

## EXCHANGE RATE INFORMATION

### Exchange Rate Information

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 ( <sup>(1)</sup> ) (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.

## 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 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

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 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 Lovenox® 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.

**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

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



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 inflammable 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.

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<sup>(1)</sup>**

##### **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

<sup>(1)</sup> 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.

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.