2007

# Half year financial report

sanofi aventis

Because health matters

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**Free Translation of the French Language Original**



The consolidated financial statements for the six months ended June 30, 2007 have been subject to a limited review by the statutory auditors in accordance with French auditing standards.

# Half-year consolidated financial statements

**The financial statements are presented in accordance with IAS 34**

## Consolidated balance sheets - Assets

| (€ million) | Note | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Property, plant and equipment | **B.2.** | 6,369 | 6,219 |
| Goodwill | **B.3.** | 28,151 | 28,472 |
| Intangible assets | **B.3.-B.4.** | 21,617 | 23,738 |
| Investments in associates | **B.5.** | 2,699 | 2,637 |
| Financial assets – non-current | **B.6.** | 877 | 1,045 |
| Deferred tax assets | **B.11.** | 2,940 | 3,492 |
| **Non-current assets** | | **62,653** | **65,603** |
| Inventories | | 3,931 | 3,659 |
| Accounts receivable | | 5,279 | 5,032 |
| Other current assets | | 2,032 | 2,208 |
| Financial assets – current | | 94 | 108 |
| Cash and cash equivalents | | 1,083 | 1,153 |
| **Current assets** | | **12,419** | **12,160** |
| **TOTAL ASSETS** | | **75,072** | **77,763** |

The accompanying notes on pages 7 to 28 are an integral part of the consolidated financial statements.

## Consolidated balance sheets – Liabilities & Equity

| (€ million) | Note | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Equity attributable to equity holders of the Company | B.7. | 46,021 | 45,600 |
| Minority interests | | 89 | 220 |
| **Total equity** | | **46,110** | **45,820** |
| Long-term debt | B.8. | 4,183 | 4,499 |
| Provisions and other non-current liabilities | B.10. | 6,560 | 7,920 |
| Deferred tax liabilities | B.11. | 8,443 | 9,246 |
| **Non-current liabilities** | | **19,186** | **21,665** |
| Accounts payable and accrued expenses | | 2,729 | 3,008 |
| Other current liabilities | | 4,568 | 4,825 |
| Short-term debt and current portion of long-term debt | B.8. | 2,479 | 2,445 |
| **Current liabilities** | | **9,776** | **10,278** |
| **TOTAL LIABILITIES & EQUITY** | | **75,072** | **77,763** |

The accompanying notes on pages 7 to 28 are an integral part of the consolidated financial statements.

# Consolidated income statements

| (€ million) | Note | 6 months to June 30, 2007 | 6 months to June 30, 2006 | 12 months to December 31, 2006 |
|---|---|---|---|---|
| **Net sales** | | **14,116** | **14,116** | **28,373** |
| Other revenues | | 547 | 647 | 1,116 |
| Cost of sales | | (3,704) | (3,768) | (7,587) |
| **Gross profit** | | **10,959** | **10,995** | **21,902** |
| Research and development expenses | | (2,182) | (2,144) | (4,430) |
| Selling and general expenses | | (3,804) | (4,061) | (8,020) |
| Other operating income | | 278 | 200 | 391 |
| Other operating expenses | | (136) | (60) | (116) |
| Amortization of intangibles | | (1,833) | (1,998) | (3,998) |
| **Operating income before restructuring, impairment of property, plant and equipment and intangibles, gains and losses on disposals, and litigation** | | **3,282** | **2,932** | **5,729** |
| Restructuring costs | | (50) | (81) | (274) |
| Impairment of property, plant & equipment and intangibles | **B.4.** | 5 | (380) | (1,163) |
| Gains and losses on disposals, and litigation | | - | 520 | 536 |
| **Operating income** | | **3,237** | **2,991** | **4,828** |
| Financial expenses | **B.14.1.** | (170) | (280) | (455) |
| Financial income | **B.14.2.** | 99 | 187 | 375 |
| **Income before tax and associates** | | **3,166** | **2,898** | **4,748** |
| Income tax expense | **B.15.** | (641) | (652) | (800) |
| Share of profit/loss of associates | | 351 | 325 | 451 |
| **Net income** | | **2,876** | **2,571** | **4,399** |
| Net income attributable to minority interests | | 211 | 190 | 393 |
| **Net income attributable to equity holders of the Company** | | **2,665** | **2,381** | **4,006** |
| | | | | |
| Average number of shares outstanding (million) | **B.7.5.** | 1,351.5 | 1,345.2 | 1,346.8 |
| Average number of shares after dilution (million) | **B.7.5.** | 1,359.8 | 1,359.2 | 1,358.8 |
| | | | | |
| - Basic earnings per share (in euros) | | 1.97 | 1.77 | 2.97 |
| - Diluted earnings per share (in euros) | | 1.96 | 1.75 | 2.95 |

The accompanying notes on pages 7 to 28 are an integral part of the consolidated financial statements.

