (Vaccines). The following table breaks down our 2007 and 2006 net sales by activity:

(million)	2007	2006 Reported	2006 Comparable	Reported basis growth (%)	Comparable basis growth (%)
Pharmaceuticals	25,274	25,840	24,863	-2.2%	+1.7%
Vaccines	2,778	2,533	2,426	+9.7%	+14.5%
Total	28,052	28,373	27,289	-1.1%	+2.8%

Net Sales by Product Pharmaceuticals

Our pharmaceutical business generated net sales of 25,274 million in 2007, up by 1.7% on a comparable basis and down by 2.2% on a reported basis. During the year, net sales for the pharmaceutical business were adversely affected by the introduction of generic competition for the immediate release formulation of Ambien® in the United States starting in April and for Eloxatine® in Europe over the full year, and by the effect of healthcare system reforms in France and Germany.

Net sales of our top 15 products advanced by 3.2% on a comparable basis to 17,071 million in 2007, representing 67.5% of pharmaceutical net sales against 66.5% in 2006 (on a comparable basis).

Excluding the impact of generics of Ambien® IR in the United States and of Eloxatine® in Europe (i.e. excluding net sales of Ambien® IR in the United States starting in April, and net sales of Eloxatine® in Europe over the full year), our top 15 products would have recorded growth of 10.7% on a comparable basis in 2007.

Net sales of other pharmaceutical products fell by 1.5% on a comparable basis to 8,203 million in 2007. Sales of these products were down by 2.1% in Europe (at 5,061 million) and by 16.5% in the United States (at 578 million) in 2007. In the Other Countries region, these products reported sales growth of 4.1% to 2,564 million. In Latin America, growth was even stronger, reaching 10.2% (918 million in 2007). For a description of our other pharmaceutical products, see Item 4. Information on the Company B. Business Overview Other Pharmaceutical Products.

The following table breaks down our net sales for the pharmaceutical business by product:

(million)		2007	2006 Reported	2006 Comparable	Reported basis growth (%)	Comparable basis growth (%)
Product	Indication					
Lovenox®	Thrombosis	2,612	2,435	2,303	+7.3%	+13.4%
Plavix®	Atherothrombosis	2,424	2,229	2,214	+8.7%	+9.5%
Lantus®	Diabetes	2,031	1,666	1,575	+21.9%	+29.0%
Taxotere®		1,874	1,752	1,675	+7.0%	+11.9%

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Breast cancer, lung cancer, prostate cancer						
Eloxatine®	Colorectal cancer	1,521	1,693	1,606	-10.2%	-5.3%
Stilnox®	Insomnia	1,250	2,026	1,868	-38.3%	-33.1%
Copaxone®	Multiple sclerosis	1,177	1,069	1,005	+10.1%	+17.1%
Aprovel®	Hypertension	1,080	1,015	1,007	+6.4%	+7.2%
Tritace®	Hypertension	741	977	963	-24.2%	-23.1%
Allegra®	Allergic rhinitis	706	688	637	+2.6%	+10.8%
Amaryl®	Diabetes	392	451	433	-13.1%	-9.5%
Actonel®	Osteoporosis, Paget's disease	320	351	348	-8.8%	-8.0%
Xatral®	Benign prostatic hyperplasia	333	353	343	-5.7%	-2.9%
Nasacort®	Allergic rhinitis	294	283	263	+3.9%	+11.8%
Depakine®	Epilepsy	316	301	299	+5.0%	+5.7%
Sub-total top 15 products		17,071	17,289	16,539	-1.3%	+3.2%
Other products		8,203	8,551	8,324	-4.1%	-1.5%
Total pharmaceuticals		25,274	25,840	24,863	-2.2%	+1.7%

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The table below breaks down sales of our top 15 products by geographic region in 2007:

(million)		Comparable basis growth	United States	Comparable basis growth	Other countries	Comparable basis growth
Product	Europe	(%)		(%)		(%)
Lovenox [®]	756	+9.4%	1,579	+14.8%	277	+16.9%
Plavix [®]	1,704	+5.3%	167	+7.7%	553	+25.7%
Lantus [®]	627	+20.6%	1,200	+30.3%	204	+52.2%
Taxotere [®]	819	+14.5%	691	+6.5%	364	+17.0%
Eloxatine [®]	374	-33.7%	971	+9.8%	176	+11.4%
Stilnox [®]	85	-11.5%	1,093	-35.0%	72	-20.0%
Copaxone [®]	324	+16.1%	801	+19.4%	52	-5.5%
Aprovel [®]	838	+3.8%			242	+21.0%
Tritace [®]	466	-8.8%	1	-92.9%	274	-37.4%
Allegra [®]	54	+3.8%	369	+4.8%	283	+21.5%
Amaryl [®]	116	-33.7%	9	-35.7%	267	+9.4%
Actonel [®]	204	-16.0%			116	+10.5%
Xatral [®]	167	-20.5%	107	+25.9%	59	+22.9%
Nasacort [®]	44	+10.0%	222	+13.3%	28	+3.7%
Depakine [®]	216	2.4%			100	+13.6%

Top 15 Products⁽¹⁾

Net sales of Lovenox[®], the leading low molecular weight heparin on the market, totaled 2,612 million in 2007, a rise of 7.3% on a reported basis and of 13.4% on a comparable basis. The product reported strong growth across all three regions: 14.8% in the United States, 9.4% in Europe, and 16.9% in the Other Countries region. In the United States, increased use in medical prophylaxis remains the main growth driver.

Lantus[®] is the first insulin brand in the world to exceed 2 billion of sales (2,031 million in 2007). During 2007, the product enjoyed strong growth across all three regions. The new SoloSTAR[®] disposable pen used to administer Lantus[®] is now available in most European countries and in the United States and has helped to drive this product's growth.

Taxotere[®] enjoyed strong growth during 2007 in both Europe and the Other Countries region, where sales increased by 14.5% and 17.0% respectively on a comparable basis. In the United States, net sales rose by 6.5% on a comparable basis.

In December, sanofi-aventis filed an application with the European Medicines Agency (EMA) to include Taxotere[®] in combination with Herceptin[®] as an adjuvant treatment for breast cancer, on the basis of the BCIRG-006 study. Also in December, results presented to the 30th annual San Antonio Breast Cancer Symposium showed that for women with early stage breast cancer who have had surgery, experimental treatment with a combination of Taxotere[®] and cyclophosphamide significantly improved overall survival compared to standard anthracyclin-based chemotherapy. These results were based on a median follow-up of 7 years.

Ambien CR[®] reported net sales of \$751 million in the United States in 2007. Net sales of Ambien[®] IR, which went off patent in the United States on April 20, 2007, totaled \$30 million in the fourth quarter of 2007, against \$352 million in the comparable period of 2006. Full-year net sales of Ambien[®] IR were \$538 million in the United States.

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In Japan, sales of Myslee® (not included in our consolidated net sales for the periods under review) reached 118 million in 2007, an increase of 9.8% on a comparable basis. Under the terms of our agreement with Astellas (transfer of certain rights in respect of Myslee®), we will include Japanese sales of Myslee® in our consolidated net sales with effect from January 1, 2008.

(1) Sales of Plavix® and Aprovei® are discussed below under Worldwide Presence of Plavix® and Aprovei® .

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In the United States, Eloxatine[®], the market-leading colorectal cancer treatment as adjuvant and in the metastatic phase, posted net sales growth of 9.8% in 2007 (on a comparable basis), to 971 million. In Europe, where the introduction of generic versions of the product is ongoing, full-year net sales fell by 33.7% on a comparable basis to 374 million. In the Other Countries region, net sales of Eloxatine[®] rose by 11.4% on a comparable basis to 176 million.

In addition to the blockbuster products described above, each of which registered annual net sales of over 1 billion in 2007, our remaining top 15 pharmaceutical products contributed net sales in the aggregate of approximately 3,102 million in 2007, or about 12.3% of our total pharmaceutical sales for the year.

Net sales of Tritace[®], hampered by competition from generics in Canada in 2007, fell by 23.1% (on a comparable basis) to 741 million in 2007.

Net sales of Acomplia[®] reached 79 million in 2007. In November, the European Commission endorsed the positive opinion of the EMEA for Acomplia[®] to include type 2 diabetes trial results into the Summary of Product Characteristics (SPC) Section 5.1. This update was based on the results of the SERENADE study, the first clinical trial to assess Acomplia[®] in glycemic control for type 2 diabetic patients not already taking medication for their condition.

Xyzal[®], a new prescription oral antihistamine, was launched by sanofi-aventis and UCB in the United States at the start of October 2007. Fourth-quarter net sales were 8 million. Xyzal[®] accounted for 5.2% of new prescriptions at end December (NRX IMS NPA weekly data).

Net Sales Human Vaccines (Vaccines)

Our Vaccines business generated net sales of 2,778 million in 2007, an increase of 14.5% on a comparable basis and of 9.7% on a reported basis.

Net sales of Menactra[®] for 2007 totaled 415 million, up 86.1% on a comparable basis. An extension to the product's line, covering children aged 2 to 10, was obtained in the United States in October 2007.

Adacel reported 2007 net sales of 234 million, an increase of 64.5% on a comparable basis.

Sanofi Pasteur produced over 180 million doses of seasonal influenza vaccine in 2007, reinforcing its position as world leader: the number of doses shipped represented an estimated 40%⁽¹⁾ of the world market. Excluding sales of H5N1 vaccines, sales of seasonal influenza vaccines rose by 2.6% on a comparable basis.

The following table presents the sales of our Vaccines activity by vaccine type:

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(million)	2007	2006	2006	Reported	Comparable
		Reported	Comparable	basis growth (%)	basis growth (%)
Influenza Vaccines*	766	835	790	-8.3%	-3.0%
Polio/Whooping Cough/Hib Vaccines	660	633	628	+4.3%	+5.1%
Meningitis/Pneumonia Vaccines	482	310	292	+55.5%	+65.1%
Adult Booster Vaccines	402	337	317	+19.3%	+26.8%
Travel and Other Endemics Vaccines	327	284**	285	+15.1%	+14.7%
Other Vaccines	141	134**	114	+5.2%	+23.7%
Total Human Vaccines	2,778	2,533	2,426	+9.7%	+14.5%

* Seasonal and pandemic influenza vaccines.

** After reclassification of 45 million of net sales generated by MMR (Measles / Mumps / Rubella) vaccines from the Other Vaccines category to the Travel and Other Endemics Vaccines category.

(1) Internal estimate.

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In addition to the Vaccines activity reflected in our consolidated net sales, sales of Sanofi Pasteur MSD, the joint venture with Merck & Co. in Europe, reached 1,040 million in 2007, up 43.6% on a reported basis. Sales were buoyed by the success of Gardasil[®], which posted full-year net sales of 341 million.

Sanofi Pasteur MSD began marketing Gardasil[®] in Europe at the end of 2006. The first vaccine against papillomavirus infections (which cause cervical cancer), Gardasil[®] is now sold in all 19 European countries covered by the joint venture.

Sales generated by Sanofi Pasteur MSD are not included in our consolidated net sales.

Net Sales by Geographic Region

We divide our sales geographically into three regions: Europe, the United States and other countries. The following table breaks down our 2007 and 2006 net sales by region:

<i>(million)</i>	2007	2006 Reported	2006 Comparable	Reported basis growth (%)	Comparable basis growth (%)
Europe	12,184	12,219	12,228	-0.3%	-0.4%
United States	9,474	9,966	9,128	-0.5%	+3.8%
Other countries	6,394	6,188	5,933	+3.3%	+7.8%
Total	28,052	28,373	27,289	-1.1%	+2.8%

Net sales in Europe, affected by healthcare cost containment measures especially in France and Germany fell by 0.4% in 2007 on a comparable basis. The introduction of generics of Eloxatine[®] pared approximately 1.6% of the full-year growth rate.

In the United States, net sales rose by 3.8% in 2007 on a comparable basis. This performance was achieved despite the second-quarter introduction of generics of Ambien[®] IR (which went off patent on April 20, 2007). Excluding the impact of generics of Ambien[®] IR from April, comparable-basis net sales growth in the United States would have been 15.1%.

Net sales in the Other Countries region rose by 7.8% on a comparable basis in 2007. Excluding the effect of the repurchase of inventories from Astellas and Chugai following the signature of agreements with these two companies on the buyout of several products and the effect of timing differences in shipments of influenza vaccines, the region's net sales would have risen by 8.4% on a comparable basis in 2007.

Worldwide Presence of Plavix[®] and Aprovel[®]

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Two of our leading products Plavi[®] and Aprove[®] were discovered by sanofi-aventis and jointly developed with Bristol-Myers Squibb (BMS) under an alliance agreement. Worldwide, these products are sold by sanofi-aventis and/or BMS under the terms of this agreement which is described in Financial Presentation of Alliances BMS Alliance .

The worldwide sales of these two products are an important indicator of the global market presence of sanofi-aventis products, and we believe this information facilitates a financial statement user's understanding and analysis of our consolidated income statement, in particular in terms of understanding our overall profitability in relation to consolidated revenues, and also facilitates a user's ability to understand and assess the effectiveness of our research and development efforts.

Also, disclosing sales made by BMS of these two products enables the investor to have a clearer understanding of trends in different lines of our income statement, in particular the lines Other revenues where royalties received on those sales are booked (see Other Revenues); Share of profit/loss of associates (see Share of Profit/Loss of Associates) where our share of profit/loss of entities included in the BMS Alliance and under BMS operational management is recorded; and Net income attributable to minority interests (see Minority Interests) where the BMS share of profit/loss of entities included in the BMS Alliance and under our operational management is recorded.

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The table below sets forth the worldwide sales of Plavix® and Aprovel® in 2007 and 2006, by geographic region:

(million)	2007			2006			Change (%)
	sanofi-aventis (2)	BMS (3)	Total	sanofi-aventis (2)	BMS (3)	Total	
Plavix®/Iscover® (1)							
Europe	1,583	225	1,808	1,485	230	1,715	+5.4%
United States		2,988	2,988	10	2,157	2,167	+37.9%
Other countries	553	273	826	456	246	702	+17.7%
Total	2,136	3,486	5,622	1,951	2,633	4,584	+22.6%

(million)	2007			2006			Change (%)
	sanofi-aventis (5)	BMS (3)	Total	sanofi-aventis (5)	BMS (3)	Total	
Aprovel®/Avapro®/Karvea® (4)							
Europe	750	172	922	704	174	878	+5.0%
United States		507	507		516	516	-1.7%
Other countries	243	179	422	207	163	370	+14.1%
Total	993	858	1,851	911	853	1,764	+4.9%

(1) Plavix® is marketed under the trademarks Plavix® and Iscover®.

(2) Net sales of Plavix® consolidated by sanofi-aventis, excluding sales to BMS (288 million in 2007 and 279 million in 2006).

(3) Translated into euro by sanofi-aventis using the method described in Note B.2 to our consolidated financial statements (Foreign currency translation) included at Item 18 in this annual report.

(4) Aprovel® is marketed under the trademarks Aprovel®, Avapro® and Karvea®.

(5) Net sales of Aprovel® consolidated by sanofi-aventis, excluding sales to BMS (87 million in 2007 and 104 million in 2006)

Comparable-basis trends in worldwide sales of Plavix® and Aprovel® in 2007 and 2006 by geographic region are as follows:

(million)	2007	2006		Comparable basis growth (%)
		Reported	Comparable	
Plavix®/Iscover®				
Europe	1,808	1,715	1,717	+5.3%
United States	2,988	2,167	1,987	+50.4%
Other countries	826	702	672	+22.9%
Total	5,622	4,584	4,376	+28.5%

(million)	2007	2006		Comparable basis growth (%)
		Reported	Comparable	
Aprovel®/Avapro®/Karvea®				
Europe	922	878	877	+5.1%
United States	507	516	473	+7.2%
Other countries	422	370	352	+19.9%
Total	1,851	1,764	1,702	+8.8%

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On June 19, 2007, the U.S. District Court for the Southern District of New York upheld the validity and enforceability of the U.S. patent covering clopidogrel bisulfate, the active ingredient of Plavix®, and issued a permanent injunction enjoining Apotex from marketing its generic clopidogrel bisulfate in the United States prior to the expiration of the patent in November 2011. Apotex had launched a generic clopidogrel bisulfate in August 2006, following which the U.S. District Court for the Southern District of New York awarded sanofi-aventis a temporary injunction on August 31, 2006 ordering Apotex to halt further sales of its generic

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clopidogrel bisulfate, without however ordering a recall of products already shipped. This injunction was upheld on appeal in December 2006. Apotex has appealed this decision to the Court of Appeals for the Federal Circuit, and oral argument occurred March 3, 2008.

In the United States, sales of Plavix® (consolidated by BMS) totaled 2,988 million in 2007, up 50.4% on a comparable basis relative to 2006, when the product was affected by the availability of a generic version.

In Europe, 2007 full-year net sales of Plavix® reached 1,808 million, up 5.3% on a comparable basis, though sales are still affected by parallel imports in Germany.

In the Other Countries region, Plavix® posted net sales of 826 million, representing comparable-basis growth of 22.9%, boosted by the product's success in Japan. The two-week limit on prescriptions imposed by the Japanese authorities was lifted in May 2007, triggering an acceleration in sales growth, especially in the fourth quarter. Over the full year, Plavix® recorded Japanese sales of 61 million, compared with 11 million in 2006.

Worldwide sales of Aprovel®/Avapro®/Karvea® in 2007 were 1,851 million, up 8.8% on a comparable basis.

Other Revenues

Other revenues, which mainly comprise royalty income under licensing agreements contracted in connection with ongoing operations, amounted to 1,155 million in 2007 compared with 1,116 million in 2006.

This increase was mainly due to an increase in royalty income from Plavix® and Aprovel® in the United States (despite the unfavorable effect of movements in the euro/dollar exchange rate), which more than offset the discontinuation of royalties from sales of fipronil (99 million in 2006) previously paid by Merial (our joint venture with Merck & Co. Inc.) with effect from January 2007 under the terms of the agreement between the two companies.

License revenues under the worldwide alliance with Bristol-Myers Squibb (BMS) on Plavix® and Aprovel® amounted to 897 million in 2007, compared with 697 million in 2006.

Gross Profit

Gross profit for 2007 was 21,636 million. The gross margin ratio was 77.1% in 2007, compared with 77.2% in 2006.

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The 0.1-point deterioration in the gross margin ratio reflected a 0.3-point increase in the ratio of cost of sales to net sales, offset by a 0.2-point improvement in royalty income. The main reason for the higher ratio of cost of sales to net sales was the effect of the introduction of generics of Ambien® IR in the United States from April 2007.

During 2007, we recognized royalty expense of \$99 million (2006: \$90 million) under the worldwide alliance with BMS on Plavix® and Aproveil®.

Research and Development Expenses

Research and development expenses rose by 2.4% in 2007 to \$4,537 million (2006: \$4,430 million), and represented 16.2% of net sales (2006: 15.6%).

We continued to focus efforts on our seven fields of expertise (thrombosis, cardiovascular, metabolic disorders, oncology, central nervous system, internal medicine, and vaccines). New clinical programs started in 2007 included Plavix®, Xatral® (Japan), Acomplia®, Volinanserin®, otamixaban (acute coronary syndrome), eplivanserin (sleep disorders), amibegron and saredutant (depression and anxiety), dianicline (smoking cessation), the CB-1 receptor antagonist and GLP1 receptor agonist, and teriflunomide (multiple sclerosis). We also incurred research and development expenses under our ongoing collaboration agreements, in particular in

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the field of oncology with Taiho (agreement to develop and commercialize S-1, an oral anticancer agent) and with Oxford BioMedica (exclusive global licensing agreement to develop and commercialize the therapeutic vaccine TroVax®).

Selling and General Expenses

Selling and general expenses totaled 7,554 million in 2007 (26.9% of net sales), compared with 8,020 million in 2006 (28.3% of net sales). Apart from the favorable impact of the weakness of the U.S. dollar against the euro during 2007, this line showed the benefits of the adaptation measures we initiated in 2006 and 2007, especially in France, Germany and the United States, along with our ongoing cost control policy. Conversely, we increased spending on resources in high-growth regions of the world.

Other Operating Income and Expenses

In 2007, we recorded other operating income of 522 million and other operating expenses of 307 million. This represents a net other operating income figure of 215 million, compared with 275 million in 2006. The main reason for the year-on-year change was the recognition of an expense of 61 million arising from the signature of agreements on welfare and healthcare obligations in France for retirees and their beneficiaries.

Amortization of Intangibles

Amortization charged against intangible assets totaled 3,654 million in the year ended December 31, 2007, compared with 3,998 million in the year ended December 31, 2006. The reduction was mainly due to the weakening of the U.S. dollar against the euro.

These charges mainly relate to the amortization of intangible assets remeasured at fair value at the time of the Aventis acquisition (3,511 million in 2007, versus 3,866 million in 2006).

Operating Income before Restructuring, Impairment of Property, Plant & Equipment and Intangibles, Gains and Losses on Disposals, and Litigation

This indicator came to 6,106 million in 2007, compared with 5,729 million in 2006.

The table below shows trends in Operating income before restructuring, impairment of property, plant & equipment and intangibles, gains and losses on disposals, and litigation by business segment in 2007 and 2006:

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(million)	2007	2006
Pharmaceuticals	5,509	5,217
Vaccines	597	512
Total	6,106	5,729

The table below shows Operating income before restructuring, impairment of property, plant & equipment and intangibles, gains and losses on disposals, and litigation by geographic region in 2006 and 2007:

(million)	2007	2006
Europe	4,742	4,603
United States	4,952	4,560
Other countries	2,173	2,082
Unallocated costs ⁽¹⁾	(5,761)	(5,516)
Total⁽²⁾	6,106	5,729

⁽¹⁾ Unallocated costs consist mainly of fundamental research and worldwide development of pharmaceutical molecules, and part of the cost of support functions.

⁽²⁾ After charges for amortization of intangible assets of 3,654 million in 2007 and 3,998 million in 2006.

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Restructuring Costs

Restructuring costs amounted to 137 million in 2007, compared with 274 million in 2006, and comprise costs incurred on measures taken in response to the changing economic environment in Europe, primarily in France and Germany (137 million, versus 176 million in 2006). The 2006 figure also included the residual costs associated with the acquisition of Aventis (98 million).

Impairment of Property, Plant & Equipment and Intangibles

Net impairment losses charged against property, plant and equipment and intangible assets during 2007 were 58 million. This charge reflects the results of impairment tests, which identified impairment losses in respect of intangible assets recognized as part of the allocation of the purchase price of Aventis.

In 2006, net impairment losses charged against property, plant and equipment and intangible assets were 1,163 million. The bulk of this amount (953 million) related to the impairment of intangible assets, primarily the antibiotic Kete[®] (following a restriction on the product's indications in the United States) and Tritace[®]/Altace[®] (following the at-risk launch of a generic version in Canada by Apotex).

Gains and Losses on Disposals, and Litigation

We made no major asset disposals during 2007.

In 2006, this line showed a net gain of 536 million. This included 550 million of gains on disposals (including a pre-tax gain of 460 million on the sale of the Exubera[®] rights to Pfizer, and 45 million on the sale of the residual 30% interest in an animal nutrition business).

Operating Income

Operating income for 2007 came to 5,911 million, compared with 4,828 million for 2006.

Financial Income and Expenses

Net financial expense amounted to 139 million in 2007, compared with 80 million in 2006, an increase of 59 million.

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Interest expense directly related to our debt, net of cash and cash equivalents (short-term debt plus long-term debt, minus cash and cash equivalents) totaled 209 million in 2007, against 275 million in 2006. This decrease reflects two contrasting trends: a reduction in the amount of our debt, and the unfavorable impact of higher interest rates.