# Consolidated statements of cash flows

| (€ million) | Note | 6 months to June 30, 2007 | 6 months to June 30, 2006 | 12 months to December 31, 2006 |
|---|---|---|---|---|
| **Net income attributable to equity holders of the Company** | | **2,665** | **2,381** | **4,006** |
| Minority interests, excluding BMS *(1)* | | 11 | 9 | 18 |
| Share of undistributed earnings of associates | | (28) | 67 | 96 |
| Depreciation, amortization and impairment of property, plant and equipment and intangible assets | | 2,279 | 2,834 | 6,113 |
| Gains and losses on disposals of non-current assets, net of tax *(2)* | | (37) | (462) | (558) |
| Net change in deferred taxes | | (393) | (1,073) | (2,463) |
| Net change in provisions | | (287) | 308 | 284 |
| Cost of employee benefits (stock options and capital increase) | | 61 | 82 | 149 |
| Impact of workdown of Aventis inventories remeasured at fair value, net of tax | | - | 6 | 21 |
| Unrealized gains and losses recognized in income | | (62) | (112) | (56) |
| **Operating cash flow before changes in working capital** | | **4,209** | **4,040** | **7,610** |
| (Increase)/decrease in inventories | | (226) | (291) | (372) |
| (Increase)/decrease in accounts receivable | | (282) | (412) | (241) |
| Increase/(decrease) in accounts payable and accrued expenses | | (244) | (377) | (77) |
| Net change in other current assets, financial assets (current) & other current liabilities | | (411) | 4 | (316) |
| **Net cash provided by operating activities *(3)*** | | **3,046** | **2,964** | **6,604** |
| Acquisitions of property, plant & equipment and intangibles | **B.2. - B.3** | (694) | (631) | (1,454) |
| Acquisitions of investments in consolidated undertakings, net of cash acquired | **B.10.2.** | (198) | (497) | (509) |
| Acquisitions of available-for-sale financial assets | | (1) | (1) | (4) |
| Proceeds from disposals of property, plant and equipment, intangibles and other non-current assets, net of tax *(4)* | **B.9.3.** | 295 | 1,203 | 1,174 |
| Net change in loans and other non-current financial assets | | 14 | 1 | 3 |
| **Net cash used in investing activities** | | **(584)** | **75** | **(790)** |
| Issuance of sanofi-aventis shares | | 104 | 155 | 307 |
| Dividends paid: | | | | |
| ▪ to sanofi-aventis shareholders | | (2,364) | (2,044) | (2,042) |
| ▪ to minority shareholders, excluding BMS *(1)* | | (7) | (6) | (8) |
| Additional long-term borrowings | **B.8.** | 808 | 14 | 864 |
| Repayments of long-term borrowings | **B.8.** | (2,009) | (1,250) | (1,351) |
| Net change in short-term borrowings | **B.8.** | 902 | (4) | (3,674) |
| Acquisitions and disposals of treasury shares, net of tax | | 17 | 35 | 50 |
| **Net cash provided by/(used in) financing activities** | | **(2,549)** | **(3,100)** | **(5,854)** |
| **Impact of exchange rates on cash and cash equivalents** | | **17** | **(28)** | **(56)** |
| **Net change in cash and cash equivalents** | | **(70)** | **(89)** | **(96)** |
| **Cash and cash equivalents, beginning of period** | | **1,153** | **1,249** | **1,249** |
| **Cash and cash equivalents, end of period** | | **1,083** | **1,160** | **1,153** |

*(1) Alliance agreements with Bristol-Myers Squibb (BMS), see note C.1. to the consolidated financial statements for the year ended December 31, 2006.*

*(2) Including available-for-sale financial assets*

*(3) Including:*

| | 6 months to June 30, 2007 | 6 months to June 30, 2006 | 12 months to December 31, 2006 |
|---|---|---|---|
| Income tax paid | (1,585) | (1,156) | (3,223) |
| Interest paid | (125) | (192) | (434) |
| Dividends received | 1 | 2 | 1 |
| Interest received | 51 | 46 | 82 |

*(4) Property, plant and equipment, intangible assets, investments in consolidated undertakings and participating interests.*

The accompanying notes on pages 7 to 28 are an integral part of the consolidated financial statements.

# Consolidated statements of recognized income and expense

| (€ million) | 6 months to June 30, 2007 | 6 months to June 30, 2006 | 12 months to December 31, 2006 |
|---|---|---|---|
| Change in fair value of available-for-sale financial assets | (11) | (25) | (27) |
| Change in fair value of derivatives designated as hedging instruments | 12 | 66 | 57 |
| Actuarial gains/(losses) | 769 | 498 | 346 |
| Tax on items recognized directly in equity | (274) | (196) | (160) |
| Change in cumulative translation difference recognized in equity | (551) | (2,101) | (3,197) |
| **Total income/(expense) recognized in equity** | **(55)** | **(1,758)** | **(2,981)** |
| **Net income for the period** | **2,876** | **2,571** | **4,399** |
| **Total recognized income/(expense) for the period** | **2,821** | **813** | **1,418** |
| *Attributable to equity holders of the Company* | *2,606* | *629* | *1,028* |
| *Attributable to minority interests* | *215* | *184* | *390* |

The accompanying notes on pages 7 to 28 are an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Six months ended June 30, 2007**

**INTRODUCTION**

The sanofi-aventis Group (sanofi-aventis and its subsidiaries) is a leading global pharmaceuticals group engaged in the development, manufacture and marketing of healthcare products in seven major therapeutic fields: thrombosis, cardiovascular, metabolic disorders, oncology, central nervous system, internal medicine and vaccines. Our international R&D effort provides a platform for us to develop leading positions in our markets.

Sanofi-aventis, the parent company, is a *société anonyme* (a form of limited liability company) incorporated under the laws of France. The registered office is at 174, avenue de France, 75013 Paris, France.

Sanofi-aventis is listed in Paris (Euronext: SAN) and New York (NYSE: SNY).

The half-year consolidated financial statements and accompanying notes as of June 30, 2007 were reviewed by the sanofi-aventis Board of Directors at the Board meeting held on July 31, 2007.

## A. Basis of preparation and accounting policies

### A.1. Basis of preparation of the financial statements and accounting policies

The accounting policies applied in preparing the half-year consolidated financial statements as of June 30, 2007 are the same as those applied as of December 31, 2006 and described in the published consolidated financial statements for the year then ended.

The half-year consolidated financial statements have been prepared and presented in condensed format in accordance with IAS 34 (Interim Financial Reporting). The accompanying notes therefore relate to significant items for the period, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2006. The new standards and interpretations adopted by the European Union and mandatorily applicable with effect from January 1, 2007, as described in note B.27. to the consolidated financial statements for the year ended December 31, 2006, do not have a material impact on the half-year consolidated financial statements as of June 30, 2007.

The financial statements for the year to December 31, 2007, and the comparative information for 2006 presented therein, will be prepared in compliance with standards and interpretations applicable at that date. The information contained in these half-year consolidated financial statements relating to the periods ended December 31, 2006 and June 30, 2007 may therefore be subject to change if new or amended standards and interpretations are issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

### A.2. Use of estimates

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

- provisions for sales returns, trade receivables and product claims;
- the length of product life cycles;
- provisions for restructuring, litigation, income tax exposures and environmental liabilities;
- the valuation of goodwill, and valuation and useful lives of acquired intangible assets;
- the fair values of derivative financial instruments.

For the purposes of the half-year financial statements, and as allowed under IAS 34, sanofi-aventis has determined income tax expense mainly on the basis of an estimate of the effective tax rate for the full financial year. This rate is applied to ***Income before tax and associates***. The estimated effective tax rate is based on the tax rates that will be applicable to projected pre-tax profits or losses arising in the various tax jurisdictions in which sanofi-aventis operates.

Actual results could vary from these estimates.

## B. Significant items in the 2007 half-year financial statements

### B.1. Effect of changes in the scope of consolidation

In June 2007, sanofi-aventis repurchased preferred shares representing a financial interest of 36.7% in Carderm Capital LP (see note B.10.2.).

### B.2. Property, plant and equipment

Acquisitions of property, plant and equipment in the first half of 2007 totaled €560 million, primarily buildings (€135 million) and plant and equipment (€197 million).

These acquisitions were split between the Pharmaceuticals segment (€415 million) and the Human Vaccines segment (€145 million).

## B.3. Intangible assets

The table below shows a breakdown of intangible assets and goodwill:

| (€ million) | Trademarks, patents, licenses and other rights | Acquired Aventis R&D | Rights to marketed Aventis products | Software | Total Intangible assets | Goodwill |
|---|---|---|---|---|---|---|
| **Gross value at December 31, 2006** | **1,678** | **3,054** | **30,371** | **587** | **35,690** | **28,499** |
| Changes in scope of consolidation | - | - | - | - | - | 7 |
| Acquisitions and other increases | 48 | - | - | 21 | 69 | - |
| Disposals and other decreases | (6) | - | - | (16) | (22) | (43) |
| Translation differences | (28) | (50) | (361) | (3) | (442) | (264) |
| Transfers | 1 | (73) | 73 | (1) | - | (21) |
| **Gross value at June 30, 2007** | **1,693** | **2,931** | **30,083** | **588** | **35,295** | **28,178** |
| **Accumulated amortization and impairment at December 31, 2006** | **(724)** | **(299)** | **(10,490)** | **(439)** | **(11,952)** | **(27)** |
| Changes in scope of consolidation | - | - | - | - | - | - |
| Amortization expense | (77) | - | (1,756) | (44) | (1,877) | - |
| Impairment losses, net of reversals | 1 | 5 | - | - | 6 | - |
| Disposals | 2 | - | - | 14 | 16 | - |
| Translation differences | 12 | 5 | 111 | 1 | 129 | - |
| Transfers | - | - | - | - | - | - |
| **Accumulated amortization and impairment at June 30, 2007** | **(786)** | **(289)** | **(12,135)** | **(468)** | **(13,678)** | **(27)** |
| **Net book value: December 31, 2006** | **954** | **2,755** | **19,881** | **148** | **23,738** | **28,472** |
| **Net book value: June 30, 2007** | **907** | **2,642** | **17,948** | **120** | **21,617** | **28,151** |

Acquisitions of intangible assets other than software during the first half of 2007 amounted to €48 million (mainly TroVax®, see note B.12.).

Acquisitions of intangible assets other than software during 2006 totaled €261 million, the main items being the buyout of the entire rights to Plavix®, Cordarone® and rimonabant in Japan during the first half of the year (€180 million) and payments made under the agreements with Taiho (S-1) and UCB (Xyzal®) during the second half of the year.

## B.4. Impairment of intangible assets

As of June 30, 2007, the results of impairment tests conducted in accordance with IAS 36 (Impairment of Assets) led to the reversal of impairment losses in respect of a product that obtained marketing approval in April 2007; the pre-tax effect of this reversal was €5 million.

The impairment loss of €379 million recognized in the first half of 2006 related primarily to Ketek®, following adjustments to business projections in light of a revision of the product's prescribing information in the United States of America.

In the year ended December 31, 2006, impairment losses of €1,077 million were recognized and €124 million of previously-recognized impairment losses were reversed. The impairment losses recognized in the year mainly related to the products Altace® and Ketek®.

No impairment of intangible assets was recognized in respect of associates in the six months ended June 30, 2007. In 2006, the line ***Share of profit/loss of associates*** included an after-tax impairment loss of €23 million relating to research projects at the Merial joint venture.

## B.5. Investments in associates

Associates comprise companies over which sanofi-aventis exercises significant influence, and joint ventures. Sanofi-aventis accounts for joint ventures using the equity method (i.e. as associates), in accordance with the allowed alternative treatment specified in IAS 31 (*Financial Reporting of Interests in Joint Ventures*).

Investments in associates were as follows:

| (€ million) | % interest at June 30, 2007 and at December 31, 2006 | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Sanofi Pasteur MSD | 50.0 | 455 | 500 |
| Merial | 50.0 | 1,321 | 1,257 |
| InfraServ Höchst | 30.0 | 93 | 97 |
| Zentiva *(1)* | 24.9 | 444 | 453 |
| Entities and companies managed by Bristol-Myers Squibb *(2)* | 49.9 | 165 | 120 |
| Financière des Laboratoires de Cosmétologie Yves Rocher | 39.1 | 103 | 92 |
| Other investments | | 118 | 118 |
| **Total** | | **2,699** | **2,637** |

*(1) The value of the interest held by sanofi-aventis is €476 million based on the quoted stock market price as of June 30, 2007.*

*(2) Under the terms of the agreements with Bristol-Myers Squibb (BMS) (see note C.1. to the 2006 full-year consolidated financial statements), entities majority-owned by BMS are accounted for as associates, with the sanofi-aventis share of their net assets recorded in **Investments in associates**.*

## Related-party transactions

The financial statements include commercial transactions between the Group and certain of its associates. The principal transactions of this nature are summarized below:

| (€ million) | 6 months to June 30, 2007 | 6 months to June 30, 2006 | 12 months to December 31, 2006 |
|---|---|---|---|
| Sales | 177 | 181 | 389 |
| Royalties *(1)* | 425 | 442 | 733 |
| Purchases | 89 | 69 | 197 |

*(1) This item mainly relates to entities managed by BMS.*

## B.6. Financial assets – non-current

The main items included in ***Financial assets – non-current*** are:

| (€ million) | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Available-for-sale financial assets | 485 | 525 |
| Prepaid pension obligations | 3 | 3 |
| Long-term loans and advances | 230 | 237 |
| Assets recognized under the fair value option | 93 | 75 |
| Derivative instruments *(1)* | 66 | 205 |
| **Total carrying amount** | **877** | **1,045** |

*(1) The reduction in this item is mainly due to the receipt of additional purchase consideration from CSL during the first half of 2007 (see note B.9.3.).*

## B.7. Equity attributable to equity holders of the Company

### B.7.1. Share capital

The share capital of €2,723,602,190 consists of 1,361,801,095 shares with a par value of €2.

Treasury shares are deducted from shareholders' equity. Gains and losses on disposals of treasury shares are taken directly to equity and are not recognized in net income for the period.