Gains on disposals of investments totaled 7 million, against 108 million in 2006 (including a gain of 101 million on the sale of shares in Rhodia).

Financial instruments generated a net gain of 4 million, compared with 68 million in 2006. The 2006 figure was mainly due to the remeasurement of the additional purchase consideration receivable from CSL on the sale of Aventis Behring. We received this additional consideration on February 5, 2007, in advance of the original contractual due date. See Note D.20.2 to our consolidated financial statements included at Item 18 of this annual report.

We recorded a net foreign exchange gain for the year of 87 million, compared with 68 million in 2006.

Income before Tax and Associates

Income before tax and associates for 2007 was 5,772 million, compared with 4,748 million for 2006.

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Income Tax Expense

The reported tax rate for 2007 was 11.9%, compared with 16.8% for 2006. The main reasons for the lower rate in 2007 were:

a net gain of 336 million on net reversals of provisions, related to the settlement of tax audits;

a net gain of 515 million arising from cuts in tax rates, primarily in Germany, including a gain of 566 million relating to deferred tax liabilities recognized in 2004 on the remeasurement of acquired intangible assets of Aventis.

In 2006, this line included a specific tax charge of 77 million on the disposal of the Exuber[®] rights, which was calculated at a reduced tax rate.

Share of Profit/ Loss of Associates

Our share of the net profits of associates was 597 million in 2007, compared with 451 million in 2006. This item mainly comprises our share of after-tax profits from the territories managed by BMS under the Plavix[®] and Avapro[®] alliance (525 million in 2007, versus 320 million in 2006). The increase in our profit share was a direct result of the recovery in sales of Plavix[®] during 2007 in the United States, where sales had been adversely affected by the availability of a generic version until the second quarter of 2007. This favorable effect was offset by unfavorable trends in the euro/dollar exchange rate.

In 2007, this line also includes an impairment loss of 102 million on the equity-accounted investment in Zentiva. The contribution from our interest in Merial showed a further increase.

Net Income

Net income (before minority interests) totaled 5,682 million in 2007, compared with 4,399 million in 2006.

Net Income Attributable to Minority Interests

Net income attributable to minority interests totaled 419 million in 2007, versus 393 million in 2006. This item includes the share of pre-tax income paid over to BMS from territories managed by sanofi-aventis (403 million in 2007, versus 375 million in 2006).

Net Income Attributable to Equity Holders of the Company

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Net income attributable to equity holders of the company for 2007 was 5,263 million, against 4,006 million for 2006.

The table below shows trends in net income attributable to equity holders of the Company by business segment for 2007 and 2006:

<i>(million)</i>	2007	2006
Pharmaceuticals	4,851	3,649
Vaccines	412	357
Total net income attributable to equity holders of the Company	5,263	4,006

Earnings per share (EPS) was 3.91, compared with 2.97 for 2006, based on an average number of shares outstanding of 1,346.9 million in 2007 (2006: 1,346.8 million).

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The components of our adjusted net income for 2007 and 2006 are shown in the table below:

<i>(million, except per share data)</i>	2007	2006
Net income attributable to equity holders of the Company	5,263	4,006
Material accounting adjustments related to business combinations	1,847	2,969
- elimination of expense arising on the workdown of acquired inventories remeasured at fair value, net of tax		21
- elimination of expenses arising on amortization and impairment of intangible assets, net of tax (portion attributable to equity holders of the Company)	1,684 ⁽²⁾	2,935
- elimination of expenses arising from the impact of the acquisitions on equity investees (workdown of acquired inventory, amortization and impairment of intangible assets, and impairment of goodwill)	163 ⁽³⁾	13 ⁽⁴⁾
- elimination of impairment losses charged against goodwill		
Elimination of acquisition-related integration and restructuring charges, net of tax		65
Adjusted net income	7,110	7,040
Adjusted earnings per share (in euro) ⁽¹⁾	5.28	5.23

⁽¹⁾ Based on 1,346.8 million shares for 2006 and 1,346.9 million shares for 2007, representing the weighted average number of shares outstanding.

⁽²⁾ After taking account of a gain of 566 million arising from the impact of cuts in tax rates (primarily in Germany) on deferred tax liabilities recognized in 2004 on the remeasurement of acquired intangible assets of Aventis.

⁽³⁾ Includes the impact of the acquisition of Zentiva (108 million, including 102 million of impairment losses on the investment in Zentiva).

⁽⁴⁾ Includes the impact of the acquisition of Zentiva (11 million), amortization and impairment (net of tax) relating to the acquisition of Aventis (97 million), and the reversal of a deferred tax liability on the investment in Merial (95 million).

Adjusted net income for 2007 was 7,110 million, an increase of 1.0% on the 2006 figure of 7,040 million, and represented 25.3% of net sales compared with 24.8% in 2006.

The table below shows trends in adjusted net income by business segment for 2007 and 2006:

<i>(million)</i>	2007	2006
Pharmaceuticals	6,501	6,479
Vaccines	609	561
Total adjusted net income	7,110	7,040

Adjusted Earnings Per Share

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We also report adjusted earnings per share, a specific financial indicator, which we define as adjusted net income divided by the weighted average number of shares outstanding. Our adjusted earnings per share for 2007 was 5.28 (up 1.0% on the 2006 adjusted earnings per share figure of 5.23), based on 1,346.9 million shares in 2007 and 1,346.8 million in 2006.

Table of Contents**Year Ended December 31, 2006 Compared with Year Ended December 31, 2005**

The table below shows the main components of net income in 2006 and 2005:

<i>(under IFRS)</i>	2006		2005	
<i>(million)</i>	as % of		as % of	
	net sales		net sales	
Net sales	28,373	100.0%	27,311	100.0%
Other revenues	1,116	3.9%	1,202	4.4%
Cost of sales	(7,587)	(26.7%)	(7,566)	(27.7%)
Gross profit	21,902	77.2%	20,947	76.7%
Research & development expenses	(4,430)	(15.6%)	(4,044)	(14.8%)
Selling & general expenses	(8,020)	(28.3%)	(8,250)	(30.2%)
Other operating income	391	1.4%	261	1.0%
Other operating expenses	(116)	(0.4%)	(124)	(0.5%)
Amortization of intangibles	(3,998)	(14.1%)	(4,037)	(14.8%)
Operating income before restructuring, impairment of property, plant & equipment and intangibles, gains & losses on disposals, and litigation	5,729	20.2%	4,753	17.4%
Restructuring costs	(274)	(1.0%)	(972)	(3.6%)
Impairment of property, plant & equipment and intangibles	(1,163)	(4.1%)	(972)	(3.6%)
Gains and losses on disposals, and litigation	536	1.9%	79	0.4%
Operating income	4,828	17.0%	2,888	10.6%
Financial expenses	(455)	(1.6%)	(532)	(1.9%)
Financial income	375	1.3%	287	1.0%
Income before tax and associates	4,748	16.7%	2,643	9.7%
Income tax expense	(800)	(2.8%)	(477)	(1.8%)
Share of profit/loss of associates	451	1.6%	427	1.6%
Net income	4,399	15.5%	2,593	9.5%
- attributable to minority interests	393	1.4%	335	1.2%
- attributable to equity holders of the Company	4,006	14.1%	2,258	8.3%

Net Sales

Net sales for the year ended December 31, 2006 were 28,373 million, an increase of 3.9% on a reported basis and 4.0% on a comparable basis relative to 2005. Excluding the impact of the introduction of generics of Allegra[®], Amaryl[®], Arava[®] and DDAVP[®] in the United States in the second half of 2005 (i.e., excluding net sales of these products in the United States in both 2005 and 2006), growth would have reached 8.2% on a comparable basis.

Exchange rate movements had a favorable effect of 0.4 of a point. Changes in Group structure had a negative effect of 0.5 of a point. After taking these effects into account, net sales rose by 3.9% on a reported basis.

The following table sets forth a reconciliation of our reported net sales for the year ended December 31, 2005 and our comparable net sales for that year based on 2006 exchange rates and Group structure:

<i>(million)</i>	2005
2005 Net Sales	27,311
Impact of changes in Group structure	(151)
Impact of exchange rates	116
2005 Comparable Net Sales	27,276

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Our net sales are generated by our two businesses: our pharmaceutical activity and our human vaccines (Vaccines) activity. The following table breaks down our 2006 and 2005 net sales by activity:

(million)	2006 Reported	2005 Reported	Reported basis growth (%)
Pharmaceuticals	25,840	25,249	+2.3%
Vaccines	2,533	2,062	+22.8%
Total	28,373	27,311	+3.9%

Net Sales by Product Pharmaceuticals

2006 net sales for the pharmaceutical business, hit hard by generics of Allegra[®], Amaryl[®], Arava[®] and DDAVP[®] in the United States and by the impact of healthcare system reforms in France and Germany, totaled 25,840 million, up 2.3% on a reported basis and 2.5% on a comparable basis.

Net sales of the top 15 products rose by 6.4% on a comparable basis to 17,289 million, representing 66.9% of pharmaceuticals net sales against 64.4% in 2005. Excluding the impact of generics of Allegra[®] and Amaryl[®] in the United States (i.e., excluding net sales of these two products in the United States in both 2005 and 2006), the top 15 products would have achieved growth of 12.4% on a comparable basis.

Net sales of other pharmaceutical products fell by 4.6% on a comparable basis to 8,551 million in 2006. These products recorded a 5.3% fall in net sales to 5,170 million in Europe, but a rise of 4.1% to 2,614 million in the rest of the world outside the United States and Europe. Excluding the impact of generics of DDAVP[®] and Arava[®] in the United States (i.e., excluding net sales of these two products in the United States in both 2005 and 2006), net sales of other pharmaceutical products would have fallen by 2.4% on a comparable basis in 2006. For a description of our other pharmaceutical products, see Item 4. Information on the Company B. Business Overview Other Pharmaceutical Products.

The following table breaks down our net sales for the pharmaceutical business by product:

(million)	Indication	2006	2005 reported	2005 comparable	Change (%)	
Product					reported	comparable
Lovenox [®]	Thrombosis	2,435	2,143	2,157	+13.6%	+12.9%
Plavix [®]	Atherothrombosis	2,229	2,026	2,033	+10.0%	+9.6%
Stilnox [®]	Insomnia	2,026	1,519	1,520	+33.4%	+33.3%
Taxotere [®]	Breast cancer, lung cancer, prostate cancer	1,752	1,609	1,616	+8.9%	+8.4%
Eloxatine [®]	Colorectal cancer	1,693	1,564	1,570	+8.2%	+7.8%
Lantus [®]	Diabetes	1,666	1,214	1,217	+37.2%	+36.9%
Copaxone [®]	Multiple sclerosis	1,069	902	907	+18.5%	+17.9%
Aprovel [®]	Hypertension	1,015	892	896	+13.8%	+13.3%
Tritace [®]	Hypertension	977	1,009	1,026	-3.2%	-4.8%
Allegra [®]	Allergic rhinitis	688	1,345	1,367	-48.8%	-49.7%

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Amaryl®	Diabetes	451	677	678	-33.4%	-33.5%
Xatral®	Benign prostatic hyperplasia	353	328	329	+7.6%	+7.3%
Actonel®	Osteoporosis, Paget's disease	351	364	329	-3.6%	+6.7%
Depakine®	Epilepsy	301	318	318	-5.3%	-5.3%
Nasacort®	Allergic rhinitis	283	278	281	+1.8%	+0.7%
Sub-total top 15 products		17,289	16,188	16,244	+6.8%	+6.4%
Other products		8,551	9,061	8,968	-5.6%	-4.6%
Total pharmaceuticals		25,840	25,249	25,212	+2.3%	+2.5%

Table of Contents*Top 15 products⁽¹⁾*

Net sales of Lovenox[®], the leading low molecular weight heparin on the market, totaled 2,435 million in 2006, a rise of 12.9% on a comparable basis. Growth of the product continues to be driven by its increasing use in medical prophylaxis, where Lovenox[®] continues to grow and gain patient share from unfractionated heparins, particularly in the United States. Filing for approval of Lovenox[®] as a treatment for patients suffering from acute ST-segment elevation myocardial infarction (ExTRACT study) took place in the second half of 2006 in both Europe and the United States (priority review granted by the FDA).

Net sales of Plavix[®] recognized by sanofi-aventis in 2006 increased 9.6% on a comparable basis to 2,229 million. See Worldwide Presence of Plavix[®] and Aprovel[®] below for information on Plavix[®]'s market performance in 2006. Our consolidated net sales of this product also include sales of Plavix[®] raw materials to entities controlled by BMS in the United States. These sales fell by 26.1% on a comparable basis to 156 million during 2006 due to the launch at risk in the United States of a generic version of clopidogrel bisulfate 75 mg tablets. Excluding this effect (i.e., excluding sales of Plavix[®] raw materials to the United States in the second half), our consolidated net sales of Plavix[®] would have risen by 13.3% on a comparable basis in 2006.

Net sales of Stilnox[®] increased by 33.3% on a comparable basis in 2006 to 2,026 million, principally driven by a 38.1% comparable-basis increase in U.S. net sales of Ambien[®]/Ambien CR[®] (the brand names used in the United States) to 1,838 million. Ambien[®]/Ambien CR[®] achieved U.S. market share of 46.2% in 2006 (IMS NPA 3 channels December 2006). At end December 2006, prescriptions of Ambien CR[®] accounted for approximately 31.8% (IMS NPA Retail and Mail order) of total Ambien[®] brand prescriptions in the United States. At the end of November 2006, the FDA granted pediatric exclusivity to Ambien[®] and Ambien CR[®]. For more information, see Item 4. Information on the Company B. Business Overview Patents, Intellectual Property and Other Rights. One effect of this decision was to extend Ambien[®] protection until April 2007. In Japan, sales of Myslee[®] (not included in our consolidated net sales) were 119 million, an increase of 15.7% on a comparable basis.

Taxotere[®] recorded strong comparable-basis growth during 2006 in Other countries (up 13.8%) and in Europe (up 14.2%). In the United States, the product achieved growth of 1.0% to 708 million in a persistently tough competitive environment. In 2006, Taxotere[®] reinforced its sales potential in the United States and Europe with the approval of two new indications:

advanced stage gastric cancer in combination with the standard treatment (cisplatin and 5-fluorouracil), and

as induction treatment for patients with head and neck cancer in combination with a classic regimen (cisplatin and 5-fluorouracil).

Over 2006 as a whole, net sales of Eloxatine[®] rose by 7.8% on a comparable basis to 1,693 million. Eloxatine[®]'s full-year growth of 3.7% in Europe reflects faster growth during the first part of the year weighed down by an 11.4% drop of fourth-quarter net sales of Eloxatine[®] in Europe to 124 million due to the introduction of generics in Germany and the United Kingdom. Eloxatine[®] continued to register strong growth in the United States and other countries in 2006. The FDA granted a pediatric extension for Eloxatine[®] in the United States, extending the data protection period by six months until February 2008 as well as the other regulatory exclusivity periods.

Lantus[®], the world's leading insulin brand, continued to register excellent performances, with net sales up 36.9% on a comparable basis to 1,666 million in 2006. The new disposable pen, SoloSTAR[®], was approved in Europe in September 2006. The first launch of SoloSTAR[®] took place in the final quarter of 2006.

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Net sales of Copaxone[®] advanced 17.9% on a comparable basis to 1,069 million in 2006, driven by strong growth both in Europe and the United States.

Net sales of Aprovel[®] amounted to 1,015 million in 2006, an increase of 13.3% on a comparable basis. See Worldwide Presence of Plavix[®] and Aprovel[®] below for information on the product's performance in 2006.

(1) Sales of Plavix[®] and Aprovel[®] are discussed below under Worldwide Presence of Plavix[®] and Aprovel[®].

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In addition to the blockbuster products described above, each of which registered annual net sales of over 1 billion in 2006, our remaining top 15 pharmaceutical products contributed net sales in the aggregate of approximately 3,404 million in 2006, or about 13% of our total pharmaceutical sales for the year. Of particular note for these products in 2006 was the first full year of generic competition for Allegra® in the United States following a launch at risk in late 2005 and for Amaryl® following the expiration of that product's patent protection.

The table below breaks down sales of our top 15 products by geographic region in 2006:

(million)	Europe		United States		Other countries	
Product		Comparable basis growth (%)		Comparable basis growth (%)		Comparable basis growth (%)
Lovenox®	689	+6.5%	1,502	+16.0%	244	+13.5%
Plavix®	1,617	+9.5%	156	-26.1%	456	+32.2%
Stilnox®	95	-12.0%	1,838	+38.1%	93	+14.8%
Taxotere®	714	+14.2%	708	+1.0%	330	+13.8%
Eloxatine®	564	+3.7%	965	+7.3%	164	+29.1%
Lantus®	520	+26.5%	1,006	+39.7%	140	+62.8%
Copaxone®	279	+20.8%	733	+17.5%	57	+9.6%
Aprovel®	808	+11.4%			207	+21.1%
Tritace®	509	-11.5%	16	+100.0%	452	+2.0%
Allegra®	51	-1.9%	384	-62.7%	253	-11.2%
Amaryl®	174	-31.5%	15	-91.9%	262	+10.1%
Xatral®	210	-10.3%	92	+73.6%	51	+21.4%
Actonel®	242	+3.4%			109	+14.7%
Depakine®	210	-10.3%			91	+8.3%
Nasacort®	41	+7.9%	214	-0.5%	28	+0.0%

The year 2006 also saw the first launches of our product Acomplia® (rimonabant). The product has been available in the United Kingdom since end June 2006, and by year end 2006 was available in a further 8 European Union countries and Argentina. Net sales totaled 31 million in 2006. The product was launched in Chile, Colombia, Cyprus, France and Mexico in the first quarter of 2007, with additional launches anticipated during the course of the year.

Net Sales - Human Vaccines (Vaccines)

In 2006, net sales for the Vaccines business totaled 2,533 million, up 22.8% on a reported basis and 22.7% on a comparable basis. Sales were very favorably impacted by the strong growth in markets outside North America and Europe, and the continued growth of Adacel® and Menactra®, both launched recently in the United States. Sales growth was also due to strong global pediatric vaccine sales, the highly successful seasonal influenza vaccine campaigns and pre-pandemic influenza vaccine contracting activity with various governments.

Menactra®, a novel meningitis vaccine, in the market since March 2005 in the United States, recorded net sales of 242 million in 2006, a rise of 36.3% on a comparable basis.

Sales of Adacel (adult tetanus/diphtheria/whooping cough booster), launched in the United States in July 2005, reached 154 million in 2006. A new production facility was approved by the FDA in August 2006.

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Growth in our sales of influenza vaccines benefited from the fact that we exceeded our target of delivering 50 million doses of Fluzone® in the United States in 2006, with total deliveries of 55 million doses.

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The following table presents the sales of our Vaccines activity by vaccine type:

<i>(million)</i>	2006	2005 Comparable	Comparable- basis growth (%)
Polio/Whooping Cough/Hib Vaccines	633	534	+18.5%
Adult Booster Vaccines	337	273	+23.4%
Influenza Vaccines	835	655	+27.5%
Travel Vaccines	239	178	+34.3%
Meningitis/Pneumonia Vaccines	310	254	+22.0%
Other Vaccines	179	170	+5.3%
Total Human Vaccines	2,533	2,064	+22.7%

In addition to the Vaccines activity reflected in our consolidated net sales, Sanofi Pasteur MSD, our joint venture with Merck & Co in Europe, generated sales of 724 million in 2006, an increase of 5.3% on a reported basis. Excluding Hexavac®, suspended by the EMEA in September 2005, Sanofi Pasteur MSD would have recorded growth of 12.3% on a reported basis. Sanofi Pasteur MSD sales are not included in our consolidated net sales.

In September 2006, Gardasil® was approved in the European Union. This product, which was developed by Merck & Co, is the first vaccine designed to prevent genital warts caused by human papillomavirus (HPV) types 6, 11, 16 and 18, in particular cervical dysplasia and carcinoma. Sanofi Pasteur MSD has now begun marketing the product in 13 countries, including France, Germany and the United Kingdom.

Rotateq® (a product developed by Merck & Co) was approved by the European authorities in June 2006 for the prevention of pediatric rotavirus gastroenteritis. It was launched by Sanofi Pasteur MSD in Austria, Portugal and Germany in October 2006.

Net Sales by Geographic Region

We divide our sales geographically into three regions: Europe, the United States and other countries. The following table breaks down our 2006 and 2005 net sales by region:

<i>(million)</i>	2006	2005 Comparable	Comparable- basis growth (%)
Europe	12,219	12,084	+1.1%
United States	9,966	9,594	+3.9%
Other countries	6,188	5,598	+10.5%
Total	28,373	27,276	+4.0%

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In 2006, 43.1% of our net sales were generated in Europe, 35.1% in the United States, and 21.8% in the Other countries region.

In Europe, net sales rose by a modest 1.1% on a comparable basis in a context of ongoing healthcare system reforms in France and Germany. The German reforms, especially the pressure on doctors to curb prescriptions, led to a marked deceleration in the pharmaceutical market and in sanofi-aventis local sales during the second half. In addition, some of our products continued to be hit by parallel imports. The reform of the healthcare system in France involved higher taxes on reimbursed prescription drugs, reclassification of some products as non-reimbursable, and greater penetration of generics. Our local sales in France, which are particularly exposed because of our position as market leader, were down sharply.

In the United States, net sales rose by 3.9% on a comparable basis in 2006, driven largely by growth in sales of Ambien®/Ambien CR®, Lantus® and vaccines. Excluding the net sales impact of the four products for which generic competitors were launched in 2005 (i.e., excluding net sales of Allegra®, Amaryl®, Arava®, and DDAVP® in the United States in both 2005 and 2006), comparable-basis net sales growth would have been 17.2%.

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In the Other countries region, net sales advanced by 10.5% on a comparable basis in 2006. Latin America and Asia continued to record strong growth rates.

Worldwide Presence of Plavix® and Aprovel®

Two of our leading products Plavix® and Aprovel® were discovered by sanofi-aventis and jointly developed with Bristol-Myers Squibb (BMS). Sales of both products are realized by sanofi-aventis and/or BMS worldwide under the term of the Alliance Agreement which is described in Financial Presentation of Alliances BMS Alliance .

The worldwide sales of these two products are an important indicator of the global market presence of sanofi-aventis products, and we believe this information facilitates a financial statement user's understanding and analysis of our consolidated income statement, in particular in terms of understanding our overall profitability in relation to consolidated revenues, and also facilitates a user's ability to understand and assess the effectiveness of our research and development efforts.

Also, disclosing sales made by BMS of these two products enables the investor to have a clearer understanding of trends in different lines of our income statement, in particular the lines Other revenues where royalties received on those sales are booked (see Other Revenues); Share of profit/loss of associates (see Share of Profit/Loss of Associates) where our share of profit/loss of entities included in the BMS Alliance and under BMS operational management is recorded; and Net income attributable to minority interests (see Minority Interests) where the BMS share of profit/loss of entities included in the BMS Alliance and under our operational management is recorded.

The table below sets forth the worldwide sales of Plavix® and Aprovel® in 2006 and 2005, broken down into three geographic regions:

(million)	2006			2005			Change (%)
	sanofi-aventis (2)	BMS (3)	Total	sanofi-aventis (2)	BMS (3)	Total	
Plavix®/Iscover® (1)							
Europe	1,485	230	1,715	1,344	240	1,584	+8.3%
United States	10	2,157	2,167	3	2,582	2,585	-16.2%
Other countries	456	246	702	336	234	570	+23.2%
Total	1,951	2,633	4,584	1,683	3,056	4,739	-3.3%

(1) Plavix® is marketed under the trademarks Plavix® and Iscover®.

(2) Net sales of Plavix® consolidated by sanofi-aventis excluding sales to BMS (278 million in 2006 and 343 million in 2005).

(3) Translated by sanofi-aventis using the method described in Note B.2 to our consolidated financial statements (Foreign currency translation) included at Item 18 in this annual report.

(million)	2006			2005			Change (%)
	sanofi-aventis (2)	BMS (3)	Total	sanofi-aventis (2)	BMS (3)	Total	
Aprovel®/Avapro®/Karvea® (1)							

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Europe	704	174	878	629	160	789	+11.3%
United States		516	516		458	458	+12.7%
Other countries	207	163	370	165	147	312	+18.6%
Total	911	853	1,764	794	765	1,559	+13.1%

(1) Aprovel® is marketed under the trademarks Aprovel®, Avapro® and Karvea®.

(2) Net sales of Aprovel® consolidated by sanofi-aventis excluding sales to BMS (104 million in 2006 and 98 million in 2005)

(3) Translated by sanofi-aventis using the method described in Note B.2 to our consolidated financial statements (Foreign currency translation) included at Item 18 in this annual report.

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The worldwide sales of Plavix® and Aproveil® in 2006 and 2005 on a comparable basis are as follows:

<i>(million)</i>	2006	2005 Reported	2005 Comparable	Comparable basis growth (%)
Plavix®/Iscover®				
Europe	1,715	1,584	1,582	+8.4%
United States	2,167	2,585	2,591	-16.4%
Other countries	702	570	591	+18.8%
Total	4,584	4,739	4,764	-3.8%
Aproveil®/Avapro®/Karvea®				
Europe	878	789	788	+11.4%
United States	516	458	458	+12.7%
Other countries	370	312	322	+14.9%
Total	1,764	1,559	1,568	+12.5%

On August 8, 2006, Apotex announced that it had launched a generic version of clopidogrel bisulfate 75 mg tablets in competition with Plavix® in the United States. On August 31, 2006, the U.S. District Court for the Southern District of New York granted the motion filed by sanofi-aventis and BMS for a preliminary injunction and ordered Apotex to halt sales of its generic version of clopidogrel bisulfate. However, the Court did not order the recall of products already sold by Apotex. A later court decision, which Apotex is appealing, converted the preliminary injunction into a permanent injunction.

As a result, sales of Plavix® in the United States were hit hard in the period commencing August 8, 2006. Fourth-quarter sales of Plavix® in the United States were 273 million. Growth in total prescriptions (TRx) of clopidogrel bisulfate remained strong, at 11.8% (IMS NPA 3 channels Q4 2006) in the fourth quarter and 13% (IMS NPA 3 channels YTD 2006) in 2006 as a whole. The last week of December, the share of total clopidogrel bisulfate prescriptions taken by Plavix® rose sharply, reaching 44.3%, against 21.3% (IMS NPA 2 channels) in the last week of September.

In August 2006, the FDA approved a new indication for Plavix® in patients suffering from acute ST-segment elevation myocardial infarction, to reduce the rate of death from any cause and the rate of a combined endpoint of re-infarction, stroke or death. The same indication was approved in the European Union in September 2006.

In Europe, sales of Plavix® reached 1,715 million in 2006, up 8.4% on a comparable basis. This level of growth takes account of a decline in sales in Germany (marked slowdown in the market, plus the effect of parallel imports) and the impact of a 5% price cut in France from September 1, 2006.

In Japan, the launch of Plavix® as a treatment for the reduction of recurrence after ischemic cerebrovascular disorder continued. Full-year sales reached 12 million. An application for Plavix® as a treatment for acute coronary syndrome was filed with the Japanese authorities at the end of 2006.

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Worldwide sales of Aprovel[®] amounted to 1,764 million in 2006, up 12.5% on a comparable basis. In the United States, the product achieved sales growth of 12.7%. Over the full year, total prescriptions rose by 3.9% (IMS NPA 3 channels YTD 2006).

Other Revenues

Other revenues, which mainly comprise royalty income under licensing agreements, totaled 1,116 million, after 1,202 million in 2005. This fall was mainly due to a drop in royalty income under the worldwide alliance with BMS on Plavix[®] and Aprovel[®], which fell from 793 million in 2005 to 697 million in 2006 as a result of lower royalties on sales of Plavix[®] in the United States during the second half of 2006.

Gross Profit

Gross profit was 21,902 million in 2006, 4.6% higher than the 2005 figure of 20,947 million.

The gross margin ratio was 77.2% in 2006, compared with 76.7% in 2005. The 0.5-point improvement in the ratio reflected the contrasting effect of lower royalty income (-0.5 of a point) and a better ratio of cost of sales

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to net sales (+1.0 point). The improvement in this latter ratio was due to a reduction in the expense arising from the workdown of acquired Aventis inventories remeasured at fair value (32 million, versus 394 million in 2005, equivalent to +1.3 points) plus a favorable product mix, only partly offset by the unfavorable effect on the first three quarters of 2006 of generics of four products introduced in the United States towards the end of 2005.

In 2006, we recognized royalty expense of 90 million (2005: 77 million) under the worldwide alliance with BMS on Plavix® and Aproveil®.

Research and Development Expenses

Research and development expenses increased by 9.5% from 4,044 million in 2005 to 4,430 million in 2006, equivalent to 15.6% of net sales (2005: 14.8%). This increase reflected the stepping-up of Phase III clinical trials in pharmaceuticals and higher R&D spending in the Vaccines business.

We continued to focus efforts on our seven fields of expertise (cardiovascular, thrombosis, oncology, central nervous system, internal medicine, metabolic disorders, and vaccines). New clinical programs started in 2006 included rimonabant (diabetes prevention/cardiovascular prevention), eplivanserin (insomnia), amibegron (depression and anxiety), saregutant (depression and anxiety), Plavix® and VEGF Trap (oncology).

Selling and General Expenses

Selling and general expenses amounted to 8,020 million in 2006 (2.8% lower than the 2005 figure of 8,250 million), and represented 28.3% of net sales (2005: 30.2%). Marketing and general expenses both fell during the year, reflecting the rapid and selective adaptation of our resources.

Other Operating Income and Expenses

This item showed net operating income of 275 million in 2006, compared with 137 million in 2005.

The main component of other operating income, which increased by 130 million in 2006 to 391 million, is our share of profits under the alliance with Procter & Gamble (P&G) for the worldwide (excluding Japan) development and marketing of Actonel®. The improvement of other operating income in 2006 was due largely to foreign exchange gains on commercial transactions and to income from the agreement with Prasco Laboratories on the marketing of authorized generic versions of our products in the United States.

Other operating expenses, mainly comprising the share of profits to which our alliance partners (other than BMS and P&G) are entitled under product marketing agreements, amounted to 116 million in 2006, compared to 124 million in 2005.

Amortization of Intangibles

Amortization charged against intangible assets totaled 3,998 million in the year ended December 31, 2006, compared with 4,037 million in the previous year. These charges mainly relate to intangible assets remeasured at fair value at the time of the Aventis acquisition.

Operating Income before Restructuring, Impairment of Property, Plant & Equipment and Intangibles, Gains and Losses on Disposals, and Litigation

Operating income before restructuring, impairment of property, plant & equipment and intangibles, gains and losses on disposals, and litigation came to 5,729 million in 2006, compared with 4,753 million in 2005.

The table below shows trends in Operating income before restructuring, impairment of property, plant & equipment and intangibles, gains and losses on disposals, and litigation by business segment in 2005 and 2006:

<i>(million)</i>	2006	2005
Pharmaceuticals	5,217	4,565
Vaccines	512	188
Total	5,729	4,753

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The table below shows Operating income before restructuring, impairment of property, plant & equipment and intangibles, gains and losses on disposals, and litigation by geographic region in 2005 and 2006:

<i>(million)</i>	2006	2005
Europe	4,603	4,360
United States	4,560	3,900
Other countries	2,082	1,804
Unallocated costs ⁽¹⁾	(5,516)	(5,311)
Total⁽²⁾	5,729	4,753

(1) Unallocated costs consist mainly of fundamental research and worldwide development of pharmaceutical molecules, and part of the cost of support functions.

(2) After charges for amortization of intangible assets of 3,998 million in 2006 and 4,037 million in 2005.

Restructuring Costs

Restructuring costs amounted to 274 million in 2006, against 972 million in 2005. The costs incurred in 2006 related to restructuring carried out subsequent to the acquisition of Aventis (98 million) and to measures taken in response to the changing economic environment in Europe, primarily France and Germany (176 million).

The 2005 figure mainly comprised costs associated with the acquisition of Aventis: early retirement benefits and other employee-related costs, compensation for early termination of contracts, abandonment of software and other restructuring costs.

Impairment of Property, Plant & Equipment and Intangibles

Impairment charged against property, plant and equipment and intangible assets was 1,163 million in 2006, compared with 972 million in 2005.

This charge arises from the results of impairment tests, which identified impairment losses in 2006 in respect of property, plant and equipment (210 million) and intangible assets (953 million).

In 2006, impairment losses charged against property, plant and equipment related mainly to the industrial assets specific to the antibiotic Ketek[®], following the December 2006 recommendation of the FDA Joint Advisory Committee to restrict the indications for this product to mild to moderate community acquired pneumonia. Impairment losses charged against intangible assets include 946 million relating to assets recognized at fair value on the acquisition of Aventis, mainly Ketek[®] (following the restriction on this product's indications in the United States) and Tritace[®]/Altace[®] (following the at-risk launch of a generic version of ramipril in Canada following the obtention of generic marketing approval in late 2006).

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In 2005, impairment losses of \$966 million, were charged against intangible assets, relating mainly to Allegra[®] and other products subject to competition from generics in the United States.

Gains and losses on disposals, and litigation

Gains and losses on disposals, and litigation showed a net gain of \$536 million in 2006, compared with a net gain of \$79 million in 2005. In 2006, this line included gains on divestments of \$550 million (including a pre-tax gain of \$460 million on the sale of the Exuber[®] rights to Pfizer, and \$45 million on the sale of the residual 30% interest in an animal nutrition business).

In 2005, this line included gains on divestments of \$102 million (including a gain of \$70 million on the sale of the oral hygiene business to P&G) and the reversal of a provision for the litigation with Bayer (\$59 million).

Operating Income

As a result of the various factors described above, operating income for the year ended December 31, 2006 came to \$4,828 million, compared with \$2,888 million for the previous year.

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Financial Income and Expenses

Net financial expense totaled 80 million, compared with 245 million in 2005.

The reduction in net financial expense was mainly attributable to a reduction in debt due to the cash flow generated by our operations. Net interest expense was 286 million, against 418 million in 2005. The 2006 figure also benefited from the reclassification of the 34 million positive impact of gains on euro swaps used to hedge U.S. commercial paper drawdowns. This amount was previously included in Foreign exchange gains Non-operating, another component of Financial income and expenses.

Other factors underlying the reduction in net financial expense included:

an increase in gains on disposals of investments to 108 million (mainly on the sale of our interest in Rhodia), against 94 million in 2005 (disposal of several equity holdings in biotechnology companies);

a higher level of gains on financial instruments (68 million, versus 49 million in 2005).

Income before Tax and Associates

Income before tax and associates came to 4,748 million, compared with 2,643 million in 2005.

Income Tax Expense

Income tax expense for the year was 800 million, compared with 477 million in 2005.

In 2006, income tax expense included our share of the tax payable on the gain arising from the sale of Exubera® (77 million).

Share of Profit/ Loss of Associates

Our share of the net profits of associates was 451 million, compared with 427 million in 2005. This item mainly comprises our share of after-tax profits from the territories managed by BMS under the Plavix® and Avapro® alliance (320 million in 2006, versus 404 million in 2005). The decline relative to 2005 was due to lower sales of Plavix® in the United States. The rest of the change reflects mainly the further growth of the contribution from our 50% interest in Merial.

Net Income

Net income (before minority interests) was 4,399 million, compared with 2,593 million in 2005.

Net Income Attributable to Minority Interests

Net income attributable to minority interests was 393 million in 2006 (2005: 335 million). This item includes the share of pre-tax income paid over to BMS from territories managed by sanofi-aventis (375 million in 2006, versus 300 million in 2005).

Net Income Attributable to Equity Holders of the Company

Net income attributable to equity holders of the Company totaled 4,006 million, versus 2,258 million in 2005.

The table below shows trends in net income attributable to equity holders of the Company by business segment for 2005 and 2006:

<i>(million)</i>	2006	2005
Pharmaceuticals	3,649	2,207
Vaccines	357	51
Total net income attributable to equity holders of the Company	4,006	2,258

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Adjusted net income for the year ended December 31, 2006 was 7,040 million compared to 6,335 million in 2005. Adjusted earnings per share was 5.23 in 2006, compared to 4.74 in 2005.

Reconciliation of Net Income Attributable to Equity Holders of the Company to Adjusted Net Income

<i>(million, except per share data)</i>	2006	2005
Net income attributable to equity holders of the Company	4,006	2,258
Material accounting adjustments related to business combinations	2,969	3,462
- elimination of expense arising on the workdown of acquired inventories remeasured at fair value, net of tax	21	248
- elimination of expenses arising on amortization and impairment of intangible assets, net of tax (portion attributable to equity holders of the Company)	2,935	3,156
- elimination of expenses arising from the impact of the acquisitions on equity investees (workdown of acquired inventory, amortization and impairment of intangible assets, and impairment of goodwill)	13 ⁽²⁾	58
- elimination of impairment losses charged against goodwill		
Elimination of acquisition-related integration and restructuring charges, net of tax	65	615
Adjusted net income	7,040	6,335
Adjusted earnings per share (in euro)⁽¹⁾	5.23	4.74

(1) Based on 1,336.5 million shares for 2005 and 1,346.8 million shares for 2006, representing the weighted average number of shares outstanding.

(2) Includes impact of the Zentiva acquisition (11 million), amortization and impairment (net of tax) relating to the acquisition of Aventis (97 million), and reversal of a deferred tax liability on the investment in Merial (95 million).

The table below shows trends in adjusted net income by business segment for 2005 and 2006:

<i>(million)</i>	2006	2005
Pharmaceuticals	6,479	5,903
Vaccines	561	432
Total adjusted net income	7,040	6,335

Liquidity and Capital Resources

Our operations generate significant positive cash flow. We fund our investments primarily with operating cash flow and pay regular dividends on our shares. In connection with our acquisition of Aventis in 2004, we incurred significant debt, of which we have repaid a substantial portion. As of December 31, 2007, our debt, net of cash and cash equivalents, stood at 4.2 billion compared to 5.8 billion a year earlier.

Consolidated Statement of Cash Flows

Generally, factors that affect our earnings — for example, pricing, volume, costs and exchange rates — flow through to cash from operations. The most significant source of cash from operations is sales of our branded pharmaceutical products and human vaccines. Collections of royalty payments also contribute to cash from operations.

Net cash provided by operating activities in 2007 totaled 7,106 million, compared with 6,604 million in 2006. Operating cash flow before changes in working capital was 7,917 million in 2007, against 7,610 million in 2006. Working capital needs increased by 811 million in 2007, compared with 1,006 million in 2006.

Net cash used in investing activities amounted to 1,716 million in 2007, compared with 790 million in 2006.

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Acquisitions of property, plant and equipment and intangibles totaled 1,610 million in 2007 (2006: 1,454 million), and mainly comprised investments in industrial plant and equipment and contractual payments for intangible rights. These intangible rights (231 million in 2007) mainly comprise the buyout of commercial rights to our products (including Panaldine® in Japan), and payments made under collaboration and marketing agreements with partners including Regeneron, Oxford BioMedica (TroVax®), UCB (Xyzal®), Crucell N.V. and Acambis plc.

Financial investments (435 million) mainly comprised 186 million on the buyout of preferred shares issued by our subsidiary Carderm Capital LP (See Note D.18.4 to our financial statements included at Item 18 of this annual report), and \$312 million on the purchase of 12 million shares in Regeneron, taking our interest in the company's capital to approximately 19%. In 2006, acquisitions of investments (509 million) mainly comprised the purchase of a 24.9% interest in the capital of Zentiva.

After-tax proceeds from disposals in 2007 (329 million) included receipt from CSL of the contingent purchase consideration (See Note D.20.2 to our financial statements included at Item 18 of this annual report) of \$250 million relating to our sale of Aventis Behring. In 2006, after-tax proceeds from disposals totaled 1,174 million, mainly on the sale of the Exuber® rights.

Net cash used in financing activities totaled 4,820 million, against 5,854 million in 2006. This figure includes the dividend payout of 2,364 million (2006: 2,042 million), a net reduction in short-term and long-term debt of 934 million (2006: 4,161 million), and the repurchase of 29.4 million of our own shares (for 1,806 million) under the share repurchase program authorized by the Annual General Meeting of our shareholders on May 31, 2007.

After the impact of exchange rates, the net change in cash and equivalents during 2007 was an increase of 558 million, compared with a decrease of 96 million in 2006.

Consolidated Balance Sheet and Debt

Total assets stood at 71,914 million at December 31, 2007, compared with 77,763 million at December 31, 2006. The year-on-year decrease of 5,849 million was primarily due to the net effect of exchange rates, following the weakening of various currencies against the euro (3,521 million, including 3,327 million due to changes in the exchange rate between the U.S. dollar and the euro).

At December 31, 2007, our debt, net of cash and cash equivalents stood at 4.2 billion, compared with 5.8 billion at December 31, 2006. We define debt, net of cash and cash equivalents as short-term debt plus long-term debt, minus cash and cash equivalents. Debt, net of cash and cash equivalents is a non-GAAP financial indicator used by management and investors to measure the company's overall net indebtedness.

The table below shows changes in the Group's financial position over the last three years:

(million)	2007	2006	2005
Debt	5,941	6,944	11,175
Cash and cash equivalents	(1,711)	(1,153)	(1,249)

Debt, net of cash and cash equivalents	4,230	5,791	9,926
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The gearing ratio (debt, net of cash and cash equivalents, to shareholders' equity) improved from 12.6% at the end of 2006 to 9.5% in 2007.

For an analysis of our debt at December 31, 2007 by type, maturity, interest rate and currency, refer to Note D.17 to the consolidated financial statements.

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Other key movements in balance sheet items for the period under review are summarized below:

Shareholders' equity totaled 44,719 million at December 31, 2007, against 45,820 million at December 31, 2006. This net reduction reflected the following factors:

reductions: payment of the 2006 dividend to our shareholders (2,364 million), repurchases of our own shares (1,806 million), and the net change in the cumulative translation difference following the weakening of various currencies against the euro (2,764 million, mainly on the U.S. dollar);

increases: net income attributable to equity holders of the company for 2007 (5,263 million), actuarial gains on employee benefit obligations under the option offered by the amendment to IAS 19 (176 million net of taxes), issuance of new shares reserved for employees under the employee share ownership plan (95 million), and sale and subscription of shares on exercise of stock options (234 million).

At December 31, 2007, we owned 37.7 million of our own shares (recorded as a deduction from shareholders' equity), representing 2.76% of our share capital. We did not cancel any treasury shares during 2007.

Goodwill (27,199 million at December 31, 2007) fell by 1,273 million year on year, mainly due to the net change in cumulative translation differences arising from the weakening of various currencies against the euro (impact: 1,217 million).

Intangible assets (19,182 million at December 31, 2007) fell by 4,556 million (including 1,137 million due to the effect of exchange rates). Amortization expenses and impairment losses accounted for 3,783 million, including 58 million of impairment losses recognized on the basis of the results of impairment tests.

Provisions and other non-current liabilities (6,857 million at December 31, 2007) decreased by 1,063 million, due to a reduction of 441 million in the provision for pensions and other long-term employee benefits (of which 277 million arose from the recognition of actuarial gains on defined-benefit plans), the buyout of preferred shares issued by our subsidiary Carderm Capital LP (186 million), and various reversals of provisions.

Net deferred tax liabilities (4,023 million at December 31, 2007) fell by 1,731 million, largely as a result of reversals of deferred tax liabilities associated with the amortization of intangible assets (1,295 million) and the effect of reductions in tax rates, primarily in Germany, on deferred tax liabilities recognized in 2004 on the remeasurement of acquired intangible assets of Aventis (impact: 566 million).

The financing in place at December 31, 2007 is not subject to covenants regarding financial ratios, and contains no clauses linking credit spreads or fees to our credit rating.

Liquidity

We expect that our existing cash resources and cash from operations will be sufficient to finance our foreseeable working capital requirements.

420 million of our cash and cash equivalents is held by our captive insurance and reinsurance companies in accordance with insurance regulations. As of year end 2007, we had no commitments for capital expenditures which we consider to be material to our consolidated financial position. The main undrawn confirmed credit facilities amounted to a total of 12.6 billion at December 31, 2007. For a discussion of our treasury policies, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Off-Balance Sheet Arrangements / Contractual Obligations and Other Commercial Commitments

We have various contractual obligations and other commercial commitments arising from our operations. These obligations and commitments are more fully described at Item 4. Information on the Company, above.

Our contractual obligations and our other commercial commitments at December 31, 2007 are shown in Note D.21 to our consolidated financial statements, included at Item 18 of this annual report, which discloses details of commitments under our principal R&D collaboration agreements. Note D.22.e) to the 2007 consolidated financial statements describes our principal contractual commitments in respect of divestments.

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The following table lists the aggregate maturities of our contractual obligations and other commercial commitments as of December 31, 2007:

<i>December 31, 2007 (million)</i>	Total	Payments due by period			
		Under 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years
Finance lease obligations (including interest)	35	5	9	14	7
Operating lease obligations	1,283	276	390	204	413
Irrevocable purchase obligations:					
given	2,234	1,339	327	110	458
received	(303)	(170)	(58)	(15)	(60)
Guarantees:					
given	395	230	46	12	107
received	(195)	(143)	(34)	(2)	(16)
Property, plant and equipment pledged as security for liabilities	13				13
Other commercial commitments	2,808	161	372	466	1,509
Total Other commitments	6,270	1,698	1,052	789	2,731
Debt	6,509	2,376	2,544	1,332	257
principal	5,831	2,145	2,244	1,237	205
interest	678	231	300	95	52
Undrawn confirmed credit facilities ⁽¹⁾	13,079	1,996	4,080	7,003	

⁽¹⁾ Details of confirmed credit facilities are provided in Note D.17.c. Undrawn credit facilities also include commitments received by some operational subsidiaries of the Group.

For additional information regarding our commercial commitments, see Note D.21 to our consolidated financial statements included under Item 18.

We may have payments due to our current or former research and development partners under collaborative agreements. These agreements typically cover multiple products, and give us the option to participate in development on a product-by-product basis. When we exercise our option with respect to a product, we pay our collaboration partner a fee and receive intellectual property rights to the product in exchange. We also are generally required to fund some or all of the development costs for the products that we select, and to make payments to our partners when those products reach development milestones.

We have entered into collaboration agreements under which we have rights to acquire products or technology from third parties through the acquisition of shares, loans, license agreements, joint development, co-marketing and other contractual arrangements. In addition to upfront payments on signature of the agreement, our contracts frequently require us to make payments contingent upon the completion of development milestones by our alliance partner or upon the granting of approvals or licenses.

Because of the uncertain nature of development work, it is impossible to predict (i) whether sanofi-aventis will exercise further options for products, or (ii) whether the expected milestones will be achieved, or (iii) the number of compounds that will reach the relevant milestones. It is therefore impossible to estimate the maximum aggregate amount that sanofi-aventis will actually pay in the future under existing collaboration agreements.