Treasury shares held by sanofi-aventis are as follows:

| Date | Number of shares | % |
|---|---|---|
| June 30, 2007 | 8,500,102 | 0.62% |
| December 31, 2006 | 8,940,598 | 0.66% |
| June 30, 2006 | 9,341,436 | 0.69% |
| January 1, 2006 | 58,211,254 | 4.15% |

The Board of Directors' meeting held on February 23, 2006 decided to cancel 48,013,520 treasury shares representing 3.42% of the share capital as of that date, and 257,248.50 warrants (acquired as part of the public tender offer for Aventis) giving entitlement to subscribe for 301,986 sanofi-aventis shares. These cancellations had no impact on consolidated shareholders' equity.

A total of 2,366,412 sanofi-aventis shares were issued under stock subscription option plans during the first half of 2007, compared with 6,022,984 shares in the year to December 31, 2006 and 2,808,213 shares in the six months to June 30, 2006.

## B.7.2. Changes in shareholders' equity

Changes in shareholders' equity between January 1, 2006 and June 30, 2007 were as follows:

| (€ million) | Share capital | Additional paid-in capital & retained earnings | Treasury shares | Stock options | Other Items recognized directly in equity | Cumulative translation differences | **Attributable to equity holders of the Company** | Attributable minority interests | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2006** | **2,803** | **44,413** | **(3,253)** | **1,248** | **(408)** | **1,325** | **46,128** | **189** | **46,317** |
| Income/(expense) recognized directly in equity | - | - | - | - | 343 | (2,095) | (1,752) | (6) | (1,758) |
| Net income for the period | - | 2,381 | - | - | - | - | 2,381 | 190 | 2,571 |
| **Total recognized income/(expense) for the period** | **-** | **2,381** | **-** | **-** | **343** | **(2,095)** | **629** | **184** | **813** |
| Dividend paid out of 2005 earnings (€1.52 per share) | - | (2,044) | - | - | - | - | (2,044) | - | (2,044) |
| Payment of dividends and equivalents to minority shareholders | - | - | - | - | - | - | - | (245) | (245) |
| Share-based payment | | | | | | | | | |
| • Exercise of stock options | 6 | 149 | - | - | - | - | 155 | - | 155 |
| • Proceeds from sale of treasury shares related to stock option plans | - | - | 35 | - | - | - | 35 | - | 35 |
| • Value of services obtained from employees | - | - | - | 83 | - | - | 83 | - | 83 |
| • Tax effect of exercise of stock options | - | - | - | 11 | - | - | 11 | - | 11 |
| Reduction in share capital | (97) | (2,308) | 2,405 | - | - | - | - | - | - |
| Rhone Cooper merger premium | - | 8 | - | - | - | - | 8 | - | 8 |
| Buyout of minority shareholders | - | - | - | - | - | - | - | (8) | (8) |
| Other movements | - | - | - | - | - | - | - | 2 | 2 |
| **Balance at June 30, 2006** | **2,712** | **42,599** | **(813)** | **1,342** | **(65)** | **(770)** | **45,005** | **122** | **45,127** |
| Income/(expense) recognized directly in equity | - | - | - | - | (127) | (1,099) | (1,226) | 3 | (1,223) |
| Net income for the period | - | 1,625 | - | - | - | - | 1,625 | 203 | 1,828 |
| **Total recognized income/(expense) for the period** | **-** | **1,625** | **-** | **-** | **(127)** | **(1,099)** | **399** | **206** | **605** |
| Dividend paid out of 2005 earnings (€1.52 per share) | - | 2 | - | - | - | - | 2 | - | 2 |
| Payment of dividends and equivalents to minority shareholders | - | - | - | - | - | - | - | (100) | (100) |
| Share-based payment | | | | | | | | | |
| • Exercise of stock options | 6 | 146 | - | - | - | - | 152 | - | 152 |
| • Proceeds from sale of treasury shares related to stock option plans | - | - | 15 | - | - | - | 15 | - | 15 |
| • Cancellation of Aventis warrants | - | (6) | 6 | - | - | - | - | - | - |
| • Value of services obtained from employees | - | - | - | 66 | - | - | 66 | - | 66 |
| • Tax effect of exercise of stock options | - | - | - | (39) | - | - | (39) | - | (39) |
| Reduction in share capital | 1 | (301) | 300 | - | - | - | - | - | - |
| Other movements | - | - | - | - | - | - | - | (8) | (8) |
| **Balance at December 31, 2006** | **2,719** | **44,065** | **(492)** | **1,369** | **(192)** | **(1,869)** | **45,600** | **220** | **45,820** |
| Income/(expense) recognized directly in equity | - | - | - | - | 495 | (554) | (59) | 4 | (55) |
| Net income for the period | - | 2,665 | - | - | - | - | 2,665 | 211 | 2,876 |
| **Total recognized income/(expense) for the period** | **-** | **2,665** | **-** | **-** | **495** | **(554)** | **2,606** | **215** | **2,821** |
| Dividend paid out of 2006 earnings (€1.75 per share) | - | (2,364) | - | - | - | - | (2,364) | - | (2,364) |
| Payment of dividends and equivalents to minority shareholders | - | - | - | - | - | - | - | (344) | (344) |
| Share-based payment | | | | | | | | | |
| • Exercise of stock options | 5 | 99 | - | - | - | - | 104 | - | 104 |
| • Proceeds from sale of treasury shares related to stock option plans | - | - | 17 | | - | - | 17 | - | 17 |
| • Value of services obtained from employees | - | - | - | 61 | - | - | 61 | - | 61 |
| • Tax effect of exercise of stock options | - | - | - | (21) | - | - | (21) | - | (21) |
| Buyout of minority shareholders | - | - | - | - | - | - | - | (2) | (2) |
| Other movements | - | 18 | - | - | - | - | 18 | - | 18 |
| **Balance at June 30, 2007** | **2,724** | **44,483** | **(475)** | **1,409** | **303** | **(2,423)** | **46,021** | **89** | **46,110** |

### B.7.3. Repurchase of sanofi-aventis shares

During the six months to June 30, 2007, sanofi-aventis did not repurchase any of its own shares under the programs authorized by the General Meetings of May 31, 2006 and 2007.