Given the nature of its business, it is highly unlikely that sanofi-aventis will exercise all options for all products or that all milestones will be achieved.

The main collaborative agreements in the Pharmaceuticals segment, into which we have entered as of year end 2007, are described below.

On March 28, 2007, sanofi-aventis and Oxford BioMedica announced that they had entered into an exclusive global license agreement to develop and commercialize TroVax[®] for the treatment and prevention of cancers. TroVax[®] is Oxford BioMedica's lead cancer immunotherapy, and may be developed by sanofi-aventis as a treatment for a large range of cancer types.

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Under the terms of this agreement:

Assuming full development and registration success in all targeted indications, future milestone payments could reach 480 million.

Oxford BioMedica and sanofi-aventis will co-fund the ongoing Phase III TRIST trial of TroVax[®] in renal cancer.

Sanofi-aventis will fund all future research, development and regulatory activities.

Sanofi-aventis will be responsible for the commercialization of TroVax[®] and will book the sales worldwide. Oxford BioMedica may exercise an option to participate in the promotion of TroVax[®] in the United States and the European Union.

Oxford BioMedica is entitled to escalating royalties on global sales of TroVax[®], and to sales milestone payments if and when net sales of TroVax[®] reach certain levels.

In September 2003, sanofi-aventis signed a collaboration agreement with Regeneron in oncology to develop the Vascular Endothelial Growth Factor (VEGF) Trap program. Development milestone payments and royalties on VEGF Trap sales are payable under the contract. Total milestone payments could reach \$400 million if all indications specified in the contract obtain approval in the United States, Europe and Japan. Sanofi-aventis will pay 100% of the development costs of the VEGF Trap. Once a VEGF Trap product starts to be marketed, Regeneron will repay 50% of the development costs (originally paid by sanofi-aventis) in accordance with a formula based on Regeneron's share of the profits, including royalties received in Japan. In 2005, the VEGF Trap program was extended to Japan, and the treatment of ocular pathologies was excluded from the scope of the collaboration agreement.

In November 2007, sanofi-aventis signed a further collaboration agreement with Regeneron to discover, develop and commercialize fully-human therapeutic antibodies.

Under the terms of the research agreement, sanofi-aventis made an upfront payment of \$85 million to Regeneron and will fund up to \$475 million of research over the next five years. Sanofi-aventis will have an option to extend the research agreement for an additional three years. Under the terms of the development agreement, sanofi-aventis will fund 100% of the development costs. Once a product begins to be marketed, Regeneron will repay out of its profits (provided they are sufficient) half of the development costs borne by sanofi-aventis.

The first therapeutic antibody to be developed under this collaboration agreement is an antibody to the Interleukin-6 receptor (IL-6R), which has already started clinical trials in rheumatoid arthritis. The second is an antibody to Delta-like ligand-4 (Dl4), scheduled to start clinical development in 2008.

For any new product successfully developed as part of the collaboration, sanofi-aventis will take the lead in commercialization activities and will consolidate the sales. Regeneron will have the right to copromote any and all collaboration products worldwide. In the United States, profits will be shared equally. Outside the United States, profits will be split on a pre-determined sliding scale, with the sanofi-aventis share ranging from 65% to 55%. In addition, Regeneron will be entitled to receive up to a total of \$250 million of sales milestone payments when the collaboration achieves certain aggregate annual ex-U.S. sales levels.

Under a co-promotion agreement with UCB, signed in September 2006, sanofi-aventis will co-promote Xyzal[®] in the United States jointly with UCB. Xyzal[®] is a prescription antihistamine. The agreement requires payments to be made on attainment of development and marketing milestones, based on regulatory approvals and sales targets. Total potential milestone payments still payable under the agreement could reach \$135 million. The agreement also specifies how profits are to be split between sanofi-aventis and UCB.

In July 2006, sanofi-aventis signed an agreement with Taiho Pharmaceutical Co., Ltd. (Taiho) on the development and marketing of the oral anticancer agent S-1, a proprietary product from Taiho. S-1 has been marketed in Japan since 1999, and is currently in Phase III in Europe, the United States and some other countries. Under the contract, milestone payments are payable at different stages of the development and marketing of S-1, and a royalty is payable on sales of the product. Outstanding milestone payments under the contract (contingent upon the granting of approval for indications and attainment of sales targets) could reach a total of \$295 million.

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Under a collaboration agreement with Zealand Pharma signed in June 2003, sanofi-aventis obtained rights relating to the development and worldwide marketing of ZP10, an agent used in the treatment of type 2 diabetes. Under this agreement, sanofi-aventis is responsible for the development of this compound. Payments to Zealand Pharma could reach a total of \$85 million, contingent upon marketing approvals being obtained.

A collaboration agreement with IDM was signed in 2001. Under this agreement, IDM granted sanofi-aventis 20 development options on current and future research and development programs. For each option that leads to a commercially marketed product, IDM could receive between 17 million and 32 million depending on the potential of the market, plus reimbursement of the development costs. Contractually, sanofi-aventis may suspend the development program for each option exercised at any time and without penalty. In 2007, sanofi-aventis decided to suspend the development program for the treatment of melanoma, the only program for which it has exercised its option since the collaboration agreement with IDM was signed. At December 31, 2007, sanofi-aventis still had an option on 8 programs.

Sanofi-aventis has entered into various other collaboration agreements with partners including Ajinomoto, Immunogen, Coley, Novoxel, Wayne State University, and Innogenetics & Inserm, under which sanofi-aventis may be required to make total contingent payments of approximately 118 million over the next 5 years.

The main collaborative agreements in the Vaccines segment are described below:

In February 2007, sanofi pasteur and Acambis plc signed a license agreement for a single dose vaccine against Japanese encephalitis (JE), ChimeriVax -JE, to help improve public health in endemic countries of the Asia-Pacific region. Under the terms of the agreement, Acambis will provide the raw materials for ChimeriVax-JE and receive a royalty on sales. In addition, Acambis will receive milestone payments linked to marketing approvals for ChimeriVax-JE in key endemic countries and in Europe. The maximum amount of these future milestone payments is 22.5 million.

In November 2007, Acambis plc and sanofi pasteur signed a further agreement to develop and market a vaccine against West Nile virus. Under the terms of the agreement, Acambis plc will continue to perform development activities, up to and including the filing of a license application in the United States. Sanofi-aventis made an upfront payment of \$10 million to Acambis plc, which may receive further payments contingent upon the attainment of pre and post launch objectives up to a maximum of \$70 million.

In December 2007, sanofi pasteur signed an exclusive collaboration and commercialization agreement with Crucell N.V. for Crucell's rabies monoclonal antibodies. Under the terms of the agreement, Crucell will continue to develop and manufacture the product. Sanofi-aventis made an upfront payment of 10 million to Crucell on signature of the agreement, and the contract includes milestone payments that could reach 66.5 million.

In October 2005, sanofi pasteur and Becton Dickinson signed a license agreement for the development of a vaccine microinjection system. The agreement requires sanofi-aventis to pay for exclusivity rights, and to make milestone payments that could reach \$30 million.

Sanofi pasteur has entered into a number of other collaboration agreements with partners including Emergent, Agensys, Crucell, Intercell and Vactech, under which sanofi pasteur may be required to make total contingent payments of around 59 million over the next 5 years.

We have the following commercial commitment related to divestments:

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Following the divestment of the Notre Dame de Bondeville site, effective September 1, 2004, a contract was signed with the purchaser guaranteeing continuity of production of mature sanofi-aventis products at the site for a period of five years.

Table of Contents**Critical accounting and reporting policies**

Our consolidated financial statements are affected by the accounting and reporting policies that we use. Certain of our accounting and reporting policies are critical to an understanding of our results of operations and financial condition, and in some cases the application of these critical policies can be significantly affected by the estimates, judgments and assumptions made by management during the preparation of our consolidated financial statements. The accounting and reporting policies that we have identified as fundamental to a full understanding of our results of operations and financial condition are the following:

Revenue recognition. Our policies with respect to revenue recognition are discussed at Note B.14 to our consolidated financial statements included at Item 18 of this annual report. Revenue arising from the sale of goods is presented in the income statement under **Net sales** . Net sales comprise revenue from sales of pharmaceutical products, vaccines, and active ingredients, net of sales returns, of customer incentives and discounts, and of certain sales-based payments paid or payable to the healthcare authorities. Revenue is recognized when all of the following conditions have been met: the risks and rewards of ownership have been transferred to the customer; the Group no longer has effective control over the goods sold; the amount of revenue and costs associated with the transaction can be measured reliably; and it is probable that the economic benefits associated with the transaction will flow to the Group.

We offer various types of price reductions on our products. In particular, products sold in the United States are covered by various programs (such as Medicare and Medicaid) under which products are sold at a discount. Rebates are granted to healthcare authorities, and under contractual arrangements with certain customers. Some wholesalers are entitled to chargeback incentives based on the selling price to the end customer, under specific contractual arrangements. Cash discounts may also be granted for prompt payment. The discounts, incentives and rebates described above are estimated on the basis of specific contractual arrangements with our customers or of specific terms of the relevant regulations and/or agreements applicable for transactions with healthcare authorities, and of assumptions of the attainment of sales targets. They are recognized in the period in which the underlying sales are recognized, as a reduction of sales revenue. We also estimate the amount of product returns, on the basis of contractual sales terms and reliable historical data; the same recognition principles apply to sales returns. For additional details regarding the financial impact of discounts, rebates and sales returns see Note D.23 to our consolidated financial statements included at Item 18 of this annual report.

Non-product revenues, mainly comprising royalty income from license arrangements that constitute ongoing operations of the Group, are presented in **Other revenues** .

Impairment Testing of Intangible Assets. As discussed in Note B.6 (Impairment of property, plant and equipment, intangible assets and investments in associates) and in Note D.5 (Impairment of property, plant and equipment and intangibles) to our consolidated financial statements included at Item 18 of this annual report, we test our intangible assets periodically for impairment. The most significant intangible assets that we test for impairment are those resulting from the business combination of Sanofi-Synthélabo and Aventis in 2004. We test for impairment on the basis of the same objective criteria that were used for the initial valuation. Our initial valuation and ongoing tests are based on the relationship of the value of our projected future cash flows associated with the asset to either the purchase price of the asset (for its initial valuation) or the carrying amount of the asset (for ongoing tests). The determination of the underlying assumptions related to the recoverability of intangible assets is subjective and requires the exercise of considerable judgment. Any changes in key assumptions about our business and prospects, or changes in market conditions, could result in an impairment charge.

Pension and Retirement Benefits. As described in Note B.23 (Employee Benefit Obligations) to our consolidated financial statements included at Item 18 of this annual report, we recognize our pension and retirement benefit commitments as liabilities on the basis of an actuarial estimate of the potential rights vested in employees and retirees as of the balance sheet date, net of the valuation of funds to meet these obligations. We prepare this estimate at least on an annual basis taking into account actuarial assumptions, including life expectancy, staff turnover, salary growth, long-term return on plan assets, retirement and discounting of amounts payable. Depending

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on the assumptions and estimates used, the pension and post-retirement benefit expense could vary within a range of outcomes and have a material effect on reported earnings.

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Deferred Taxes. As discussed in Note B.22 (Income Tax Expense) to our consolidated financial statements included at Item 18 of this annual report, we account for deferred taxes using the liability method, whereby deferred income taxes are recognized on tax loss carry-forwards, and on the difference between the tax base and carrying amount of assets and liabilities. We calculate our deferred tax assets and liabilities using enacted tax rates applicable for the years during which we estimate that the temporary differences are expected to reverse. We do not record deferred tax assets when it is more likely than not that the deferred tax assets will not be realized. The estimates of recognized deferred tax assets are based on our assumptions regarding future profits and the timing of reversal of temporary differences. These assumptions are regularly reviewed; however, final deferred income tax could differ from those estimates.

Provisions for risks. Sanofi-aventis and its subsidiaries and affiliates may be involved in litigation, arbitration or other legal proceedings. These proceedings typically are related to product liability claims, intellectual property rights, compliance and trade practices, commercial claims, employment and wrongful discharge claims, tax assessment claims, waste disposal and pollution claims, and claims under warranties or indemnification arrangements relating to business divestitures. As discussed in Note B.12 (Provisions for risks) at Item 18 of this annual report, we record a provision where we have a present obligation, whether legal or constructive, as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the outflow of resources. For additional details regarding the financial impact of provisions for risks see Notes D.18.3 (Other provisions) and D.22 (Legal and Arbitral Proceedings) to our consolidated financial statements included at Item 18 of this annual report.

Provisions are estimated on the basis of events and circumstances related to present obligations at the balance sheet date, of past experience, and to the best of management's knowledge at the date of preparation of the financial statements. The assessment of provisions can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. Given the inherent uncertainties related to these estimates and assumptions, the actual outflows resulting from the realization of those risks could differ from our estimates.

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Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Since January 1, 2007, the office of Chairman has been separated from that of Chief Executive Officer.

The **Chief Executive Officer** is responsible for the management of the Company, and represents it in dealings with third parties. He has the broadest powers to act in the name of the Company.

The **Chairman** represents the Board of Directors. He organizes and directs the work of the Board, and is accountable for this to the Shareholders General Meeting. He is also responsible for ensuring that the corporate decision-making bodies chaired by him (Board of Directors and Shareholders General Meeting) operate properly.

Board of Directors

The Company is managed by a Board of Directors composed of 16 members, 8 of whom are independent.

Members of our Board of Directors are appointed for a maximum term of four years; reappointment of Directors is on a rotation basis. No more than one third of the serving members of our Board of Directors may be aged more than 70.

If the functions of Chairman and Chief Executive Officer are separated, the age limit for the Chairman is 70, the Chairman remaining in office until the Ordinary General Meeting called to approve the financial statements and held during the calendar year in which he reaches the age limit.

The Chief Executive Officer shall be a physical person aged less than 65.

Subject to the authority expressly reserved by law to the shareholders and within the scope of the corporate objects, the Board of Directors deals with and takes decisions upon all issues relating to the proper management of the Company and other matters concerning the Board.

Under our bylaws (*statuts*), each member of the Board of Directors must be the direct legal owner of at least one of our shares throughout his or her term of office.

Table of Contents**Composition of the Board of Directors at December 31, 2007**

Jean-François Dehecq	Age	68
Chairman of the Board of Directors since January 1, 2007	Nationality	<i>French</i>
Director	First elected	<i>May 1999</i>
395,020 shares	Term expires	2008
	Other directorships and appointments	
	Director of Air France, Agence Nationale de la Recherche and Veolia Environnement	
	Chairman of Association Nationale de la Recherche Technique	
	Chairman of the Board of Directors of ENSAM (Ecole Nationale Supérieure d'Arts et Métiers)	
	Member of Fondation Française pour la Recherche sur l'Epilepsie	
	Vice Chairman of EFPIA (European Federation of Pharmaceutical Industries and Associations)	
	Member of IFPMA (International Federation of Pharmaceutical Manufacturers Associations)	
	Governor to the Board of the American Hospital of Paris	
Jürgen Dormann	Age	68
Vice Chairman	Nationality	<i>German</i>
Independent Director	First elected	<i>August 2004</i>
4,866 shares	Term expires	2008
	Other directorships and appointments	
	Chairman of the Board of Directors of Adecco (Switzerland)	
	Director of BG Group (United Kingdom) and IBM (United States)	
Gérard Le Fur	Age	57
Chief Executive Officer since January 1, 2007	Nationality	<i>French</i>
Director	First elected	<i>May 2006</i>
42,868 shares	Term expires	2010
	Other directorships and appointments	
	member of the <i>Académie des sciences</i>	

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René Barbier de	Age	<i>67</i>
La Serre	Nationality	<i>French</i>
Independent Director	First elected	<i>May 1999</i>
	Term expires	<i>2008</i>
2,000 shares	Other directorships and appointments	
	Director of Aluthéa, PPR and Nord-Est	
	Vice Chairman of the Supervisory Board of Edmond de Rothschild Corporate Finance	
	Member of the Supervisory Boards of la Compagnie Financière Saint-Honoré, la Compagnie Financière Edmond de Rothschild Banque, Financière Vivaldi and Schneider Electric	
	Managing Director of Harwanne Compagnie de Participations Industrielles et Financières (Switzerland)	
	Censor of Fimalac	
	Chairman of Audit Committees of la Compagnie Financière Edmond de Rothschild Banque and PPR	
	Chairman of Governance Committee of Caisse des Dépôts et Consignations	
	Member of Compensation Committee of PPR	
	Member of Compensation, Appointments and Governance Committee of Schneider Electric	
	Member of Executive Committee of Financière du Dauphin	

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Jean-Marc Bruel	Age	72
Independent Director	Nationality	<i>French</i>
	First elected	<i>August 2004</i>
	Term expires	<i>2008</i>
6,995 shares	Other directorships and appointments	
	Chairman of Firmenich (Switzerland)	
	Director of Institut Curie	
Robert Castaigne	Age	61
Director	Nationality	<i>French</i>
	First elected	<i>February 2000</i>
	Term expires	<i>2008</i>
500 shares	Other directorships and appointments	
	Chief Financial Officer of Total	
	Chairman and Chief Executive Officer of Total Chimie and Total Nucléaire	
	Director of Elf Aquitaine, Hutchinson, Total Gestion Filiales, Omnium Insurance & Reinsurance Company Ltd (Bermuda), Petrofina (Belgium), Vinci, Total Upstream UK Ltd and Total Gabon	
Thierry Desmarest	Age	62
Director	Nationality	<i>French</i>
	First elected	<i>February 2000</i>
	Term expires	<i>2008</i>
500 shares	Other directorships and appointments	
	Chairman of the Board of Directors of Total since February 14, 2007	
	Member of the Supervisory Board of Areva	
	Director of L Air Liquide	
Lord Douro	Age	62
Independent Director	Nationality	<i>English</i>
	First elected	<i>May 2002</i>
	Term expires	<i>2010</i>

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550 shares	Other directorships and appointments
	Chairman of Richemont Holdings UK Ltd and Kings College London (United Kingdom)
	Director of la Compagnie Financière Richemont AG (Switzerland), Pernod Ricard, GAM Worldwide (United Kingdom) and Abengeo Bioenergy (Spain)
	Member of the Compensation Committee and the Appointments Committee of Pernod Ricard
	Member of Appointments Committee of la Compagnie Financière Richemont AG (Switzerland)
	Senior Advisor of Calyon (United Kingdom)
Jean-René Fourtou	Age <i>68</i>
Independent Director	Nationality <i>French</i>
	First elected <i>August 2004</i>
	Term expires <i>2008</i>
2,891 shares	Other directorships and appointments
	Chairman of the Supervisory Boards of Vivendi and Groupe Canal +
	Honorary Chairman of the International Chamber of Commerce
	Vice Chairman of the Supervisory Board of Axa
	Member of the Supervisory Board of Maroc Telecom
	Director of Cap Gemini SA, NBC Universal Inc. (United States), Axa Millésimes SAS and Nestlé

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Igor Landau	Age	63
Director	Nationality	<i>French</i>
	First elected	<i>August 2004</i>
	Term expires	2008
11,538 shares	Other directorships and appointments	
	Director of HSBC France and INSEAD	
	Member of the Supervisory Boards of Allianz AG (Germany) and Adidas (Germany)	
Hubert Markl	Age	69
Independent Director	Nationality	<i>German</i>
	First elected	<i>August 2004</i>
	Term expires	2008
83 shares	Other directorships and appointments	
	Member of the Supervisory Boards of BMW AG (Germany), Münchener Rückversicherungs-Gesellschaft AG (Germany) and Georg von Holtzbrinck Verlagsgruppe (Germany)	
Christian Mulliez	Age	47
Director	Nationality	<i>French</i>
	First elected	<i>June 2004</i>
	Term expires	2008
540 shares	Other directorships and appointments	
	Vice President, General Manager Administration and Finance of L Oréal	
	Chairman of the Board of Directors of Regefi	
	Director of DG 17 Invest and L Oréal USA Inc. and The Body Shop International (United Kingdom)	
Lindsay Owen-Jones	Age	62
Director	Nationality	<i>English</i>
	First elected	<i>May 1999</i>
	Term expires	2008
15,000 shares	Other directorships and appointments	
	Chairman of the Board of Directors of L Oréal	

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Chairman of Strategy Committee of L. Oréal

Chairman of the Board of Directors of Fondation d'Entreprise L. Oréal

Chairman of Alba Plus

Director and Vice Chairman of the Board of Directors of L. Air Liquide

Klaus Pohle

Age *70*

Independent Director

Nationality *German*

First elected *August 2004*

Term expires *2008*

2,500 shares

Other directorships and appointments

Vice Chairman of the Supervisory Board, Chairman of the Audit Committee and Member of the Appointments and Corporate Governance Committee of Hypo Real Estate Holding AG, Munich (Germany)

Director of Coty Inc., New York

Chairman of the Audit Committee of Coty Inc., New York

Member of the Supervisory Board and Chairman of the Audit Committee of DWS Investment GmbH, Frankfurt (Germany)

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Gérard Van Kemmel	Age	68
Independent Director	Nationality	<i>French</i>
	First elected	<i>May 2003</i>
	Term expires	<i>2011</i>
500 shares	Other directorships and appointments	
	Director of Eurotunnel NRS Holders Company Limited (United Kingdom)	
Bruno Weymuller	Age	59
Director	Nationality	<i>French</i>
	First elected	<i>May 1999</i>
	Term expires	<i>2008</i>
2,000 shares	Other directorships and appointments	
	Executive Vice President, Strategy and Risk Assessment of Total	
	Director of Elf Aquitaine, Technip and Rexecode	
	Elf Aquitaine's permanent representative on the Boards of Directors of Eurotrading International and Total E & P France	

During 2007, the Board of Directors met six times, with an overall attendance rate among Board members of 88%.

The Board of Directors' meeting held on February 11, 2008 discussed the reappointment of thirteen members of the Board of Directors whose terms of office expire at the end of the General Shareholders' meeting to be held on May 14, 2008.

The Board of Directors decided to submit at the General Shareholders' meeting the reappointment of Mssr. Jean-François Dehecq, Jean-Marc Bruel, Robert Castaigne, Thierry Desmarest, Jean-René Fourtou, Igor Landau, Christian Mulliez, Lindsay Owen-Jones and Klaus Pohle.

Four Directors are not seeking reappointment (Mssr. René Barbier de La Serre, Jürgen Dormann, Hubert Markl and Bruno Weymuller). The Board of Directors proposes to the General Shareholders' meeting the appointment of four new directors: Mrs. Claudie Haigneré, Mr. Uwe Bicker, Mr. Patrick de la Chevadière and Mr. Gunter Thielen.

Mrs. Claudie Haigneré is a certified rheumatologist and holds a doctorate in science specialized in neurosciences. She participated in several spatial missions (Station MIR in 1996, International Space Station in 2001). She also served as *Ministre Français Délégué à la Recherche et aux Nouvelles Technologies* (2002-2004) and as *Ministre Français Délégué aux Affaires Européennes* (2004-2005). Since November 2005, Mrs. Claudie Haigneré has been an Advisor of the Director General of the European Space Agency (ESA).

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Mr. Uwe Bicker is a physician and holds a doctorate in chemistry. He is a Professor at the Medical Faculty of the Heidelberg University and a Doctor *honoris causa* at the Klausenburg University. He has been a member of the Board of Bertelsmann Stiftung (Foundation Bertelsmann) since January 2008.

Mr. Patrick de la Chevardière is a graduate of the *Ecole Centrale de Paris*. Since September 2003, he has served as Deputy Chief Financial Officer of Total.

Mr. Gunter Thielen has a doctorate in physical chemistry and a degree in economics and industrial engineering. Since January 2008, he has served as Chairman of the Supervisory Board of Bertelsmann AG, Gütersloh and Chairman of the Executive Board of Bertelsmann Stiftung (Foundation Bertelsmann).

The Board, in accordance the by-laws provisions on rotating directorships, proposes to the General Shareholders meeting that the duration of the terms be staggered so that, beginning in 2010, one third of the Board will be renewed each year.

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The new Board of Directors would comprise of the following members (year term ends):

Mr. Jean-François Dehecq (2011)

Mr. Gérard Le Fur (2010)

Mr. Jean-Marc Bruel (2010)

Mr. Robert Castaigne (2010)

Lord Douro (2010)

Mr. Christian Mulliez (2010)

Mr. Thierry Desmarest (2011)

Mr. Igor Landau (2011)

Mr. Gunter Thielen (2011)

Mr. Gérard Van Kemmel (2011)

Mr. Uwe Bicker (2012)

Mr. Patrick de la Chevardière (2012)

Mr. Jean-René Fourtou (2012)

Mrs. Claudie Haigneré (2012)

Mr. Lindsay Owen-Jones (2012)

Mr. Klaus Pohle (2012)

Executive Committee

On December 1, 2007, an Executive Committee was established in order to facilitate rapid decision-making, especially as regards the strategic priorities of sanofi-aventis. It is chaired by Gérard Le Fur.

The Committee meets twice a month, and has five permanent members:

Gérard Le Fur, Chief Executive Officer,

Marc Cluzel, Senior Vice President Research & Development⁽¹⁾,

Jean-Claude Leroy, Executive Vice President Finance and Legal,

Gilles Lhernould, Senior Vice President Industrial Affairs,

Hanspeter Spek, Executive Vice President Pharmaceutical Operations.

Management Committee

The Management Committee is chaired by Gérard Le Fur.

At the end of February 2008, the General Management Committee comprised:

Gérard Le Fur

Member of Management Committee

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Chief Executive Officer since January 1, 2007

Member of Executive Committee since December 1, 2007

Age: 57

⁽¹⁾ Research & Development was formerly known as Scientific and Medical Affairs.

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G rard Le Fur has degrees in both pharmacy and science. He began his career at Laboratoires Pharmuka as Chief of Laboratories and later served as Assistant Director of Research and Development before joining Laboratoires Rh ne-Poulenc as Director of Biology. He joined Sanofi in 1986 as Assistant Director of Research and Development, and was named Director of Research and Development in 1995, prior to being named Executive Vice President, Scientific Affairs in June 1999 following the merger with Synth labo. He was appointed Senior Executive Vice President in December 2002, and reappointed to the same position in June 2004. In August 2004, he was appointed Executive Vice President, Research & Development⁽¹⁾. In December 2006, he was appointed Chief Executive Officer as of January 1, 2007. He has been a member of the *Acad mie des sciences* since 2003.

Jean-Claude Leroy

Member of Management Committee

Executive Vice President Finance and Legal since March 26, 2007

Member of Executive Committee since December 1, 2007

Age: 56

Jean-Claude Leroy has a degree in business (DESCAF) from the *Ecole Sup rieure de Commerce* at Reims, France. He began his career at Elf Aquitaine in 1975 as an internal auditor, and worked in a variety of financial positions prior to joining Sanofi as the Financial Director of Bio Industries in 1985. Mr. Leroy served in a variety of positions at Sanofi, including Financial Director, and was appointed as Senior Vice President, Finance following the merger with Synth labo in 1999. He was named as Senior Vice President, Strategy, Business Development and Information Systems in October 2000. He was appointed Senior Vice President and Chief Financial Officer of sanofi-aventis in August 2004, before being named Executive Vice President and Chief Financial Officer in April 2006. He was appointed to his present position in March 2007.

Hanspeter Spek

Member of Management Committee

Executive Vice President Pharmaceutical Operations

Member of Executive Committee since December 1, 2007

Age: 58

Hanspeter Spek graduated from business school in Germany. In 1974, he completed a management training program at Pfizer International, and then joined Pfizer RFA as a junior product manager. He served in various positions at Pfizer RFA, including as manager of the marketing division. Mr. Spek joined Sanofi Pharma GmbH, a German subsidiary of Sanofi, in 1985 as Marketing Director, and served in various positions in Germany and then at Sanofi in France, before being named Senior Vice President Europe following the merger with Synth labo in 1999. He served as Executive Vice President, International Operations from October 2000, until January 2003, when he was named in charge of worldwide operations of Sanofi-Synth labo. He was appointed to his present position in August 2004.

Pierre Chancel

Member of Management Committee

Senior Vice President Global Marketing

Age: 51

Pierre Chancel, a pharmacist, is a graduate of the *Institut de Pharmacie Industrielle* in Paris. At Rhône-Poulenc, from 1994 to 1996, he was Marketing Director for Théraplix. From 1997 to 1999, Mr. Chancel served as Business Unit Manager in charge of products in the central nervous system, rheumatology and hormone replacement therapy fields. From 2003, he served as Managing Director of Aventis Operations in the United Kingdom and Ireland. Before being appointed to this position, he was in charge of global strategy development at Aventis, which led to the launch of the new diabetes treatment Lantus[®]. He was appointed to his present position in August 2004.

⁽¹⁾ Research & Development was formerly known as Scientific and Medical Affairs.

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Olivier Charmeil

Member of Management Committee

Senior Vice President Pharmaceutical Operations, Asia / Pacific

& Japan since January 1, 2008

Age: 45

Olivier Charmeil is a graduate of HEC (*Ecole des Hautes Etudes Commerciales*) and of the *Institut d Etudes Politiques* in Paris. From 1989 to 1994, he worked in the Mergers & Acquisitions department of Banque de l Union Européenne. He joined Sanofi Pharma in 1994 as head of Business Development. Subsequently, he held various posts within the Group, including Chief Financial Officer (Asia) for Sanofi-Synthélabo in 1999 and Attaché to the Chairman, Jean-François Dehecq, in 2000, before being appointed as Vice President, Development within the Sanofi-Synthélabo International Operations Directorate, where he was responsible for China and support functions. In 2003, Olivier Charmeil was appointed Chairman and Chief Executive Officer of Sanofi-Synthélabo France, before taking the post of Senior Vice President, Business Management and Support within the Pharmaceutical Operations Directorate. In this role, he piloted the operational integration of Sanofi-Synthélabo and Aventis. He was appointed to his current position in February 2006. Since January 1, 2008, Operations Japan have reported to Olivier Charmeil.

Marc Cluzel

Member of Management Committee since January 1, 2007

Senior Vice President Research & Development⁽¹⁾ since January 1, 2007

Member of Executive Committee since December 1, 2007

Age: 52

Marc Cluzel is a Doctor of Medicine and a Doctor of Science. He began his career in hospital medicine before carrying out research at Johns Hopkins University (Baltimore) and Guy s Hospital (London). In 1991, he joined Sanofi Recherche as a clinical pharmacologist, and was then appointed successively as Senior Project Director in 1993, Vice President, Research Projects Management in 1996 (retaining this position after the 1999 merger with Synthélabo) and Vice President, International Development in 2001 (retaining this position after the 2004 merger with Aventis). Marc Cluzel was appointed to his current position in January 2007.

Laurence Debroux

Member of Management Committee since March 26, 2007

Senior Vice President Chief Financial Officer since March 26, 2007

Age: 38

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Laurence Debroux is a graduate of HEC (*Ecole des Hautes Etudes Commerciales*). She began her career with Merrill Lynch in London, and then worked in the Finance Department of the Elf Aquitaine Group from 1993 to 1996. She joined the Sanofi Group as Corporate Treasurer in 1996, and was appointed Head of Financing/Treasury in 1997. From 2000 to 2004, she served as Head of Strategic Planning, before becoming Deputy Chief Financial Officer. She was appointed to her present position in March 2007.

Belén Garijo

Member of Management Committee

Senior Vice President Pharmaceutical Operations, Europe and Canada (excluding France)

Age: 47

Belén Garijo has a degree in medicine, majoring in clinical pharmacology. Her career in the pharmaceutical industry began at Abbott, where she was Medical Director of the Spanish subsidiary before being appointed Director of International Medical Affairs at Abbott's United States headquarters in Illinois. In 1996, she joined Rhône-Poulenc Rorer in Spain as Head of the Oncology Business Unit. She was subsequently responsible for Aventis' global marketing and medical strategy in Oncology, based in New Jersey, United States. She returned to Spain in 2003 as Managing Director of the Group's Spanish subsidiary. She was appointed to her current position in July 2006. The commercial operations of Germany have reported to Belén Garijo since January 1, 2008.

⁽¹⁾ Research & Development was formerly known as Scientific and Medical Affairs.

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Gregory Irace

Member of Management Committee since February 1, 2007

Senior Vice President Pharmaceutical Operations, United States since February 1, 2007

Age: 49

Gregory Irace holds a B.S. in accounting from Albany State University (New York). He began his career at Price Waterhouse in 1980 and received his CPA in 1982. He spent 11 years at Price Waterhouse becoming a Senior Audit Manager in 1988, and a Senior Manager in the Corporate Finance Department in 1989. In 1991 he joined Sterling Winthrop Inc. as Regional Controller and in 1993 he became Director of Financial Planning and Analysis for Sanofi Winthrop L.P. From October 1994 to January 2007, he was Chief Financial Officer of Sanofi's Pharmaceutical Operations in the United States, most recently serving as Senior Vice President, Finance and Administration and Chief Financial Officer of sanofi-aventis US. He was appointed to his present position in February 2007.

Michel Labie

Member of Management Committee

Senior Vice President Communications & Institutional and Professional Relations

Age: 54

Michel Labie is a graduate of the Taipei *Ecole Normale de Langues* (Taiwan), holds a diploma in Chinese from the *Institut National des Langues et Civilisations Orientales* (INALCO) and a bachelor degree (*maîtrise*) in Chinese Traditional Pharmacopeia. He began his career with Sanofi in 1981, opening the company's Beijing bureau in China in 1982. In 1995, he moved to France as head of International Professional Relations, before becoming head of Institutional and Professional Relations in 2001. Michel Labie was appointed Vice President, Assistant Director of Communication in June 2006, and took up his current post in November 2006, retaining his responsibilities in the Institutional and Professional Relations Department.

Marie-Hélène Laimay

Member of Management Committee

Senior Vice President Audit and Internal Control Assessment

Age: 49

Marie-Hélène Laimay has a degree in business from a French business school (*Ecole Supérieure de Commerce et d'Administration des Entreprises*) and a DECS (an accounting qualification). She spent three years as an auditor with Ernst & Young before joining Sanofi in 1985. Mrs. Laimay served in a variety of financial positions, including Financial Director of Sanofi's beauty division and Deputy Financial Director of Sanofi-Synthélabo following the merger with Synthélabo in 1999. From November 2000 to May 2002, she served as Vice President, Internal Audit, and from May 2002 to August 2004 as Senior Vice President, Chief Financial Officer, before being appointed to her present position.

Christian Lajoux

Member of Management Committee

Senior Vice President Pharmaceutical Operations, France

Age: 60

Christian Lajoux has a degree (DEUG) in psychology, a bachelor degree (*maîtrise*) in philosophy and a post-graduate degree (DESS) in personnel management from the *Institut d'Administration des Entreprises* (IAE Paris). He served in a variety of positions at Sandoz, including Division Director, before joining Sanofi Winthrop in 1993. He then served in various positions, including Director of Operations and Managing Director of Sanofi Winthrop France, before being appointed Senior Vice President France just prior to the merger with Synthélabo in 1999. He served in that position until being named as Senior Vice President Europe in January 2003, and then as Senior Vice President Pharmaceutical Operations France in August 2004. He was appointed as Chairman of Leem (*Les entreprises du médicament*) in July 2006.

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Jean-Michel Lévy

Member of Management Committee since January 1, 2007

Senior Vice President Business Development since January 1, 2007

Age: 60

Jean-Michel Lévy, a graduate of HEC (*Ecole des Hautes Etudes Commerciales*), joined the Midy Group in 1969. He held various positions in Marketing and Business Development, first at Clin Midy and then at Sanofi. Since 1989, he has worked in the Finance and Strategy Departments in a variety of roles connected with acquisitions and strategy/planning. He was appointed to his current position in January 2007.

Gilles Lhernould

Member of Management Committee

Senior Vice President Industrial Affairs

Member of Executive Committee since December 1, 2007

Age: 52

Gilles Lhernould has a diploma in pharmacy and a master's degree (DEA) in industrial pharmacy. He began his career as a manufacturing supervisor at Laboratoires Bruneau, and in 1983 joined one of Sanofi's subsidiaries where he managed production and later the factory. Mr. Lhernould then served in a variety of positions within the Sanofi Group, including Director of Human Resources - Pharmaceuticals for Sanofi Pharma and Director of Operational Human Resources for Sanofi. Following the merger with Synthélabo in 1999, he served as Vice President in charge of integration and then Vice President of Information Systems, before being named as Senior Vice President, Industrial Affairs in March 2001 and Senior Vice President Industrial Affairs of sanofi-aventis in August 2004.

Karen Linehan

Member of Management Committee since March 26, 2007

Senior Vice President Legal Affairs and General Counsel since March 26, 2007

Age: 49

Karen Linehan graduated from Georgetown University with bachelor of arts and *juris doctorate* degrees. Prior to practicing law, Ms. Linehan served on the congressional staff of the Speaker of the U.S. House of Representatives from September 1977 to August 1986. Until December 1990, she was an Associate in a mid-size law firm in New York, New York. In January 1991, she joined Sanofi as Assistant General Counsel of its US subsidiary. In July 1996, Ms. Linehan moved to Paris to work on international matters within the Group and she has held a number of positions within the Legal Department, most recently as Vice President - Deputy Head of Legal Operations. She was appointed to her current position in March 2007.

Philippe Luscan

Member of the Management Committee since December 1, 2007

Vice President Chemistry

Age: 45

Philippe Luscan is a graduate in Biotechnology of the *Ecole Polytechnique* and the *Ecole des Mines* in Paris. He began his career in 1987 as a Production Manager at Danone. In 1990, he joined the Group as Director of the Sanofi Chimie plant at Sisteron, France, and subsequently served as Industrial Director of Sanofi in the United States and as Vice President Supply Chain. He was appointed to his present position in September 2006.

Heinz-Werner Meier

Member of Management Committee

Senior Vice President Corporate Human Resources

Senior Vice President Pharmaceutical Operations, Germany until December 31, 2007

Age: 55

Heinz-Werner Meier holds a degree in mathematics and a doctorate in business management. He began his career in 1978 working in research and development for Siemens AG in Germany. He then worked as a scientific assistant in the Faculty of Business Management, Organization and Information Technology at Mannheim University. In 1985, he joined the Hoechst Group as Purchasing Director and successively as Finance and Accounting Director at the subsidiary Benckiser-Knapsack GmbH. From 1995 he was Global Group Controller

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in the Pharmaceuticals Division of Hoechst AG and from 1997 Managing Director of Hoechst Marion Roussel Germany. From January 2000 to May 2002, he was Chairman of Aventis Pharma Germany, and until August 2004 a member of the Board of Aventis and Director of Human Resources. He served as Senior Vice President Pharmaceutical Operations Germany from August 2004 to December 31, 2007. Since October 2006, he has also served as Senior Vice President Corporate Human Resources and retains these responsibilities.

Antoine Ortolì

Member of Management Committee

Senior Vice President Pharmaceutical Operations, Intercontinental

Age: 54

Antoine Ortolì is a graduate of the *Ecole Supérieure de Commerce* in Rouen, France, and of INSEAD. He also holds a law degree and an accountancy qualification. He began his career in 1980 as a financial and systems auditor with Arthur Young and Co. In December 1981, he joined the Sanofi Group, where he served in a variety of positions, including Finance Director of the Pharmaceuticals Division and Director of the Latin America region. Following the merger with Synthélabo in 1999, he was named as Vice President, Latin America, and then as Senior Vice President, Asia Middle East in June 2001. In June 2003, he took on the role of Vice President, Intercontinental region at Sanofi-Synthélabo. He was appointed to his present position in January 2005.

Philippe Peyre

Member of Management Committee

Senior Vice President Corporate Affairs

Age: 57

Philippe Peyre is a graduate of the *Ecole Polytechnique*, and began his career in management consultancy with Bossard before being appointed as a member of the General Management Committee of Bossard Gemini Consulting. In 1998, he joined Rhône-Poulenc Rorer as Senior Vice President Special Projects, and then served as Head of Integration at Aventis Pharma, and as Company Secretary and Senior Vice President, Business Transformation of Aventis. He was appointed to his present position in August 2004.

Wayne Pisano

Member of Management Committee since August 1, 2007

Senior Vice President Vaccines since August 1, 2007

Age: 53

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Wayne Pisano holds a bachelor's degree in biology from St. John Fisher College, Rochester, New York, and an MBA from the University of Dayton, Ohio. Prior to sanofi pasteur he held various marketing and sales positions with Reed and Carnrick Pharmaceuticals and Sandoz/Novartis. He joined sanofi pasteur as Vice President, U.S. Marketing in May 1997 and then served as Senior Vice President of US Marketing & Sales, Executive Vice President of sanofi pasteur North America and Senior Vice President, Global Commercial Operations. He was appointed to his present position in August 2007.

Jean-Philippe Santoni

Member of Management Committee since December 1, 2007

Senior Vice President International Development since January 1, 2007

Age: 53

Jean-Philippe Santoni holds a doctorate in Medicine and a masters' degree in Human Biology. He began his career as a clinician specializing in hospital medicine and biology at various Academic Hospitals from the Assistance Publique Hôpitaux de Paris (APHP group). From 1985, he held various posts with responsibility for international clinical development and medical/regulatory affairs, first with Servier and subsequently with American Cyanamid/Lederlé. In 1990, he joined Synthélabo as International Medical Director. Following the merger with Sanofi in 1999, he served successively as Associate Vice President Medical and Regulatory Affairs, Vice President International Clinical Operations and Vice President International Clinical Development, a position he retained after the merger with Aventis in 2004. He was appointed to his present position in January 2007.

As of December 31, 2007, none of the members of the Management Committee had any principal business activities outside of sanofi-aventis.

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Composition of the Management Committee at the end of February 2008

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Table of Contents**B. Compensation****Compensation and pension arrangements for corporate officers**

On January 1, 2007 Gérard Le Fur took office as Chief Executive Officer, with Jean-François Dehecq retaining the office of Chairman of the Board.

Jean-François Dehecq and Gérard Le Fur receive fixed compensation and variable compensation, set by the Board of Directors based on recommendations from the Compensation, Appointments and Governance Committee.

More generally, their remuneration is set with reference to the practices of the global pharmaceutical industry as well as of the principal companies of the CAC 40.

These compensation packages may be supplemented by the granting of stock options.

Neither Jean-François Dehecq nor Gérard Le Fur receives directors' attendance fees in connection with their roles as Directors of sanofi-aventis.

Compensation and pension arrangements for Jean-François Dehecq

The following table sets forth the gross compensation before social charges paid in 2006 and 2007 to Jean-François Dehecq:

(in euros)	Amounts payable in respect of 2006 and paid in 2006	Amounts payable in respect of 2006 and paid in 2007 ⁽¹⁾	Amounts payable in respect of 2007 and paid in 2007	Amounts payable in respect of 2007 and paid in 2008 ⁽²⁾
Fixed compensation	1,466,027		1,305,146	
Variable compensation		1,898,000		910,000
Total	1,466,027	1,898,000	1,305,146	910,000

The amounts shown are gross amounts.

(1) The fixed portion of compensation for 2006 was paid in 2006, and the variable portion was paid in 2007.

(2) The fixed portion of compensation for 2007 was paid in 2007, and the variable portion was paid in 2008.

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For the year ended December 31, 2007, the variable portion of Jean-François Dehecq's compensation was based 25% on a quantitative criterion and 75% on qualitative criteria.

The quantitative criterion used is linked to adjusted net earnings per share excluding selected items (See Item 5. Operating and Financial Review and Prospects - Sources of Revenues and Expenses - Adjusted Net Income).

The qualitative criteria are essentially based on the transition of office to the new Chief Executive Officer, leadership of the Board of Directors, representation of the Group and the Group's global strategy.

Taking into account the abovementioned criteria, the Board of Directors fixed the variable remuneration of Jean-François Dehecq for 2007 at 910,000, i.e., 70% of the fixed portion of his remuneration.

Jean-François Dehecq's fixed compensation package includes a benefit-in-kind in the form of a company car.

Jean-François Dehecq's variable compensation for 2007 was paid in February 2008.

In addition, 125,000 stock subscription options exercisable at a price of €62.33 per share were granted to Jean-François Dehecq at a meeting of the Board of Directors held on December 13, 2007. These options were valued at €11.92 per option using the Black & Scholes method, valuing the total benefit at €1,490,000. The exercise date and other basic characteristics of such options are set out in the table under Share Ownership - Existing Option Plans as of December 31, 2007.

Jean-François Dehecq receives benefits under the top-up defined-benefit pension plan, wholly funded by the Company, set up in 2002 by Sanofi-Synthélabo and reserved for managers with at least 10 years' service whose

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annual base compensation had for 10 years exceeded four times the annual French Social Security ceiling (32,184 in 2007). The benefit is in the form of a life annuity, and is transferable as a survivor's pension; it is based on the average annual compensation for the last three years, and is capped at 60 times the French Social Security ceiling. The annuity paid depends on length of service with the Group; it supplements the annuities payable under the compulsory industry schemes, but may not exceed 37.50% of final salary.

At a meeting held on February 11, 2008, the Board of Directors decided to ask the General Shareholders Meeting to be held on May 14, 2008 to supplement the provisions relating to Jean-François Dehecq's termination benefit (equivalent to twenty months of his last total compensation, i.e., fixed and variable) as approved by the General Shareholders Meeting of May 31, 2007 by adding a definition of performance criteria on which the payment of this benefit will be contingent.

Pursuant to Article L. 225-42-1 of the French Commercial Code, the payment of such benefit will be subject to the fulfillment of two out of three performance criteria.

The first criterion is the change in the sanofi-aventis share price compared to the CAC 40 index since he became Chairman and Chief Executive officer of the Company on February 15, 1988.

The other two criteria, which will be assessed over the three financial years preceding his ceasing to hold office, are :

the average ratio of adjusted net earnings excluding selected items to net sales for each financial year (See Item 5. Operating and Financial Review and Prospects Sources of Revenues and Expenses Adjusted Net Income) must be at least 15%;

the average ratio of operating cash flow before changes in working capital to net sales for each financial year must be at least 18%.

Compensation and pension arrangements for Gérard Le Fur

The following table sets forth the gross compensation before social charges paid in 2006 and 2007 to Gérard Le Fur:

(in euros)	Amounts payable in respect of 2006 and paid in 2006	Amounts payable in respect of 2006 and paid in 2007 ⁽¹⁾	Amounts payable in respect of 2007 and paid in 2007	Amounts payable in respect of 2007 and paid in 2008 ⁽²⁾
Fixed compensation	995,591		1,355,036	
Variable compensation		1,100,000		1,350,000
Total	995,591	1,100,000	1,355,036	1,350,000

The amounts shown are gross amounts.

- (1) The fixed portion of compensation for 2006 was paid in 2006, and the variable portion was paid in 2007.
- (2) The fixed portion of compensation for 2007 was paid in 2007, and the variable portion was paid in 2008.

For the year ended December 31, 2007, half of the variable portion of Gérard Le Fur's compensation was based on quantitative criteria, and half on qualitative criteria.