### B.7.4. Stock option plans

The table below provides summary information about options outstanding and exercisable at June 30, 2007:

| | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| **Range of exercise prices per share** | **Number of options** | **Average residual life (in years)** | **Weighted average exercise price per share (€)** | **Number of options** | **Weighted average exercise price per share (€)** |
| From €1.00 to €10.00 per share | 47,270 | 7.85 | 7.27 | 47,270 | 7.27 |
| From €10.00 to €20.00 per share | 95,129 | 9.77 | 15.90 | 95,129 | 15.90 |
| From €20.00 to €30.00 per share | 33,820 | 11.15 | 28.38 | 33,820 | 28.38 |
| From €30.00 to €40.00 per share | 1,823,424 | 3.17 | 34.39 | 1,823,424 | 34.39 |
| From €40.00 to €50.00 per share | 10,841,247 | 5.64 | 41.24 | 8,313,526 | 41.47 |
| From €50.00 to €60.00 per share | 12,814,108 | 5.17 | 52.47 | 8,713,858 | 50.93 |
| From €60.00 to €70.00 per share | 29,464,949 | 6.12 | 67.52 | 17,839,939 | 67.92 |
| From €70.00 to €80.00 per share | 24,185,569 | 6.53 | 70.80 | 10,068,009 | 71.39 |
| **Total** | **79,305,516** | | | **46,934,975** | |
| *of which stock purchase options* | *8,380,034* | | | | |
| *of which stock subscription options* | *70,925,482* | | | | |

### B.7.5. Number of shares used to compute diluted earnings per share

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

| **(in million)** | **June 30, 2007** | **June 30, 2006** | **December31, 2006** |
|---|---|---|---|
| Average number of shares outstanding | 1,351.5 | 1,345.2 | 1,346.8 |
| Adjustment for stock options with potentially dilutive effect | 8.3 | 14.0 | 12.0 |
| Average number of shares used to compute diluted earnings per share | 1,359.8 | 1,359.2 | 1,358.8 |

As of June 30, 2007, a total of 51.1 million stock options were not taken into account in the diluted earnings per share calculation because they did not have a potentially dilutive effect, compared with 26.1 million as of December 31, 2006 and 14.7 million as of June 30, 2006.

## B.8. Debt, cash and cash equivalents

The table below shows the Group's net debt as of June 30, 2007 and December 31, 2006:

| (€ million) | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Long-term debt, at amortized cost | 4,183 | 4,499 |
| Short-term debt and current portion of long-term debt | 2,479 | 2,445 |
| **Total debt** | **6,662** | **6,944** |
| Cash and cash equivalents | (1,083) | (1,153) |
| **Debt, net of cash and cash equivalents** | **5,579** | **5,791** |

### B.8.1. Net debt at value on redemption

Reconciliation of carrying amount to value on redemption as of June 30, 2007:

| (€ million) | Carrying amount at June 30, 2007 | Amortized Cost | Adjustment to debt measured at fair value | Value on Redemption at June 30, 2007 | Value on Redemption at December 31, 2006 |
|---|---|---|---|---|---|
| Long-term debt | 4,183 | 29 | (71) | 4,141 | 4,448 |
| Short-term debt and current portion of long-term debt | 2,479 | - | (19) | 2,460 | 2,425 |
| **Total debt** | **6,662** | **29** | **(90)** | **6,601** | **6,873** |
| Cash and cash equivalents | (1,083) | - | - | (1,083) | (1,153) |
| **Debt, net of cash and cash equivalents** | **5,579** | **29** | **(90)** | **5,518** | **5,720** |

Net debt by type, at value on redemption:

| | June 30, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| (€ million) | non-current | current | Total | non-current | current | Total |
| Bond issues | 3,049 | 228 | **3,277** | 2,350 | 1,089 | **3,439** |
| Credit facility drawdowns | 1,000 | - | **1,000** | 1,000 | 2 | **1,002** |
| Other bank borrowings | 51 | 395 | **446** | 1,055 | 356 | **1,411** |
| Commercial paper | - | 1,352 | **1,352** | - | 603 | **603** |
| Finance leases | 27 | 4 | **31** | 29 | 4 | **33** |
| Other borrowings | 14 | 2 | **16** | 14 | 1 | **15** |
| Bank credit balances | - | 479 | **479** | - | 370 | **370** |
| **Total debt** | **4,141** | **2,460** | **6,601** | **4,448** | **2,425** | **6,873** |
| Cash and cash equivalents | - | (1,083) | **(1,083)** | - | (1,153) | **(1,153)** |
| **Debt, net of cash and cash equivalents** | **4,141** | **1,377** | **5,518** | **4,448** | **1,272** | **5,720** |

Undrawn, confirmed credit facilities not used to back drawdowns under French and U.S. commercial paper programs amounted to €11.5 billion as of June 30, 2007 and €12.6 billion as of December 31, 2006.

### Main financing and debt reduction transactions during the period

The following bonds were issued during the six months ended June 30, 2007:

- £200 million bond issue maturing January 2010 bearing interest at an annual rate of 5.50%, converted into floating-rate euro-denominated debt by swap contracts;
- €500 million floating-rate bond issue maturing December 2008.

Sanofi-aventis repaid the following debt:

- four €250 million bank loans maturing March 2008, totaling €1 billion, repaid prior to maturity in February 2007;
- bonds issued in May 2005 with a nominal value of €1 billion, repaid on maturity on May 30, 2007.

The financing in place as of June 30, 2007 contains no financial covenants, and no clauses indexing credit spreads or fees to the credit rating of sanofi-aventis.

### B.8.2. Market value of debt

The market value of debt, net of cash and cash equivalents (excluding derivative instruments) as of June 30, 2007 amounted to €5,506 million (€5,741 million at December 31, 2006), compared with a carrying amount of €5,579 million (€5,791 million at December 31, 2006).

## B.9. Derivative financial instruments

### B.9.1. Currency derivatives used to manage operational risk exposures

The table below shows operational currency hedging instruments in place as of June 30, 2007, with the notional amount translated into euros at the relevant closing exchange rate.