The quantitative criteria include trends in net sales, operating income before restructuring, impairment of property, plant and equipment and intangibles, gains and losses on disposals and litigation, and primarily trends in adjusted earnings per share excluding selected items (See Item 5. Operating and Financial Review and Prospects Sources of Revenues and Expenses Adjusted Net Income). These criteria were assessed with reference to the performance of the top 12 global pharmaceutical companies.

The qualitative criteria are essentially based on the assumption of the office of Chief Executive Officer, the progression of our research pipeline, the adaptation of Group structures and policies to the evolution of the pharmaceutical industry, and financial communication.

Taking into account the abovementioned criteria, the Board of Directors fixed the variable remuneration of Gérard Le Fur for 2007 at 1,350,000, i.e., 100% of the fixed portion of his remuneration.

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Gérard Le Fur's fixed compensation package includes a benefit-in-kind in the form of a company car.

Gérard Le Fur's variable compensation for 2007 was paid in February 2008.

In addition, 200,000 stock subscription options exercisable at a price of 62.33 per share were granted to Gérard Le Fur at a meeting of the Board of Directors held on December 13, 2007. These options were valued at 11.92 per option using the Black & Scholes method, valuing the total benefit at 2,384,000. The exercise date and other characteristics of such options are set out in the table under Share Ownership Existing Option Plans as of December 31, 2007.

Gérard Le Fur benefits from the same top-up defined-benefit pension plan as Jean-François Dehecq as described above.

At a meeting held on February 11, 2008, the Board of Directors decided to propose to the General Shareholders Meeting to be held on May 14, 2008 to set the provisions concerning the benefit to be received by Gérard Le Fur in the event that he ceases to hold office.

In case of his removal from office as Chief Executive Officer, Gérard Le Fur would receive a termination benefit equal to twenty four months of his last total remuneration (fixed and variable).

In case of voluntary retirement, he would receive a benefit equal to 50% (i.e., twelve months) of the aforementioned benefit.

In case of involuntary retirement, he would receive a benefit equal to a maximum of twenty months of his last total remuneration (fixed and variable), by reference to the collective bargaining agreement then applicable to the Company's employees.

Pursuant to Article L. 225-42-1 of the French Commercial Code, the payment of such benefit will be subject to the fulfillment of two out of three performance criteria, which will be assessed over the three financial years preceding his ceasing to hold office.

The three criteria are :

the average ratio of the adjusted net earnings excluding selected items to net sales for each financial year (See Item 5. Operating and Financial Review and Prospects Sources of Revenues and Expenses Adjusted Net Income) must be at least equal to 15%;

the average ratio of the operating cash flow before changes in working capital to net sales for each financial year must be at least equal to 18%.

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the average of rate of progression of the Group's activity, measured each financial year in terms of net sales on a comparable basis, must be at least equal to the average of the evolution rate of the Pharma and Vaccines activities of the top 12 global pharmaceutical companies, measured for each financial year in terms of net sales adjusted to account for the principal exchange-rate and change-in-perimeter effects.

Lock-up period for shares obtained on exercise of stock options by the Chairman of the Board of Directors and by the Chief Executive Officer under the 2007 plan

The Board of Directors, acting on the proposal of the Compensation, Appointments and Governance Committee, decided on December 13, 2007 that the Chairman of the Board and the Chief Executive Officer will be required to hold until the end of their office a number of shares equal in value to 50% of the net capital gains (i.e., net of related taxes and contributions) resulting from their exercise of options under the 2007 stock option plan.

These shares must be held as registered shares until such time as these persons cease to hold office.

Table of Contents**Compensation and pension arrangements for Board Members other than Jean-François Dehecq and Gérard Le Fur**

The table below shows amounts paid in 2006 and 2007, broken down by type of compensation, to each member of the sanofi-aventis Board of Directors, including those whose term of office ended during the year.

	Amounts paid in 2006 (in euro)			Amounts paid in 2007 (in euro)			
	Attendance fees		Pensions and other compensation	Attendance fees		Pensions and other compensation	Total gross compensation
	Fixed compensation	Variable compensation		Fixed compensation	Variable compensation		
René Barbier de La Serre	15,000	91,500		15,000	95,000		110,000
Jean-Marc Bruel	15,000	73,000	360,911 ⁽¹⁾	15,000	75,000	366,560 ⁽¹⁾	456,560
Robert Castaigne	15,000	28,000		15,000	25,000		40,000
Thierry Desmarest	15,000	26,000		15,000	40,000		55,000
Jürgen Dormann	15,000	51,000	1,538,691 ⁽¹⁾	15,000	50,000	1,562,487 ⁽¹⁾	1,627,487
Lord Douro	15,000	30,000		15,000	49,000		64,000
Jean-René Fourtou	15,000	34,000	1,536,125 ⁽¹⁾	15,000	45,000	1,559,475 ⁽¹⁾	1,619,475
Serge Kampf ⁽²⁾	15,000	26,000		15,000	15,000		30,000
Igor Landau	15,000	24,000	2,103,094 ⁽¹⁾	15,000	35,000	2,135,061 ⁽¹⁾	2,185,061
Hubert Markl	15,000	30,000		15,000	42,000		57,000
Christian Mulliez	15,000	28,000		15,000	35,000		50,000
Lindsay Owen-Jones	15,000	34,000		15,000	35,000		50,000
Klaus Pohle	15,000	112,000		15,000	109,000		124,000
Hermann Scholl ⁽³⁾	15,000	36,000		6,250	21,000		27,250
Gérard Van Kemmel	15,000	80,500		15,000	80,000		95,000
Bruno Weymuller	15,000	20,000		15,000	30,000		45,000
Total amounts	240,000	724,000	5,538,821	231,250	781,000	5,623,583	6,635,833
Total attendance fees	964,000			1,012,250			

(1) Pension.

(2) Board member who resigned on October 30, 2007.

(3) Board member who resigned on May 31, 2006.

The amounts paid in 2006 include attendance fees paid in respect of 2005, the amount of which was agreed at a meeting of the Board of Directors held on February 23, 2006.

The amounts paid in 2007 include attendance fees paid in respect of 2006, the amount of which was agreed at a meeting of the Board of Directors held on February 12, 2007.

For 2007, the basic attendance fee was set at 15,000 per year, apportioned on a time basis for Directors who assume or leave office during the year. This amount is supplemented by a variable fee linked to actual attendance by Directors:

Per Board meeting: 5,000 per Director for French tax residents, rising to 7,000 per Director for non-French tax residents;

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Per Audit Committee meeting: 10,000 for the chairman (a non-French tax resident), and 7,500 per Director;

Per Compensation, Appointments and Governance Committee meeting: 7,500 for the chairman (a French tax resident), 5,000 per Director for French tax residents, and 7,500 per Director for non-French tax residents.

The total amount of attendance fees for 2007 was set at 947,750 at a meeting of the Board of Directors held on February 11, 2008.

Jean-Marc Bruel, Jürgen Dormann, Jean-René Fourtou and Igor Landau are covered by the GRCD top-up pension plan instituted in 1977 for senior executives of Rhône-Poulenc. This plan was amended in 1994, 1996, 1999 and 2003, and currently applies to 31 active or retired executives. It is a defined-benefit plan, which aims to provide a replacement income of 60%-65% of salary, depending on length of service and the age at which the benefit is claimed. The benefit takes the form of a life annuity, indexed to the average revaluation of the basic French Social Security annuity and to trends in the INSEE retail price index.

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The total amount recognized in 2007 in respect of obligations under corporate pension plans for corporate officers (Board members and CEO) with current or past executive responsibilities at sanofi-aventis (or at companies whose obligations have been assumed by sanofi-aventis) and for members of our Executive Committee and of our Management Committee in post in 2007 was 13.4 million. The total amount recognized in 2007 included 8.2 million for the members of the Management Committee, (of which 3.2 million for members of the Executive Committee), and 5.2 million for corporate officers (excluding Gérard Le Fur, who is also member of the Executive Committee and of the Management Committee) with current or past executive responsibilities at sanofi-aventis (or companies whose obligations have been assumed by sanofi-aventis).

Compensation of senior management

In 2007, the total gross compensation before social charges paid to or accrued for the members of our Management Committee in post in 2007, including Gérard Le Fur, amounted to 18 million, including 6.5 million for the members of the Executive Committee. The fixed compensation represented 11.9 million.

The compensation of members of our Management Committee and of members of our Executive Committee is based on an analysis of the practices of major global pharmaceutical companies and the opinion of the Compensation, Appointments and Governance Committee. In addition to fixed compensation, these key executives receive variable compensation, the amount of which is determined by the actual performance and growth of the business areas for which the executive is responsible. The variable compensation generally represents 50% to 100% of the fixed compensation (for further information on the variable compensation of Gérard Le Fur, see Item 6. Directors, Senior Management and Employees B. Compensation Compensation and pension arrangements for Gérard Le Fur above).

These compensation packages may also be supplemented by the granting of stock options (for further information, see Item 10. Additional Information B. Memorandum and Articles of Association Stock Options and Warrants Stock Options below).

During 2007, 1,221,000 options were granted to the members of our Management Committee, including 520,000 options to the members of our Executive Committee, including those granted to Gérard Le Fur, as described above. The exercise date and other basic characteristics of such options are set out in the table Share Ownership Existing Options Plans as of December 31, 2007 .

Under French law, directors may not receive options solely as compensation for service on our Board, and thus our Company may grant options only to those directors who are also our officers.

Because some of our non-executive directors were formerly officers or executive officers of our Company or its predecessor companies, some of our non-executive directors hold sanofi-aventis stock options.

We do not have separate profit-sharing plans for key executives. As employees, they are able to participate in our voluntary and statutory profit-sharing schemes on the same terms as our other employees. These plans are described below under Employees and Profit-sharing.

C. Board Practices

Neither we nor our subsidiaries have entered into service contracts with members of our Board of Directors providing for benefits. With respect to Gérard Le Fur and Jean-François Dehecq, see also Item 6. Directors, Senior Management and Employees B. Compensation Compensation and pension arrangements for Jean-François Dehecq and Item 6. Directors, Senior Management and Employees B. Compensation Compensation and pension arrangements for Gérard Le Fur above.

In 1999, our Board of Directors set up advisory Committees tasked with providing specialist input to assist the Board in its decision-making.

Members of these Committees are chosen by the Board from among its members.

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Audit Committee

At December 31, 2007, the Audit Committee comprised:

Klaus Pohle, Chairman;

René Barbier de La Serre;

Jean-Marc Bruel; and

Gérard Van Kemmel.

The Audit Committee is composed of four independent board members, two of whom qualify as financial experts within the terms of the Sarbanes Oxley Act. See Item 16A. Audit Committee Financial Expert.

The Audit Committee is responsible for evaluating the existence and effectiveness of our financial controls and risk management procedures. Its responsibilities include reviewing:

the scope of consolidation;

the quarterly, half-yearly and annual parent company and consolidated financial statements, and the annual and interim management reports;

control procedures;

internal audit work programs;

the appropriateness of elective accounting treatments;

significant risks and material off-balance sheet commitments;

any issue liable to have a material financial or accounting impact; and

major litigation on an annual basis.

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The Audit Committee may visit or interview persons responsible for our operations or involved in the preparation of our financial statements. It may interview the statutory auditors with or without management present, and may consult external experts.

It directs selection procedures for statutory auditors when their mandates are due for renewal; it also monitors fees paid to the statutory auditors and compliance with auditor independence rules.

The Audit Committee also ensures that internal early warning procedures relating to accounting, internal accounting controls and audit are in place and properly applied.

During 2007, the Audit Committee met seven times.

Compensation, Appointments and Governance Committee

At December 31, 2007, this Committee was composed of:

René Barbier de La Serre, Chairman;

Thierry Desmarest;

Jürgen Dormann;

Jean-René Fourtou; and

Lindsay Owen-Jones.

The Compensation, Appointments and Governance Committee is composed of five board members, three of whom are independent.

The roles of the Compensation, Appointments and Governance Committee are:

issuing recommendations and proposals concerning the compensation, pension and welfare benefits of corporate officers, allocation of stock subscription options for the subscription or stock purchase options, establishing rules for determining the variable portion of the compensation of corporate officers;

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formulating general policy on the granting of stock options;

reviewing the system for allocating attendance fees between Directors;

assisting the Board in the selection of new Directors;

advising on the future composition of management bodies;

advising the Chief Executive Officer on the selection of senior executives and their compensation;

establishing the structures and procedures needed to ensure that good governance practices are applied within the Group; and

implementing the procedure for evaluating the performance of the Board of Directors.

The Compensation, Appointments and Governance Committee met three times in 2007.

Strategy Committee

The Board of Directors' meeting of February 11, 2008 set up a Strategy Committee composed of:

Jean-François Dehecq, Chairman;

G rard Le Fur;

Thierry Desmarest;

Jean-Ren  Fourtou; and

Lindsay Owen-Jones.

After the General Shareholders' meeting of May 14, 2008, other members might be appointed.

Statement on Corporate Governance as Required by Rule 303A.11 of the New York Stock Exchange's Listed Company Manual

As required by the NYSE's listing standards for foreign private issuers (Rule 303A.11), our corporate web site includes a statement of the significant ways in which our corporate governance practices differ from the corporate governance practices that the NYSE's listing standards require of U.S. companies listed on the NYSE. This statement may be consulted at: www.sanofi-aventis.com (information on our website is not incorporated by reference in this annual report).

D. Employees

Number of Employees

As of December 31, 2007, sanofi-aventis employed 99,495 people worldwide. The tables below give a breakdown of employees by geographic area and function as of December 31, 2007. Central and Eastern European countries are included in Other Europe.

Employees by geographic area

	As of December 31,					
	2007	%	2006	%	2005	%
France	28,592	28.7%	28,964	28.9%	27,995	28.8%
Other Europe	26,785	27.0%	27,522	27.5%	27,102	27.9%
United States	15,921	16.0%	16,196	16.1%	16,471	16.9%
Japan	2,989	3.0%	2,928	2.9%	2,697	2.8%
Other countries	25,208	25.3%	24,679	24.6%	22,916	23.6%
Total	99,495	100%	100,289	100%	97,181	100%

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	As of December 31,					
	2007	%	2006	%	2005	%
Sales	35,115	35.3%	35,902	35.8%	35,030	36.1%
Research and Development	19,310	19.4%	18,981	18.9%	17,636	18.1%
Production	31,292	31.5%	31,735	31.7%	30,909	31.8%
Marketing and Support Functions	13,778	13.8%	13,671	13.6%	13,606	14.0%
Total	99,495	100%	100,289	100%	97,181	100%

Industrial Relations

Industrial relations within sanofi-aventis are founded on respect and dialogue. In this spirit, employee representatives and management meet frequently to exchange views, and to negotiate and sign agreements.

Throughout 2007, the forums we have established for dialogue with our employees in most of the countries where we operate were kept regularly informed about the Group's progress.

The sanofi-aventis European Works Council, a forum for dialogue and consultation bringing together 40 representatives from the 27 European Union countries and the European Economic Area countries, met in March and October 2007 under the chairmanship of our Chief Executive Officer.

In October 2007, the Works Council welcomed its first Romanian representative, following the accession of Romania to the European Union. The Council dealt with issues relating to our strategy, results and future prospects, and was provided with an update on the Industrial Affairs Directorate and a presentation of our research and development portfolio.

The five employee representatives elected by the European Works Council sat on the sanofi-aventis Board of Directors in a consultative capacity during 2007.

In France, fresh elections were held as required by law for the Group's French Works Council (comprising 25 members and 25 alternates, plus representatives and alternates appointed by the trade unions). The Council met in June and December 2007 under the chairmanship of our Chief Executive Officer. At these meetings, the Council was informed about our activities, financial position and employment trends.

The process of harmonizing the status of our French employees continued during 2007 with the signature of Group-level collective agreements designed to enable the same provisions to be applied to all our employees.

The principal agreements related to:

- long-service bonuses;
- termination benefits;
- the French statutory profit-sharing plan;
- the top-up healthcare and welfare benefits plan;
- the establishment of a defined-contribution post-employment healthcare plan, enabling Group employees to pre-fund the healthcare cover they will need after retirement.

The process of harmonizing our pension plans also continued during 2007, and virtually all of our pension plans have now been harmonized.

Many other agreements within individual departments (Pharmaceutical Operations, Research & Development, Industrial Affairs, Support Functions, Vaccines) were also signed during 2007, on issues such as gender equality, the *compte épargne temps* plan (which enables employees to work hours of paid leave in return for additional compensation or future paid leave entitlement), and part-time working.

Negotiations are also ongoing within our departments on career and skills planning.

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In many other countries, new local agreements were negotiated in 2007 with a view to finalizing the harmonization of personnel status. We also conducted negotiations associated with the reorganization plans required in a number of European countries, especially in our sales operations, in response to the effect of healthcare policies in Europe.

Profit-sharing Schemes, Employee Savings Schemes and Employee Share Ownership

Profit-sharing Schemes

All employees of our French companies belong to voluntary and statutory profit-sharing schemes. In 2007, sanofi pasteur became party to the Group-wide voluntary and statutory profit-sharing agreements.

Voluntary Scheme (Intéressement des salariés)

These are collective schemes which are optional for the employer and contingent upon performance. The aim is to give employees an interest in the growth of the business and improvements in its performance.

The amount distributed by our French companies during 2007 in respect of voluntary profit-sharing for the year ended December 31, 2006 represented an average of 4.5% of their total payroll.

In June 2005, sanofi-aventis signed a three-year Group-wide agreement, effective from the 2005 financial year, and applicable to all French companies more than 50% owned by sanofi-aventis (except for sanofi pasteur, which remained outside the agreement for 2005 and 2006). Under the agreement, payments under the Group voluntary profit-sharing scheme will be linked to growth in our adjusted net income. For a definition of adjusted net income, see Item 5. Operating and Financial Review and Prospects Sources of Revenues and Expenses Adjusted Net Income .

Statutory Scheme (Participation des salariés aux résultats de l'entreprise)

The scheme is a French legal obligation for companies with more than 50 employees that made a profit in the previous financial year.

The amount distributed by our French companies during 2007 in respect of the statutory scheme for the year ended December 31, 2006 represented an average of 7.6% of their total payroll.

In October 2005, sanofi-aventis signed a two-year Group-wide agreement, effective from the 2005 financial year and applicable to all French companies more than 50% owned by sanofi-aventis (except for sanofi pasteur, which retained its own agreement). A new Group-wide agreement

was signed in November 2007 for an indefinite period.

Distribution formula

In order to favor lower-paid employees, the voluntary and statutory profit-sharing agreements entered into since 2005 split the benefit between those entitled as follows:

- 60% on the basis of attendance during the year; and
- 40% on the basis of annual salary, up to a limit of three times the Social Security ceiling.

Employee Savings Schemes and collective retirement savings plan

The employee savings arrangements operated by sanofi-aventis are based on a Group savings scheme (*Plan Epargne Groupe*) and a collective retirement savings plan (*Plan Epargne pour la Retraite Collectif*). These schemes reinvest the sums derived from the statutory and voluntary profit-sharing schemes (compulsory investments), and voluntary contributions by employees.

In October 2005, sanofi-aventis signed a Group-wide agreement for an indefinite period establishing a Group savings scheme open to all French companies more than 50% owned by sanofi-aventis. This scheme consists of a mutual fund invested in sanofi-aventis shares, and four diversified mutual funds invested in vehicles with a range of different risk profiles.

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At the same time, a three-year Group-wide agreement was signed specifying the terms for employer's top-up contributions supplementing the sums invested in the new Group savings scheme by employees of companies belonging to the scheme (except for the scheme for sanofi pasteur employees, which retained its own separate rules).

In March 2004, sanofi-aventis signed an agreement establishing a collective retirement savings plan under which the company makes a top-up contribution, enabling employees to build up a diversified savings portfolio to provide for their retirement. In October 2005, an amendment to this agreement extended the benefits of the scheme, on identical terms, to employees in France of Group companies formerly part of the Aventis group (except for employees of sanofi pasteur, who will be entitled to join the scheme from June 2008). In June 2007, 78% of the employees who benefited from the profit-sharing schemes opted to invest in the collective retirement savings plan. In 2007, 97.9 million and 45.6 million were invested in the Group savings scheme and the collective retirement savings plan respectively through the voluntary and statutory schemes for 2006, and through top-up contributions.

Employee Share Ownership

At the end of 2007, sanofi-aventis offered its employees in 79 countries an employee share ownership plan, Action 2007. Under the plan, employees could acquire shares at a 20% discount to the average quoted market price for the 20 trading days preceding the date on which the Board of Directors approved the plan (October 30, 2007).

A total of 16,779 employees, or 18.6% of those eligible for the plan, subscribed for a total of 1,531,951 shares for a total amount of 74.4 million.

At December 31, 2007, shares held by employees of sanofi-aventis and of related companies and by former employees under Group employee savings schemes amounted to 1.25% of the share capital.

E. Share Ownership

Members of the Management Committee hold shares of our Company amounting in the aggregate to less than 1% of the Company's share capital.

At December 31, 2007, a total of 4,681,409 unexercised options to subscribe for or to purchase sanofi-aventis shares were held by the members of the Management Committee of sanofi-aventis, including 855,000 by Gérard Le Fur. The terms of these options are summarized in the tables below.

On December 13, 2007, under the 2007 plan, Gérard Le Fur was granted 200,000 options to subscribe for shares exercisable at a price of 62.33 per share from December 14, 2011 until December 13, 2017.

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During 2007, the members of the Management Committee of sanofi-aventis exercised 141,340 options to purchase or to subscribe for shares.

On December 13, 2007, under the 2007 plan, Jean-François Dehecq was granted 125,000 options to subscribe for shares exercisable at a price of 62.33 per share from December 14, 2011 until December 13, 2017.

Igor Landau, member of the Board of Directors, exercised:

On June 14, 2007, 234,782 options to subscribe 234,782 shares at a price of 34.14 per share, 117,391 options to subscribe 117,391 shares at a price of 50.04 per share, 352,173 options to subscribe 352,173 shares at a price of 51.34 per share; and

On December 11, 2007, 352,173 options to subscribe 352,173 shares at a price of 40.48 per share.

Existing Option Plans as of December 31, 2007

As of December 31, 2007, a total of 88,275,695 options were outstanding, including 80,037,951 options to subscribe for and 8,237,744 options to purchase sanofi-aventis shares. Out of this total, 50,643,150 were immediately exercisable, including 42,405,406 options to subscribe for shares and 8,237,744 options to purchase shares.

Table of Contents**Share Purchase Option Plans**

Origin	Date of shareholder authorization	Date of Board grant	Number of options initially granted	- to the 10 employees		Start date of vesting period	Expiration date	Purchase price (in)	Number exercised by 12/31/2007	Number canceled in 2007	Number outstanding
				- to corporate officers ⁽¹⁾	granted the most options ⁽²⁾						
Synthélabo	6/28/1990	12/15/1993	364,000	130,000	104,000	12/15/1998	12/15/2013	6.36	350,800	0	8,000
Synthélabo	6/28/1990	10/18/1994	330,200	0	200,200	10/18/1999	10/18/2014	6.01	313,100	0	17,100
Synthélabo	6/28/1990	1/12/1996	208,000	0	52,000	1/12/2001	1/12/2016	8.56	185,830	0	22,170
Synthélabo	6/28/1990	4/05/1996	228,800	0	67,600	4/05/2001	4/05/2016	10.85	188,100	0	40,700
Synthélabo	6/28/1990	10/14/1997	262,080	0	165,360	10/14/2002	10/14/2017	19.73	211,906	0	44,974
Synthélabo	6/28/1990	6/25/1998	296,400	148,200	117,000	6/26/2003	6/25/2018	28.38	263,680	0	32,720
Synthélabo	6/23/1998	3/30/1999	716,040	0	176,800	3/31/2004	3/30/2019	38.08	373,470	0	336,850
Sanofi-Synthélabo	5/18/1999	5/24/2000	4,292,000	310,000	325,000	5/25/2004	5/24/2010	43.25	2,305,001	2,000	1,871,699
Sanofi-Synthélabo	5/18/1999	5/10/2001	2,936,500	145,000	286,000	5/11/2005	5/10/2011	64.50	275,061	2,000	2,585,439
Sanofi-Synthélabo	5/18/1999	5/22/2002	3,111,850	145,000	268,000	5/23/2006	5/22/2012	69.94	61,000	12,600	2,955,850

(1) Including the Chairman and CEO, the CEO or the Senior Executive Vice President, holding office as of the date of grant.