| June 30, 2007 | | | Derivatives designated as cash flow hedges | | | Derivatives not eligible for hedge accounting | |
|---|---|---|---|---|---|---|---|
| **(€ million)** | Notional amount | Fair value | Notional amount | Fair value | Of which recognized in equity | Notional amount | Fair value |
| **Forward currency sales** | **1,740** | **-** | **104** | **(2)** | **(1)** | **1,636** | **2** |
| ▪ *of which U.S. dollar* | *877* | *5* | - | - | - | *877* | *5* |
| ▪ *of which Russian rouble* | *214* | *(2)* | - | - | - | *214* | *(2)* |
| ▪ *of which Singapore dollar* | *90* | - | - | - | - | *90* | - |
| ▪ *of which Pound sterling* | *81* | - | - | - | - | *81* | - |
| ▪ *of which Polish zloty* | *71* | *(1)* | *25* | *(1)* | *(1)* | *45* | *(1)* |
| ▪ *of which Australian dollar* | *62* | *(2)* | *19* | *(1)* | *(1)* | *43* | *(1)* |
| ▪ *of which Turkish lira* | *40* | *(1)* | - | - | - | *40* | *(1)* |
| **Forward currency purchases** | **225** | **2** | **-** | **-** | **-** | **225** | **2** |
| ▪ *of which Hungarian forint* | *93* | *2* | - | - | - | *93* | *2* |
| ▪ *of which Swiss franc* | *67* | - | - | - | - | *67* | - |
| **Put options purchased** | **407** | **2** | **16** | **-** | **-** | **391** | **2** |
| ▪ *of which U.S. dollar* | *370* | *2* | - | - | - | *370* | *2* |
| *of which knock-out options* | *370* | *2* | - | - | - | *370* | *2* |
| **Call options written** | **815** | **1** | **16** | **-** | **(1)** | **799** | **1** |
| ▪ *of which U.S. dollar* | *740* | *1* | - | - | - | *740* | *1* |
| *of which knock-out options* | *740* | *1* | - | - | - | *740* | *1* |
| **Call options purchased** | **5** | **-** | **-** | **-** | **-** | **5** | **-** |
| **Total** | **3,193** | **5** | **136** | **(2)** | **(2)** | **3,057** | **7** |

As of June 30, 2007, none of these instruments had an expiry date after December 31, 2007.

These positions hedge:

- All material foreign-currency cash flows arising after the balance sheet date in relation to transactions carried out during the six months to June 30, 2007 and recognized in the consolidated balance sheet as of that date. Gains and losses on these hedging instruments have been and will continue to be valued and recognized in parallel with the recognition of gains and losses on the hedged items.

- Forecast foreign-currency cash flows relating to commercial transactions to be carried out in the second half of 2007. In particular, knock-out options in the money as of June 30, 2007 covered $500 million (equivalent to approximately 15% of the forecast transactions in this currency for the second half of 2007) at an average rate of $1.31 to the euro, subject to the knock-out level of between $1.37 and $1.40 to the euro not being reached. These knock-out options do not qualify for hedge accounting.

### B.9.2. Currency derivatives used to manage financial risk exposures

Some of the Group's financing activities, such as U.S. commercial paper issues and the cash pooling arrangements for foreign subsidiaries outside the euro zone, expose certain entities (in particular the sanofi-aventis parent company) to financial foreign exchange risk (i.e. the risk of changes in the value of loans and borrowings denominated in a currency other than the functional currency of the lender or borrower). The net foreign exchange exposure for each currency and entity is hedged by firm financial instruments (usually currency swaps). The table below shows instruments of this type held at June 30, 2007:

| June 30, 2007<br>(€ million) | Notional amount | Fair value | Expiry |
|---|---|---|---|
| **Forward currency purchases** | **7,621** | **(69)** | |
| ▪ *of which U.S. dollar* | *6,671* | *(68)* | *2007* |
| ▪ *of which Mexican peso* | *269* | *(2)* | *2007* |
| ▪ *of which Swiss franc* | *232* | *1* | *2007* |
| ▪ *of which Pound sterling* | *173* | *-* | *2007* |
| **Forward currency sales** | **1,699** | **57** | |
| ▪ *of which U.S. dollar* | *1,154* | *59* | *2007* |
| ▪ *of which Hungarian forint* | *215* | *(3)* | *2007* |
| ▪ *of which Japanese yen* | *208* | *3* | *2007* |
| **Total** | **9,320** | **(12)** | |

### B.9.3. Equity derivatives

**Contingent CSL consideration**

Aventis sold Aventis Behring to the Australian company CSL Ltd (CSL) on March 31, 2004. The sale price included additional payments contingent upon the performance of CSL shares. Sanofi-aventis was to have received $125 million if the CSL share price (calculated on the basis of an average price weighted for trading volumes) was greater than AUD 28 during a period from October 1, 2007 through March 31, 2008. Sanofi-aventis was to have received a further $125 million if the CSL share price (calculated on the same basis and over the same period) was greater than AUD 35. CSL had an option to settle these amounts in shares. As of December 31, 2006, based on a CSL share price of AUD 65.37, the fair value of this instrument was $214 million.

Under a new agreement between sanofi-aventis and CSL effective January 31, 2007, CSL paid this additional consideration of $250 million ahead of the original contractual due date (end March 2008). This amount was received by sanofi-aventis on February 5, 2007.

## B.10. Provisions and other non-current liabilities

| (€ million) | Provisions for pensions and other long-term benefits | Restructuring provisions | Other provisions | Other non-current liabilities | Total |
|---|---|---|---|---|---|
| **December 31, 2006** | **3,839** | **218** | **3,554** | **309** | **7,920** |
| Changes in scope of consolidation | - | - | 1 | - | **1** |
| Increase in provisions | 197 | 34 | 247 *(1)* | - | **478** |
| Reversals of utilized provisions | (264) | (16) | (111) | - | **(391)** |
| Reversals of unutilized provisions | (13) | (9) | (315) *(2)* | - | **(337)** |
| Transfers *(3)* | (7) | (2) | (160) | 12 | **(157)** |
| Impact of discounting | - | - | 16 | 3 | **19** |
| Translation differences | (10) | (1) | (5) | (3) | **(19)** |
| Actuarial gains and losses on defined-benefit plans *(4)* | (768) | - | - | - | **(768)** |
| Carderm repurchase *(5)* | - | - | - | (186) | **(186)** |
| **June 30, 2007** | **2,974** | **224** | **3,227** | **135** | **6,560** |

*(1) Primarily relating to tax exposures.*

*(2) Revision of estimates, primarily following the settlement of disputes arising from tax inspections.*

*(3) Includes transfers between current and non-current following revisions to the expected settlement dates of certain obligations.*

*(4) See note B.10.1.*

*(5) See note B.10.2.*

### B.10.1 Provisions for pensions and other long-term benefits

Sanofi-aventis has elected to apply the option offered by the amendment to IAS 19, under which all actuarial gains and losses under defined-benefit plans are recognized in the balance sheet with the matching entry recorded as a component of equity. Under this method, sanofi-aventis reviews the relevant assumptions (in particular discount rates and the fair value of plan assets) at each balance sheet date.

In light of changes in bond yields in the three principal areas in which sanofi-aventis operates defined-benefit plans (the Euro zone, the United Kingdom and the United States of America), the discount rates used in the measurement of these plans have been amended as follows:

| | Pensions and other long-term benefits | | Other post-employment benefits (healthcare) | |
|---|---|---|---|---|
| **Long-term discount rates** | **June 30, 2007** | **December 31, 2006** | **June 30, 2007** | **December 31, 2006** |
| Euro zone | 5.00% or 5.25% (1) | 4.25% or 4.50% | 5.25% | 4.50% |
| United States of America | 6.25% | 5.75% | 6.25% | 5.75% |
| United Kingdom | 5.75% | 5.00% | 5.75% | 5.00% |

*(1) Depending on the term of the plan: 5.00% medium-term and 5.25% long-term, versus 4.25% and 4.50% respectively in 2006.*

The changes to the discount rates applied in these three areas generated actuarial gains in the six months to June 30, 2007, the effect of which was to reduce provisions for pensions and other long-term employee benefits by €728 million and provisions for other post-employment benefits (healthcare) by €19 million. The fair value of plan assets of the main plans as of June 30, 2007 generated a positive difference of €21 million relative to their expected return.

### B.10.2 Other non-current liabilities

As of December 31, 2006, this item included a liability relating to Carderm, resulting from the payment in 2001 of $250 million by a financial investor to acquire preferred shares issued by Carderm Capital LP (“Carderm”), which owns certain assets of Aventis Pharma US. These preferred shares, representing a financial interest of 36.7% in Carderm, were entitled to preferred remuneration. Under the terms of the agreement between the parties, sanofi-aventis repurchased these shares in June 2007.

## B.11. Net deferred tax position

The net deferred tax position at June 30, 2007 and December 31, 2006 was as follows:

| (€ million) | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Deferred tax on: | | |
| ▪ Elimination of intragroup margin on inventory | 873 | 961 |
| ▪ Provision for pensions and other employee benefits | 854 | 1,134 |
| ▪ Remeasurement of Aventis intangible assets | (7,621) | (8,378) |
| ▪ Recognition of Aventis property, plant and equipment at fair value | (84) | (89) |
| ▪ Adjustment to fair value of debt on acquisition of Aventis | 21 | 25 |
| ▪ Tax cost of distributions made from reserves | (704) | (720) |
| ▪ Stock options | 49 | 96 |
| ▪ Other non-deductible provisions and other items | 1,109 | 1,217 |
| **Net deferred tax liability** | **(5,503)** | **(5,754)** |

## B.12. Principal commercial commitments under collaboration agreements

The main collaboration agreements in the Pharmaceuticals segment signed during the first half of 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. This therapeutic vaccine has been evaluated in clinical trials involving more than 180 patients with various forms of cancer. A Phase III trial - called TRIST - in renal cancer is ongoing.

Under the terms of this agreement:

- Sanofi-aventis made an initial payment to Oxford BioMedica of €29 million and will make other milestone payments based on the development and registration of the product. Assuming full development and registration success in all targeted indications, the future clinical and regulatory milestones could reach €480 million.
- Oxford BioMedica and sanofi-aventis will co-fund the ongoing Phase III TRIST study of TroVax® in renal cancer.
- Sanofi-aventis will fund all future research, development, regulatory and commercialization activities, including the immediate implementation of a development plan for TroVax® in metastatic colorectal cancer.
- 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 milestones if and when the worldwide net sales of TroVax® reach certain levels.

TroVax® may be developed by sanofi-aventis as a treatment for any cancer type. Based on the broad distribution of the 5T4 tumor antigen, TroVax® has potential application in a wide range of other solid tumors, including lung, breast and prostate cancer.

The main new commercial commitment related to the acquisition of commercial rights in the Pharmaceuticals segment during the first half of 2007 is described below:

- On April 2, 2007, sanofi-aventis and Daiichi Sankyo Company Ltd. announced the transfer of all commercial rights for Panaldine® (ticlopidine hydrochloride) in Japan from Daiichi to sanofi-aventis. The transfer will be implemented in conformity with local regulatory requirements and is expected to be completed by October 1, 2007.

The main collaborative agreement signed in the Human Vaccines segment during the first half of 2007 is described below:

- In February 2007, a license agreement was signed between sanofi pasteur and Acambis plc for ChimeriVax™-JE, Acambis' single-dose vaccine against Japanese encephalitis, with a view to contributing to the improvement of public health in endemic countries of the Asia-Pacific region. Under the agreement, Acambis will receive royalties on sales, and payment for the supply of bulk manufactured ChimeriVax-JE product. In addition, it will receive milestone payments of up to €22.5 million following marketing approval of ChimeriVax-JE in key endemic countries and in the European Union.

Sanofi pasteur also signed a new agreement with the U.S. government to help the campaign for preparedness against pandemic influenza:

- In June 2007, sanofi pasteur signed a $77.4 million contract with the United States Department of Health and Human Services (HHS) to retrofit the existing influenza vaccine manufacturing facility on the Company's U.S. site. Sanofi pasteur will contribute approximately $25 million to the overall project.

## B.13. Legal and arbitral proceedings

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, proceedings relating to intellectual property rights (particularly claims by generic product manufacturers seeking to limit the patent protection of sanofi-aventis products), compliance and trade practices, and claims under warranties or indemnification arrangements relating to business divestitures.

The matters discussed below constitute the most significant developments since publication of the disclosures concerning legal proceedings in the Company's financial statements for the year ended December 31, 2006.

### a) Products

- *Sabril® Litigation (anti-epilepsy)*

Trial has been rescheduled for October 2008 in the United Kingdom.

- *Sanofi pasteur thimerosal litigation*

In June 2007, the US Court of Federal Claims held causation hearings related to cases claiming vaccines containing thimerosal caused autism or other disorders. A ruling is awaited in the forthcoming months.

- *Other blood products litigation*

In May 2007, the Seventh Circuit Court of Appeals affirmed the January 5, 2006, ruling by the United States District Court, Northern District Of Illinois dismissing certain UK plaintiffs.

- *Stilnox® (zolpidem) Product Litigation*

In May 2007, the U.S. District Court for the Southern District of New York entered an order dismissing the class action complaint in its entirety without prejudice.

- *Agreal® - Product Litigation*

In the first half of 2007, decisions in suits involving several hundred claimants were handed down by civil and in some cases penal tribunals in Spain. In most of the cases, the decisions have been favorable to sanofi-aventis, generally on the basis of a finding that causation was not proven by the claimants and/or that the leaflet gave adequate notice of potential side effects. A small number of the civil cases have been decided adversely to sanofi-aventis and sanofi-aventis is appealing these. Any amounts awarded to date have not been material to the Group on a consolidated basis. A substantial number of claims remain to be adjudicated and there can be no assurance that cases decided to date will be representative of future decisions and that additional claims will not be filed in Spain or other countries.