(2) Employed as of the date of grant.

Aventis Inc. and Hoechst GmbH Share Purchase Option Plans

The 1997 share purchase option plan granted by Aventis Inc. expired on February 20, 2007. 16,997 outstanding options were cancelled upon expiration of the plan. The original grant was 1,024,346 options of which 972,917 were exercised over the life of the plan.

A total of 322,242 Hoechst GmbH options to purchase shares remained outstanding on December 31, 2007.

Share Subscription Option Plans

Origin	Date of shareholder authorization	Date of grant	Number of options initially granted	- to the 10 employees		Start date of vesting period	Expiration date	Subscription price (in)	Number exercised by 12/31/2007	Number canceled in 2007	Number outstanding
				- to corporate officers ⁽¹⁾	granted the most options ⁽²⁾						
Aventis	4/23/1997	12/16/1997	4,193,217	340,435	369,000	1/06/2001	12/16/2007	32.15	3,655,345	52,643	0
Aventis	4/23/1997	12/15/1998	6,372,000	704,348	664,215	1/06/2002	12/15/2008	34.14	4,723,999	276	853,148
Aventis	5/26/1999	12/15/1999	5,910,658	586,957	463,485	1/06/2003	12/15/2009	50.04	2,719,800	185	2,659,272
Aventis	5/26/1999	5/11/2000	877,766	0	86,430	5/11/2003	5/11/2010	49.65	529,689	0	261,349
Aventis	5/24/2000	11/14/2000	13,966,871	1,526,087	1,435,000	11/15/2003	11/14/2010	67.93	1,272,007	56,534	10,533,451
Aventis	5/24/2000	3/29/2001	612,196	0	206,000	3/30/2004	3/29/2011	68.94	28,476	0	551,451
Aventis	5/24/2000	11/07/2001	13,374,051	1,068,261	875,200	11/08/2004	11/07/2011	71.39	880,241	159,789	9,976,556
Aventis	5/24/2000	3/06/2002	1,173,913	1,173,913	0	3/07/2005	3/06/2012	69.82	0	0	1,173,906
Aventis	5/14/2002	11/12/2002	11,775,414	352,174	741,100	11/13/2005	11/12/2012	51.34	4,535,770	1,997	5,592,215
Aventis	5/14/2002	12/02/2003	12,012,414	352,174	715,000	12/03/2006	12/02/2013	40.48	3,606,405	15,494	6,861,088
Sanofi-Synthélabo	5/18/1999	12/10/2003	4,217,700	240,000	393,000	12/11/2007	12/10/2013	55.74	164,080	18,350	3,942,970
Sanofi-aventis	5/31/2005	5/31/2005	15,228,505	400,000	550,000	6/01/2009	5/31/2015	70.38	6,500	206,055	14,108,660
Sanofi-aventis	5/31/2005	12/14/2006	11,772,050	450,000	585,000	12/15/2010	12/14/2016	66.91	0	237,140	11,534,910

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Sanofi-aventis	5/31/2007	12/13/2007	11,988,975	325,000	625,000	12/14/2010	12/13/2017	62.33	0	0	11,988,975
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- (1) Including the Chairman and CEO, the CEO, the Senior Executive Vice President or members of the Management Board (for ex-Aventis plans), holding office as of the date of grant.
- (2) Employed as of the date of grant.

The main characteristics of our stock options are also described in Note D.15.8 to our consolidated financial statements, included in Item 18 of this annual report.

Shares Owned by Members of the Board of Directors

As of December 31, 2007, members of our Board of Directors held in the aggregate 488,351 shares, or under 1% of the share capital and of the voting rights, excluding the beneficial ownership of 173,479,013 shares held by Total as of such date which may be attributed to Thierry Desmarest (who disclaims beneficial ownership of such shares) and excluding the beneficial ownership of 118,227,307 shares held by L. Oréal as of such date which may be attributed to Lindsay Owen-Jones (who disclaims beneficial ownership of such shares).

Table of Contents**Item 7. Major Shareholders and Related Party Transactions****A. Major Shareholders**

The table below shows the ownership of our shares as of January 31, 2008, indicating the beneficial owners of our shares. To the best of our knowledge and on the basis of the notifications received as disclosed below, except as described below no shareholder holds more than 5% of our share capital or voting rights.

	Outstanding Shares		Actual Voting Rights ⁽²⁾		Published Voting Rights ⁽³⁾	
	Number	%	Number	%	Number	%
Total	172,717,013	12.64	314,211,840	19.55	314,211,840	19.06
L Oréal	118,227,307	8.65	236,454,614	14.72	236,454,614	14.34
Treasury shares	41,877,730	3.07			41,877,730	2.54
- of which held directly by sanofi-aventis	41,464,976	3.04				
Employees ⁽¹⁾	16,934,747	1.24	31,860,348	1.98	31,860,348	1.93
Public	1,016,312,541	74.40	1,024,313,543	63.75	1,024,313,543	62.13
Total	1,366,069,338	100.00	1,606,840,345	100.00	1,648,718,075	100.00

(1) Shares held via the sanofi-aventis Group employee savings plan.

(2) Based on the total number of voting rights as of January 31, 2008.

(3) Based on the total number of voting rights as of January 31, 2008 as published in accordance with article 223-11 and seq. of the General Regulations of the *Autorité des Marchés Financiers* (i.e., calculated before suspension of the voting rights of treasury shares).

On the basis of internal information, we estimate that we have approximately 670,000 individual shareholders.

Our *statuts* (bylaws) provide for double voting rights for shares held in registered form for at least two years. For more information relating to our shares, see Item 10. Additional Information B. Memorandum and Articles of Association.

Total and L Oréal are the only two entities known to hold more than 5% of the outstanding sanofi-aventis ordinary shares. As described below, these entities reduced their holdings in 2007 after no significant changes in 2006 or 2005.

In accordance with our *statuts*, shareholders are required to notify our Company once they have acquired more than 1% of our share capital or our voting rights and each time they cross an incremental 1% threshold (see Item 10. Additional Information B. Memorandum and Articles of Association Requirements for Holdings Exceeding Certain Percentages).

For the year ended December 31, 2007, we were informed that the following share ownership declaration thresholds had been passed:

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Franklin Resources Inc. and its group disclosed that they held 2.44% of our share capital and 2% of our voting rights on behalf of their clients (notification dated February 23, 2007);

Crédit Agricole Asset Management disclosed that it had passed successively above and below the threshold stipulated in our *statuts* of 2% of our share capital and held in its *Fonds Communs de Placement* (mutual funds) an interest of 1.97% (notification dated August 8, 2007);

L Oréal disclosed that it had passed below the following notification thresholds: the legal thresholds of 10% of our share capital and 15% of our voting rights, and the threshold stipulated in our *statuts* of 10% and 9% of our share capital and 17%, 16% and 15% of our voting rights. This declaration (dated November 21, 2007) also stated that following the disposal of 24,813,895 shares, L Oréal held 8.68% of our share capital and 14.61% of our voting rights;

Total disclosed that, following the sale of shares, it had passed below the threshold stipulated in our *statuts* of 13% of our share capital and held 12.99% of our share capital and 19.09% of our voting rights (notification dated November 16, 2007);

Total disclosed that, following the sale of shares, it had passed below the threshold stipulated in our *statuts* of 19% of our voting rights and held 12.88% of our share capital and 18.99% of our voting rights (notification dated December 6, 2007); and

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Total disclosed that, following the decrease of the number of our voting rights, it had passed above the threshold stipulated in our *statuts* of 19% of our voting rights and held 12.73% of our share capital and 19.15% of our voting rights (notification dated December 31, 2007).

Since January 1, 2008 we have been informed that the following share ownership declaration thresholds have been passed:

Natixis Asset Management disclosed that the *Fonds Communs de Placements d'Entreprise Actions sanofi-aventis* (a mutual fund) which it manages had passed below the threshold stipulated in our *statuts* of 1% of our share capital and held an interest of 0.99% (notification dated January 22, 2008); and

Crédit Agricole Asset Management disclosed that, following the acquisition of shares, through its *Fonds Communs de Placement* (mutual funds) it had passed above the threshold stipulated in our *statuts* of 2% of our share capital (notification dated January 25, 2008).

Based on a survey conducted by Euroclear France as of November 11, 2007, excluding shares owned by sanofi-aventis and its subsidiaries, we estimate that:

French shareholders owned approximately 48% of our share capital and foreign shareholders owned approximately 52% of our share capital. We estimate that U.S. institutional and retail holders collectively hold approximately 31% of our share capital (see details below), including 42 registered holders;

Institutional shareholders (not including Total and L'Oréal) owned approximately 66% of our share capital, primarily institutional investors from the United States (approximately 28%), France (approximately 16%) and the United Kingdom (approximately 8%); and

Retail shareholding represented around 9% of our share capital, approximately two thirds being French and one third being American.

Shareholders Agreement

We are unaware of any shareholders agreement currently in force.

B. Related Party Transactions

In the ordinary course of business, we purchase materials, supplies and services from numerous companies throughout the world. Members of our Board of Directors are affiliated with some of these companies. We conduct our transactions with such companies on an arm's length basis and do not consider the amounts involved in such transactions to be material.

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During 2007 and through the date of this annual report, we have not been involved in, and we do not currently anticipate becoming involved in, any transactions with related parties that are material to us or to any of our related parties and that are unusual in their nature or conditions. We have not made any outstanding loans to or for the benefit of:

enterprises that, directly or indirectly, control or are controlled by, or are under common control with us;

enterprises or associates in which we have significant influence or that have significant influence over us;

shareholders beneficially owning a 10.0% or greater interest in our voting power;

any member of our Management Committee or Board of Directors or close members of such individuals' families; or

enterprises in which persons described above own, directly or indirectly, a substantial interest in the voting power or over which persons described above are able to exert significant influence.

C. Interests of Experts and Counsel

N/A

Table of Contents**Item 8. Financial Information*****A. Consolidated Financial Statements and Other Financial Information***

Our consolidated financial statements as of and for the years ending December, 31 2007, 2006 and 2005 are included in this annual report at Item 18. Financial Statements.

Dividends on Ordinary Shares

We paid annual dividends for the years ended December 31, 2004, 2005 and 2006 and our shareholders will be asked to approve the payment of an annual dividend in the amount of 2.07 per share for the 2007 fiscal year at our next annual shareholders meeting. If approved, this dividend will be paid on May 21, 2008. JPMorgan Chase Bank will make distributions to ADS holders after this date. Because we pay dividends in euro, exchange rate fluctuations will affect U.S. dollar amounts received by ADS holders.

We expect that we will continue to pay regular dividends based on our adjusted earnings per share. For information on the non-GAAP financial measure, adjusted earnings per share, see Item 5. Operating and Financial Review and Prospects Sources of Revenues and Expenses Adjusted Net Income.

The following table sets forth information with respect to the dividends paid by our Company in respect of the 2003, 2004, 2005 and 2006 fiscal years and the dividend that will be proposed for approval by our shareholders in regards to the year ended in 2007 at our May 14, 2008 shareholders meeting.

	2007 ⁽¹⁾	2006	2005	2004	2003
Net Dividend per Share (in €)	2.07	1.75	1.52	1.20	1.02
Net Dividend per Share (in \$)	3.02	2.31	1.80	1.62	1.28

(1) Proposal, subject to shareholder approval.

(2) Dollar amounts are calculated using year-end and Noon Buying Rates, and do not represent actual amounts received. Each ADS represents one half of one share.

The declaration, amount and payment of any future dividends will be determined by majority vote of the holders of our shares at an ordinary general meeting, following the recommendation of our Board of Directors. Any declaration will depend on our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by our shareholders. Accordingly, we cannot assure you that we will pay dividends in the future on a continuous and regular basis. Under French law, we are required to pay dividends approved by an ordinary general meeting of shareholders within nine months following the meeting at which they are approved.

Annual Payments on Participating Share Series A (PSSA)

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The table below sets forth, for the years indicated, the amount of dividends paid per PSSA; see Item 9. The Offer and Listing for further detail). In the United States, the PSSAs exist in the form of American Depositary Shares issued by The Bank of New York, as depositary, each representing one-quarter of a PSSA (PSSA-ADSs). The PSSAs are generally entitled to receive an annual payment determined according to a specific formula and subject to certain conditions.

The annual payments on the PSSAs are equal to the sum of a fixed portion (1.14 per PSSA) and a variable portion equal to the greater of 70% of the dividend per ordinary share or 150% of an amount calculated pursuant to a formula which takes into account changes in consolidated sales and consolidated net income.

Such amounts have been translated in each case into dollars and adjusted for the one-to-four ratio of PSSAs to PSSA-ADSs. Annual payments paid to holders of PSSA-ADSs will generally be exempt from French withholding tax.

In 2007, the annual payment per PSSA in respect of 2006 was 13.4695.

	2006	2005	2004	2003	2002
Annual payment per PSSA	13.4695	12.9929	0	6.0634	5.3434
Annual payment per PSSA-ADS	\$ 4.5877	\$ 4.1438	\$ 0	\$ 1.8530	\$ 1.5118

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Information on Legal or Arbitration Proceedings

Our principal legal proceedings are described in Note D.22 to the consolidated financial statements included at Item 18 of this annual report, which we incorporate herein by reference, and are further updated below to reflect material developments through the date of this document.

We are also involved from time to time in a number of legal proceedings incidental to the normal conduct of our business, including proceedings involving product liability claims, intellectual property rights (particularly claims by generic product manufacturers seeking to limit the patent protection of sanofi-aventis products), compliance and trade practices, commercial claims, employment and wrongful discharge claims, tax assessment claims, waste disposal and pollution claims and claims under warranties or indemnification arrangements relating to business divestitures.

Actonel® Patent Litigation

(Update to the caption Actonel® Patent Litigation at Note D.22.b) to our consolidated financial statements included herein at Item 18.)

On February 28, 2008 the United District Court for the District of Delaware held U.S. Patent 5,538,122 claiming the active ingredient of Actonel® to be valid and enforceable.

SoloSTAR® Patent Litigation

(Update to the caption SoloSTAR® Patent Litigation at Note D.22.b) to our consolidated financial statements included herein at Item 18.)

On February 19, 2008 the United States District Court for the District of New Jersey denied Novo Nordisk's request for a preliminary injunction against sanofi-aventis, and refused to enjoin the making, using, selling, offering to sell and/or importation of Lantus® SoloSTAR® in the United States during the pendency of the patent litigation. Novo Nordisk has appealed.

Plavix® Patent Litigation

(Update to the caption Plavix® Patent Litigation at Note D.22.b) to our consolidated financial statements included herein at Item 18.)

The Court of Appeals hearing was held on March 3, 2008.

Xyzal® Tablets ANDA

Sanofi-aventis has learnt that on December 17, 2007 the FDA received an ANDA containing a paragraph IV patent certification for Xyzal®.

B. Significant Changes

In addition to the information included elsewhere in this annual report, we bring to your attention the following developments since the end of 2007.

On February 12, 2008, sanofi-aventis and Dyax Corp. sanofi-aventis and Dyax Corp. announced that they had entered into agreements in which sanofi-aventis has been granted an exclusive worldwide license for the development and commercialization of its fully human monoclonal antibody DX-2240, as well as a worldwide non exclusive license to Dyax's proprietary antibody phage display technology.

Under the terms of the two agreements, Dyax could receive up to \$500 million in license fees and milestone payments, in the case of full commercial success of the first 5 antibody candidates, including DX-2240 for which \$25 million is due in 2008. In addition, Dyax will receive royalties on net sales on antibody candidates.

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For all eligible future antibody product candidates, including DX-2240, sanofi-aventis will be responsible for the development, registration, and commercialization and will book the sales worldwide.

For certain antibody product candidates discovered by sanofi-aventis, Dyax will retain co-development and profit sharing rights, while sanofi-aventis will maintain the leadership in development, marketing and the consolidation of sales.

DX-2240 is a fully human monoclonal antibody that targets the Tie-1 receptor on tumor blood vessels and has therapeutic potential in numerous oncology indications. Moreover, Dyax's state-of-the-art antibody, peptide, and protein proprietary phage display libraries will give sanofi-aventis the opportunity to identify novel, high quality antibody products candidates with the potential to be moved rapidly into development.

On February 13, 2008, sanofi pasteur announced that it had filed a centralized marketing authorization application, in Europe, for the first influenza vaccine delivered by an innovative intradermal microinjection system. This file has been accepted for review by the European Medicines Agency (EMA).

On February 19, 2008, sanofi-aventis and UCB announced that the FDA had approved a New Drug Application (NDA) for Xyzal[®] (levocetirizine dihydrochloride) 0.5 mg/mL oral solution, a prescription antihistamine indicated for the relief of symptoms associated with indoor and outdoor allergies, as well as the treatment of chronic idiopathic urticaria. Xyzal[®] tablets received FDA approval on May 25, 2007 and both formulations are now approved for use in adults and children 6 years and older.

Item 9. The Offer and Listing

A. Offer and Listing Details

We have one class of shares. Each American Depositary Share, or ADS, represents one-half of one share. The ADSs are evidenced by American Depositary Receipts, or ADRs, which are issued by JPMorgan Chase Bank.

Our shares trade on the Eurolist market of Euronext Paris (Compartment A) and our ADSs trade on the New York Stock Exchange. There can be no assurances as to the establishment or continuity of a public market for our shares or ADSs.

Table of Contents**Trading History**

The table below sets forth, for the periods indicated, the reported high and low quoted prices of our shares on the Eurolist market of Euronext Paris and on the New York Stock Exchange (source: Bloomberg).

Calendar period	Euronext Paris		NYSE	
	High (price per share in)	Low	High (price per ADS in \$)	Low
Monthly				
February 2008	55.30	48.58	40.32	36.87
January 2008	66.90	53.66	49.04	39.64
December 2007	65.93	62.47	48.30	44.86
November 2007	65.14	58.62	47.87	42.98
October 2007	64.19	58.09	44.90	41.54
September 2007	62.49	59.02	43.56	40.73
2007				
First quarter	71.80	62.50	46.60	41.37
Second quarter	71.95	59.65	48.30	39.97
Third quarter	63.19	56.20	43.56	37.90
Fourth quarter	65.93	58.09	48.30	41.54
Full Year	71.95	56.20	48.30	37.90
2006				
First quarter	79.85	69.50	48.32	41.91
Second quarter	79.10	69.80	49.25	44.21
Third quarter	79.25	66.90	50.05	42.43
Fourth quarter	70.90	64.85	46.60	41.65
Full Year	79.85	64.85	50.05	41.65
2005				
First quarter	66.50	56.40	43.34	36.60
Second quarter	74.10	64.55	45.87	40.42
Third quarter	72.70	64.90	44.49	39.80
Fourth quarter	76.70	64.70	45.33	39.23
Full Year	76.70	56.40	45.87	36.60
2004				
Full Year	63.25	49.42	40.48	29.22
2003				
Full Year	60.00	41.50	37.92	22.53
2002				
Full Year (NYSE beginning on July 1)	84.30	49.78	32.80	24.90

B. Plan and Distribution

N/A

C. Markets

Shares and ADSs

Our shares are listed on the Euronext Paris Market (Compartment A) under the symbol `SAN` and our ADSs are listed on the New York Stock Exchange, or NYSE, under the symbol `SNY`. At the date of this annual report, our shares are included in a large number of indices including the CAC 40 Index, the principal French index published by Euronext Paris. This index contains 40 stocks selected among the top 100 companies based on free-float capitalization and the most active stocks listed on the Euronext Paris Market. The CAC 40 Index indicates trends on the French stock market as a whole and is one of the most widely followed stock price indices in France. Our shares are also included in the S&P Global 100 Index, the Dow Jones EuroSTOXX 50 and the MSCI Pan-Euro Index.

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The Euronext Paris Market

In February 2005, Euronext Paris overhauled its listing structure by implementing the Eurolist Market, a new single regulated market, which replaced the regulated cash markets formerly operated by Euronext Paris, i.e., the Bourse de Paris (which comprised the Premier Marché and the Second Marché) and the Nouveau Marché. As part of this process, Euronext Paris transferred on February 21, 2005 all shares and bonds listed on the Premier Marché, Second Marché and Nouveau Marché to the Eurolist Market.

Since February 21, 2005, all securities approved for admission to trading on Euronext Paris have been traded on a single market: Eurolist by Euronext, which was renamed Euronext Paris Market on November 28, 2007. The Euronext Paris Market is a regulated market operated and managed by Euronext Paris, a market operator (*entreprise de marché*) responsible for the admission of securities and the supervision of trading in listed securities. Euronext Paris publishes a daily official price list that includes price information on listed securities. The Euronext Paris Market is divided into three capitalization compartments: A for capitalizations over 1 billion, B for capitalizations between 1 billion and 150 million, and C for capitalizations less than 150 million.

Trading on the Euronext Paris Market

Securities admitted to trading on the Euronext Paris Market are officially traded through authorized financial institutions that are members of Euronext Paris. Euronext Paris places securities admitted to trading on the Euronext Paris Market in one of two categories (continuous (*continu*) or fixing), depending on whether they belong to certain indices or compartments and/or on their trading volume. Our shares trade in the category known as *continu*, which includes the most actively traded securities. Shares are traded on each trading day from 9:00 a.m. to 5:30 p.m. (Paris time), with a pre-opening session from 7:15 a.m. to 9:00 a.m. and a post-closing session from 5:30 p.m. to 5:35 p.m. (during which pre-opening and post-closing sessions trades are recorded but not executed until the opening auction at 9:00 a.m. and the closing auction at 5:35 p.m., respectively). In addition, from 5:35 p.m. to 5:40 p.m., trading can take place at the closing auction price. Trading in a share belonging to the *continu* category after 5:40 p.m. until the beginning of the pre-opening session of the following trading day may take place at a price that must be within the closing auction price plus or minus 1%.

Euronext Paris may temporarily interrupt trading in a security admitted to trading on the Euronext Paris Market if purchases and sales recorded in the system would inevitably result in a price beyond a certain threshold, determined on the basis of a percentage fluctuation from a reference price. With respect to shares belonging to the *continu* category, once trading has commenced, volatility interruptions for a reservation period of 2 minutes (subject to extension by Euronext Paris) are possible if the price varies either by more than 5% from a reference price (e.g., opening auction price) or by more than 2% (with respect to CAC 40 issuers) from the last trade on such securities. Euronext Paris may also suspend trading of a security admitted to trading on the Euronext Paris Market in certain circumstances including the occurrence of unusual trading activity in a security. In addition, in exceptional cases, including, for example, upon announcement of a takeover bid, the French market regulator (*Autorité des marchés financiers* or AMF) may also require Euronext Paris to suspend trading.

Trades of securities admitted to trading on the Euronext Paris Market are settled on a cash basis on the third day following the trade. For certain securities, market intermediaries are also permitted to offer investors the opportunity to place orders through a deferred settlement service (*Ordres Stipulés à Règlement-Livraison Différés OSRD*) for a fee. The deferred settlement service is only available for trades in securities that have both a total market capitalization of at least 1 billion and a daily average volume of trades of at least 1 million. Investors can elect on or before the determination date (*jour de liquidation*), which is the fifth trading day before the end of the month, either to settle by the last trading day of the month or to pay an additional fee and postpone the settlement decision to the determination date of the following month. At the date of this annual report, our shares are currently eligible for the deferred settlement service.

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Equity securities traded on a deferred settlement basis are considered to have been transferred only after they have been recorded in the purchaser's account. Under French securities regulations, if the sale takes place before, but during the month of, a dividend payment date, the purchaser's account will be credited with an amount equal to the dividend paid.

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Prior to any transfer of securities listed on the Euronext Paris Market held in registered form, the securities must be converted into bearer form and accordingly recorded in an account maintained by an accredited intermediary with Euroclear France S.A., a registered central security depository. Transactions in securities are initiated by the owner giving the instruction (through an agent, if appropriate) to the relevant accredited intermediary. Trades of securities listed on the Euronext Paris Market are cleared through LCH.Clearnet and settled through Euroclear France using a continuous net settlement system. A fee or commission is payable to the accredited intermediary or other agent involved in the transaction.

Participating Shares Series A

Further to a public offer to exchange ordinary shares for PSSAs in 1993, a tender offer to purchase for cash all of the outstanding PSSA-ADSs in 1995 and repurchases in private transactions since that date, there are only 3,296 PSSAs outstanding as of December 31, 2007, of which substantially all were represented by PSSA-ADSs. In view of the small number of PSSAs that remain outstanding, at some time in the future, sanofi-aventis intends to terminate the Deposit Agreement for the PSSA-ADSs and apply to the U.S. Securities and Exchange Commission to terminate registration of the PSSAs and the PSSA-ADSs under the Securities Exchange Act of 1934, as amended.

We are not aware of any non-U.S. trading market for our Participating Shares Series A. In the United States, the PSSAs exist in the form of American Depositary Shares issued by The Bank of New York, as depository, each representing one-quarter of a PSSA. We are not aware of any U.S. trading market for the PSSA-ADSs since their suspension from trading on the NYSE on May 18, 1995, and their subsequent removal from listing on the NYSE on July 31, 1995. Prior to their delisting, the PSSA-ADSs traded on the NYSE under the symbol RP PrA.

Trading Practices and Trading in own Shares

Under French law, a company may not issue shares to itself, but it may purchase its own shares in the limited cases described at Item 10. Additional Information B. Memorandum and Articles of Association Trading in Our Own Shares.

D. Selling Shareholders

N/A

E. Dilution

N/A

F. Expenses of the Issue

N/A

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Item 10. Additional Information

A. Share Capital

N/A

B. Memorandum and Articles of Association

General

Our Company is a *société anonyme*, a form of limited liability company, organized under the laws of France.

In this section, we summarize material information concerning our share capital, together with material provisions of applicable French law and our *statuts*, an English translation of which has been filed as an exhibit to this annual report. For a description of certain provisions of our *statuts* relating to our Board of Directors and statutory auditors, see Item 6. Directors, Senior Management and Employees. You may obtain copies of our *statuts* in French from the *greffe* (Clerk) of the *Registre du Commerce et des Sociétés de Paris* (Registry of Commerce and Companies of Paris, France, registration number: 395 030 844). Please refer to that full document for additional details.

Our *statuts* specify that our corporate affairs are governed by:

applicable laws and regulations (in particular, Title II of the French Commercial Code), and

the *statuts* themselves.

Article 3 of our *statuts* specifies that the Company's corporate purposes, in France and abroad, are:

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

in the following areas :

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Purchase and sale of all raw materials and products necessary for these activities;

Research, study and development of new products, techniques and processes;

Manufacture and sale of all chemical, biological, dietary and hygienic products;

Obtaining or acquiring all intellectual property rights related to results obtained and, in particular, filing all patents, trademarks and models, processes or inventions;

Operating directly or indirectly, purchasing, and transferring for free or for consideration pledging or securing all intellectual property rights, particularly all patents, trademarks and models, processes or inventions;

Obtaining, operating, holding and granting all licenses; and

Participating, within the Group policy framework, in financing transactions and, in compliance with applicable legal provisions, whether in the capacity of leader or not, either in the form of centralizing accounts or centralized management of foreign exchange risks, intragroup settlements (netting), or in any form authorized by applicable legislation.

And, more generally:

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

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Directors

Transactions in which Directors Are Materially Interested

Under French law, any agreement entered into (directly or through an intermediary) between our Company and any one of the members of the Board of Directors that is not entered into (i) in the ordinary course of our business and (ii) under normal conditions is subject to the prior authorization of the disinterested members of the Board of Directors. The same provision applies to agreements between our Company and another company if one of the members of the Board of Directors is the owner, general partner, manager, director, general manager or member of the executive or supervisory board of the other company, as well as to agreements in which one of the members of the Board of Directors has an indirect interest. The Board of Directors must also authorize any undertaking taken by our Company for the benefit of our Chairman, Chief Executive Officer (*directeur général*) or his delegates (*directeurs généraux délégués*) pursuant to which such persons will or may be granted compensation, benefit or any other advantage as a result of the termination or change in their offices or following such termination or change.

In addition, such termination package, except any non-compete indemnity and certain pension benefits: (i) must be authorized by our shareholders by adopting a separate General Shareholders Meeting resolution for each such beneficiary, which has to be renewed at each renewal of such beneficiary's mandate, and (ii) cannot be paid to such beneficiary unless the Board of Directors decides that such beneficiary has satisfied certain conditions, linked to such beneficiary's performances measured by our Company's performances, that must have been defined by the Board of Directors when granting such package, and such decision is made publicly available.

Directors' Compensation

The aggregate amount of attendance fees (*jetons de présence*) of the Board of Directors is determined at the ordinary general meeting of the shareholders. The Board of Directors then divides this aggregate amount up among its members. In addition, exceptional compensation (*rémunérations exceptionnelles*) may be granted to directors on a case-by-case basis for special assignments. The Board may also authorize the reimbursement of travel and accommodation expenses, as well as other expenses incurred by Directors in the corporate interest. See also Item 6. Directors, Senior Management and Employees.

Board of Directors' Borrowing Powers

All loans or borrowings may be decided by the Board of Directors within the limits, if any, duly authorized by the general meeting of the shareholders.

Directors' Age Limits

For a description of the provisions of our *statuts* relating to age limits applicable to our Directors, see Item 6. Directors, Senior Management and Employees.

Directors Share Ownership Requirements

For a description of the provisions of our *statuts* relating to the number of shares which our Directors are required to hold, see Item 6. Directors, Senior Management and Employees.

Share Capital

As of December 31, 2007, our share capital amounted to 2,731,833,288, divided into 1,365,916,644 outstanding shares with a par value of 2 per share. All of our outstanding shares are of the same class and are fully paid. Of these shares, we or entities controlled by us held 37,725,706 shares (or 2.76% of our outstanding share capital), as treasury shares as of such date. As of December 31, 2007, the book value of such shares was 2,275 million.

At an extraordinary general meeting held on May 31, 2007, our shareholders authorized our Board of Directors to increase our share capital, through the issuance of shares or other securities giving access to the share capital with or without preferential subscription rights, by an aggregate maximum nominal amount of 1.6 billion. See Changes in Share Capital Increases in Share Capital , below.

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The maximum total amount of authorized but unissued shares as of December 31, 2007 was 866.5 million, reflecting the unused part of the May 31, 2007 shareholder authorization and outstanding options to subscribe for shares.

Stock Options and Warrants

Stock Options

Types of Stock Options

We have two types of stock options outstanding: options to subscribe for shares (*options de souscription d'actions*) and options to purchase shares (*options d'achat d'actions*). Upon exercise of an option to subscribe for shares, we issue new shares, whereas upon exercise of an option to purchase shares, the option holder receives existing shares. We purchase our shares on the market prior to the grant of the options to purchase in order to provide the option holder with shares upon exercise. Following the merger of Aventis with and into sanofi-aventis, all previously granted options for the shares of Aventis were converted into options for our shares.

Because the exercise of options to purchase shares will be satisfied with existing shares repurchased on the market or held in treasury, the exercise of options to purchase shares has no impact on our equity capital.

Stock Option Plans

Our ordinary and extraordinary shareholders' meeting of May 31, 2007 authorized our Board of Directors for 26 months to grant options to subscribe for shares and options to purchase shares to members of our salaried staff and/or corporate officers as well as to members of salaried staff and/or corporate officers of companies or economic interest groups related to our Company under the conditions referred to in Article L.225-180 of the French Commercial Code.

The aggregate number of options to subscribe for shares and options to purchase shares that may be granted under this authorization may not give entitlement to a total number of shares exceeding 2.5% of the share capital as of the day the decision to grant options is made by the Board. Under such a resolution, the price payable on the exercise of options may not be lower than the average of the first quoted prices of sanofi-aventis ordinary shares on the Eurolist market of Euronext Paris during the 20 consecutive trading days preceding the date on which the options are granted.

The authorization entails the express waiver by the shareholders, in favor of the grantees of options to subscribe for shares, of their preferential subscription rights in respect of shares that are to be issued as and when options are exercised.

The Board of Directors sets the terms on which options are granted and the arrangements as regards the dividend entitlement of the shares.

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Pursuant to this authorization, the Board of Directors granted 11,988,975 options to subscribe for shares at the meeting of December 13, 2007.

See Item 6. Directors, Senior Management and Employees B. Compensation Stock Options for a description of our option plans currently in force.

Changes in Share Capital in 2007

See Note D.15.1 to our consolidated financial statements included at Item 18 of this annual report.

Voting Rights

In general, each shareholder is entitled to one vote per share at any general shareholders meeting. However, our *statuts* provide that any fully paid-up shares that have been held in registered form under the name of the same shareholder for at least two years acquire double voting rights. As of December 31, 2007, there were 282,066,138 shares that were entitled to double voting rights, representing 20.65% of our total share capital, approximately 35.03% of our voting rights held by holders other than us and our subsidiaries, and 34.23% of the total voting rights of sanofi-aventis.

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Double voting rights are not taken into account in determining whether a quorum exists.

Under the French Commercial Code, shares of a company held in treasury or by entities controlled by that company are not entitled to voting rights and do not count for quorum purposes.

Our *statuts* allow us to obtain from Euroclear France the name, nationality, address and number of shares held by holders of our securities that have, or may in the future have, voting rights. If we have reason to believe that a person on any list provided by Euroclear France holds securities on behalf of another person, our *statuts* allow us to request such information regarding beneficial ownership directly from such person. See Memorandum and Articles of Association Form, Holding and Transfer of Shares below.

Our *statuts* do not provide for cumulative voting rights.

Shareholders Agreement

We are not aware of any shareholder s agreement currently in force concerning our shares.

Shareholders Meetings

General

In accordance with the French Commercial Code, there are three types of shareholders meetings: ordinary, extraordinary and special.

Ordinary general meetings of shareholders are required for matters such as:

electing, replacing and removing directors;

appointing independent auditors;

approving the annual financial statements;

declaring dividends or authorizing dividends to be paid in shares, provided the *statuts* contain a provision to that effect; and

approval of share repurchase programs.

Extraordinary general meetings of shareholders are required for approval of matters such as amendments to our *statuts*, including any amendment required in connection with extraordinary corporate actions. Extraordinary corporate actions include:

changing our Company's name or corporate purpose;

increasing or decreasing our share capital;

creating a new class of equity securities;

authorizing the issuance of securities giving access to our share capital or giving the right to receive debt securities;

establishing any other rights to equity securities;

selling or transferring substantially all of our assets; and

the voluntary liquidation of our Company.

Special meetings of shareholders of a certain category of shares (such as, among others, shares with double voting rights) are required for any modification of the rights derived from that category of shares. The resolutions of the shareholders' general meeting affecting these rights are effective only after approval by the relevant special meeting.

Annual Ordinary Meetings

The French Commercial Code requires the Board of Directors to convene an annual ordinary general meeting of shareholders for approval of the annual financial statements. This meeting must be held within six

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months of the end of each fiscal year. This period may be extended by an order of the President of the Commercial Court. The Board of Directors may also convene an ordinary or extraordinary general meeting of shareholders upon proper notice at any time during the year. If the Board of Directors fails to convene a shareholders meeting, our independent auditors may call the meeting. In case of bankruptcy, the liquidator or court-appointed agent may also call a shareholders meeting in some instances. In addition, any of the following may request the court to appoint an agent for the purpose of calling a shareholders meeting:

one or several shareholders holding at least 5% of our share capital;

duly qualified associations of shareholders who have held their shares in registered form for at least two years and who together hold at least 1% of the voting rights of our Company;

the works council in cases of urgency; or

any interested party in cases of urgency.

Notice of Shareholders Meetings

We must announce general meetings at least 35 days in advance by means of a preliminary notice (*avis de réunion*), which is published in the *Bulletin des Annonces Légales Obligatoires*, or *BALO*. The preliminary notice must first be sent to the AMF. The AMF also recommends that, prior to or simultaneously with the publication of the preliminary notice, we publish a summary of the notice indicating the date and place of the meeting in a newspaper of national circulation in France. The preliminary notice must contain, among other things, the agenda, a draft of the resolutions to be submitted to the shareholders and the procedure for voting by mail.

At least 15 days prior to the date set for a first call, and at least six days prior to any second call, we must send a final notice (*avis de convocation*) containing the final agenda, the date, time and place of the meeting and other information for the meeting. Such final notice must be sent by mail to all registered shareholders who have held shares in registered form for more than one month prior to the date of the final notice and by registered mail, if shareholders have asked for it and paid the corresponding charges. The final notice must also be published in a newspaper authorized to publish legal announcements in the local administrative department (*département*) in which our Company is registered as well as in the *BALO*, with prior notice having been given to the AMF. If no shareholder has proposed any new resolutions to be submitted to the vote of the shareholders at the meeting and provided that the Board of Directors has not altered the draft resolutions included in the preliminary notice, we are not required to publish the final notice; publishing a preliminary notice that stipulates that it shall be deemed to be equivalent to a final notice will be deemed sufficient.

In general, shareholders can only take action at shareholders meetings on matters listed on the agenda. As an exception to this rule, shareholders may take action with respect to the dismissal of directors even though this action has not been included on the agenda. Additional resolutions to be submitted for approval by the shareholders at the meeting may be proposed to the Board of Directors, for recommendation to the shareholders, as from the publication of the preliminary notice in the *BALO* and until 25 days prior to the general meeting or, alternatively within 20 days following the publication of the preliminary notice in the *BALO* if such preliminary notice was published more than 45 days prior to the general meeting:

one or several shareholders together holding a specified percentage of shares;

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a duly qualified association of shareholders who have held their shares in registered form for at least two years and who together hold at least 1% of our voting rights; or

the works council.

The Board of Directors must submit these resolutions to a vote of the shareholders after having made a recommendation thereon.

Following the date on which documents must be made available to the shareholders, shareholders may submit written questions to the Board of Directors relating to the agenda for the meeting until the fourth business day prior to the general meeting. The Board of Directors must respond to these questions during the meeting.

Attendance at Shareholders Meetings; Proxies and Votes by Mail

In general, all shareholders may participate in general meetings either in person or by proxy. Shareholders may vote in person, by proxy or by mail.

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The right of shareholders to participate in general meetings is subject to the recording (*enregistrement comptable*) of their shares on the third business day, zero hour (Paris time), preceding the general meeting:

for holders of registered shares: in the registered shareholder account held by the Company or on its behalf by an agent appointed by it;

for holders of bearer shares: in the bearer shareholder account held by the accredited financial intermediary with whom such holders have deposited their shares; such financial intermediaries shall deliver to holders of bearer shares a shareholding certificate (*attestation de participation*) enabling them to participate in the general meeting.

Attendance in Person

Any shareholder may attend ordinary general meetings and extraordinary general meetings and exercise its voting rights subject to the conditions specified in the French Commercial Code and our *statuts*.

Proxies and Votes by Mail

Proxies are sent to any shareholder on request. In order to be counted, such proxies must be received at our registered office, or at any other address indicated on the notice convening the meeting, prior to the date of the meeting (in practice, we request that shareholders return proxies at least three business days prior to the meeting). A shareholder may grant proxies only to his or her spouse or to another shareholder. A shareholder that is a corporation may grant proxies to a legal representative. Alternatively, the shareholder may send us a blank proxy without nominating any representative. In this case, the chairman of the meeting will vote the blank proxies in favor of all resolutions proposed or approved by the Board of Directors and against all others.

With respect to votes by mail, we must send shareholders a voting form upon request. The completed form must be returned to us at least three days prior to the date of the shareholders' meeting.

Quorum

The French Commercial Code requires that shareholders together holding at least 20% of the shares entitled to vote must be present in person, or vote by mail or by proxy, in order to fulfill the quorum requirement for:

an ordinary general meeting; and

an extraordinary general meeting where only an increase in our share capital is proposed through incorporation of reserves, profits or share premium.

For any other extraordinary general meeting the quorum requirement is at least 25% of the shares entitled to vote, present in person, or voting by mail or by proxy.

For a special meeting of holders of a certain category of shares, the quorum requirement is one third of the shares entitled to vote in that category, present in person, or voting by mail or by proxy.

If a quorum is not present at a meeting, the meeting is adjourned. When an adjourned meeting is resumed, there is no quorum requirement for an ordinary meeting or for an extraordinary general meeting where only an increase in our share capital is proposed through incorporation of reserves, profits or share premium. However, only questions that were on the agenda of the adjourned meeting may be discussed and voted upon. In the case of any other reconvened extraordinary general meeting or special meeting, the quorum requirement is 20% of the shares entitled to vote (or voting shares belonging to the relevant category for special meetings of holders of shares of such specific category), present in person or voting by mail or by proxy. If a quorum is not present, the reconvened meeting may be adjourned for a maximum of two months. No deliberation or action by the shareholders may take place without a quorum.

Votes Required for Shareholder Action

A simple majority of shareholders may pass a resolution at either an ordinary general meeting or an extraordinary general meeting where only an increase in our share capital is proposed through incorporation of

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reserves, profits or share premium. At any other extraordinary general shareholders meeting and at any special meeting of holders of a specific category of shares, a two-thirds majority of the shareholder votes cast is required.

Abstention from voting by those present or those represented by proxy or voting by mail is counted as a vote against the resolution submitted to a shareholder vote.

Changes to Shareholders' Rights

Under French law, a two-thirds majority vote at the extraordinary shareholders' meeting is required to change our *statuts*, which set out the rights attaching to our shares.

The rights of a class of shareholders can be amended only after a special meeting of the class of shareholders affected has taken place. The voting requirements applicable to this type of special meeting are the same as those applicable to an extraordinary general shareholders meeting. The quorum requirements for a special meeting are one third of the voting shares, or 20% upon resumption of an adjourned meeting.

A unanimous shareholder vote is required to increase the liabilities of shareholders.

Financial Statements and Other Communications with Shareholders

In connection with any shareholders' meeting, we must provide a set of documents including our annual report and a summary of the financial results of the five previous fiscal years to any shareholder who so requests.

Dividends

We may only distribute dividends out of our distributable profits, plus any amounts held in our reserve that the shareholders decide to make available for distribution, other than those reserves that are specifically required by law or our *statuts*. Distributable profits consist of our unconsolidated net profit in each fiscal year, as increased or reduced by any profit or loss carried forward from prior years, less any contributions to the reserve accounts pursuant to law or our *statuts*.

Legal Reserve

The French Commercial Code requires us to allocate 5% of our unconsolidated statutory net profit for each year to our legal reserve fund before dividends may be paid with respect to that year. Funds must be allocated until the amount in the legal reserve is equal to 10% of the aggregate

par value of the issued and outstanding share capital. This restriction on the payment of dividends also applies to each of our French subsidiaries on an unconsolidated basis. At December 31, 2007, our legal reserve was 282,280,863 representing 10.33% of the aggregate par value of our issued and outstanding share capital as of that date. The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the company.

Approval of Dividends

According to the French Commercial Code, our Board of Directors may propose a dividend for approval by the annual general meeting of shareholders. If we have earned distributable profits since the end of the preceding fiscal year, as reflected in an interim income statement certified by our independent auditors, our Board of Directors may distribute interim dividends to the extent of the distributable profits for the period covered by the interim income statement. Our Board of Directors exercises this authority subject to French law and regulations and may do so without obtaining shareholder approval.

Distribution of Dividends

Dividends are distributed to shareholders pro rata according to their respective holdings of shares. In the case of interim dividends, distributions are made to shareholders on the date of our Board of Directors meeting in which the distribution of interim dividends is approved. The actual dividend payment date is decided by the shareholders at an ordinary general shareholders meeting or by our Board of Directors in the absence of such a decision by the shareholders. Shareholders that own shares on the actual payment date are entitled to the dividend.

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Dividends may be paid in cash or, if the shareholders' meeting so decides by ordinary resolution, in kind, provided that all shareholders receive a whole number of assets of the same nature paid in lieu of cash. Our *statuts* provide that, upon a decision of the shareholders' meeting taken by ordinary resolution, each shareholder may be given the choice to receive his dividend in cash or in shares.

Timing of Payment

According to the French Commercial Code, we must pay any existing dividends within nine months of the end of our fiscal year, unless otherwise authorized by court order. Dividends on shares that are not claimed within five years of the date of declared payment revert to the French State.

Changes in Share Capital

Increases in Share Capital

As provided by the French Commercial Code, our share capital may be increased only with the shareholders' approval at an extraordinary general shareholders meeting following the recommendation of our Board of Directors. Increases in our share capital may be effected by:

issuing additional shares;

increasing the par value of existing shares;

creating a new class of equity securities; or

exercise of rights attached to securities giving access to the share capital.

Increases in share capital by issuing additional securities may be effected through one or a combination of the following:

in consideration for cash;

in consideration for assets contributed in kind;

through an exchange offer;

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by conversion of previously issued debt securities;

by capitalization of profits, reserves or share premium; or

subject to various conditions, in satisfaction of debt incurred by our Company.

Decisions to increase the share capital through the capitalization of reserves, profits and/or share premium require the approval of an extraordinary general shareholders meeting, acting under the quorum and majority requirements applicable to ordinary shareholders meetings. Increases effected by an increase in the par value of shares require unanimous approval of the shareholders, unless effected by capitalization of reserves, profits or share premium. All other capital increases require the approval of an extraordinary general shareholders meeting acting under the regular quorum and majority requirements for such meetings. See [Quorum](#) and [Votes Required for Shareholder Action](#) above.

Since the entry into force of order 2004-604 of June 24, 2004, the shareholders may delegate to our Board of Directors either the authority (*délégation de compétence*) or the power (*délégation de pouvoir*) to carry out any increase in share capital. Our Board of Directors may further delegate this power to our chief executive officer or, subject to our chief executive officer's approval, to his delegates (*directeurs généraux délégués*).

On May 31, 2007, our shareholders approved different resolutions delegating to the Board of Directors the authority to increase our share capital through the issuance of shares or securities giving access to the share capital, subject to an overall cap set at 1.6 billion. This cap applies to all the resolutions whereby the extraordinary shareholders meeting delegated to the Board of Directors the authority to increase the share capital, it being also specified that:

- the maximum aggregate par value amount of capital increases that may be carried out with preferential subscription rights maintained was set at 1.4 billion;