### b) Patents

- *Plavix® Patent Litigation*

*United States*

On June 19, 2007, the U.S. District Court upheld the validity and enforceability of the principal Plavix patent, and enjoined Apotex from further sale of generic clopidogrel bisulfate. Apotex has appealed this decision to the Court of Appeals for the Federal Circuit. The bond that plaintiffs were required to post for the preliminary injunction has been released.

Trial on damage claims against Apotex will be held on a schedule to be determined by the District Court.

Teva and Cobalt, are bound by the District Court's decision against Apotex and on July 12, 2007, the District Court permanently enjoined these companies as well. The litigation against Dr. Reddy remains pending before the same judge that ruled against Apotex.

*Canada*

In July 2007, the Supreme Court of Canada granted Apotex's request for leave to further appeal the 2006 decision in favor of sanofi-aventis.

On April 18, 2007, Apotex Inc. and Apotex Corporation have filed a claim before Ontario Court of Justice against sanofi-aventis, sanofi-aventis Inc, Bristol-Myers Squibb Company and BMS/ Sanofi Pharma Holding Partnership, claiming the payment of $60 million, allegedly pursuant to the terms of the initial settlement of March 2006 as disclosed at Note D.22. of the sanofi-aventis financial statements for the year ended December 31, 2006 under the caption "Patents - Plavix® Patent Litigation- United States". Sanofi-aventis and BMS contest both the substance and the admissibility of this claim.

- *Lovenox® Patent Litigation*

In April 2007 sanofi-aventis appealed the February 8, 2007 decision of the District Court favorable to Amphastar and Teva holding the patent unenforceable on the ground of inequitable conduct.

Further to the decision of February 8, 2007, Sandoz has filed a motion for summary judgment inter alia on the grounds of collateral estoppel.

- *Ramipril Canada Patent Litigation*

Two manufacturers, Apotex and Novopharm, have obtained marketing authorizations from the Canadian Minister of Health to market generic versions of ramipril in Canada without first addressing infringement of sanofi-aventis' HOPE patents. In March 2007, the Federal Court of Canada upheld the Minister of Health's decision that the HOPE patents need not be addressed by these manufacturers. Sanofi-aventis is appealing this decision as well as certain earlier patent decisions involving these two companies. In July 2007 sanofi-aventis discontinued its pending notice of compliance (NOC) proceedings filed in response to Sandoz's allegations. Sandoz received its NOC on July 5, 2007. Sanofi-aventis has also commenced patent infringement actions against Apotex and Novopharm. In addition, sanofi-aventis is involved in a number of legal proceedings involving other companies seeking to market generic ramipril in Canada.

- *Eloxatine® Patent Litigation*

Sanofi-aventis received notification of several ANDAs filed by generic manufacturers with the FDA in 2007 for generic versions of sanofi-aventis Eloxatine® (oxaliplatin) solution and/or lyophilized products in the United States.
In June and July of 2007, sanofi-aventis brought suits against Sandoz, Inc., Teva Parenteral Medicines, Inc., Teva Pharmaceuticals USA, Inc., Teva Industries, Ltd., Dabur Oncology Plc., Dabur Pharma Limited, MN Pharmaceuticals, Par Pharmaceutical, and EBEWE Pharma for infringement of patents Nos. 5,338,874 and 5,716,988. and against Actavis Totowa LLC, Pharmachemie B.V., Abraxis Bioscience, Mayne Pharma Limited and Sun Pharmaceutical Industries Limited for infringement of patent No. 5,338,874.

- *Ambien CR™ Patent Litigation*

On January 26, 2007 sanofi-aventis filed a suit for infringement of U.S. patent 6,514,531 against Watson in the U.S. District Court for the District of New Jersey. A similar patent infringement suit was filed against Synthon on February 5, 2007, in the U.S. District Court for the District of North Carolina. In February and March 2007, sanofi-aventis was notified that each of Barr and Mutual had submitted ANDAs to the FDA containing a paragraph IV patent certification relating to Ambien CR. On April 5, 2007, sanofi-aventis filed a suit for infringement of U.S. patent 6,514,531 against Barr in the U.S. District Court for the District of New Jersey. A similar patent infringement suit was filed on May 11, 2007, against Mutual in the U.S. District Court for the District of New Jersey.

- *Eligard® Patent Litigation*

On February 16, 2007, following dismissal of the case by the competent courts, the settlement agreement entered into by the parties to this litigation became final.

- *Patent Litigation against Novo Nordisk*

OptiClick®:

On July 5, 2007, Novo Nordisk filed a motion in the OptiClick® patent suit proceedings seeking voluntary dismissal of its case, without prejudice. Sanofi-aventis opposes the terms on which Novo Nordisk seeks to dismiss the case and, and should it be successful, will have the right to ask the Court for its attorney fees and costs for having to defend this litigation.

SoloSTAR®:

Sanofi-aventis is aware of lawsuits filed by Novo Nordisk in Germany before the courts of Dusseldorf and Mannheim and in the United States before the District Court of New Jersey alleging patent infringement by sanofi-aventis's new Lantus® SoloSTAR® disposable insulin pen. Sanofi-aventis has not yet been served with these complaints.

### c) Government investigations, Competition law and Regulatory Claims

- *Government Investigations – Plavix® Settlement*

On March 21, 2007, the U.S. Federal Trade Commission served a Civil Investigative Demand on sanofi-aventis' U.S. subsidiary, requesting production of certain documents and information relating to the proposed settlement of our U.S. Plavix® patent litigation against Apotex as disclosed at Note D.22. of sanofi-aventis's financial statements for the year ended December 31, 2006 under the caption "Patents - Plavix® Patent Litigation- United States".
On April 18, 2007, the State of New York's Attorney general served a subpoena on sanofi-aventis' U.S. subsidiary requesting production of certain documents and information relating to the proposed settlement of our U.S. Plavix® patent litigation against Apotex.

- *Civil Suits – Pricing and Marketing Practices*

*AWP Public Entity Suits* -- Related suits have been filed by the State of Idaho and one additional county of New York State (Orange County).

- *Lovenox® Antitrust Litigation*

On May 10, 2007, plaintiffs filed a notice of voluntary dismissal with the Court, dismissing their case without prejudice.

### d) Contingencies Arising from Certain Business Divestitures

- *Rhodia*

On July 10, 2007 sanofi-aventis was served with a civil suit brought by Rhodia before the Paris Commercial Courts seeking indemnification for the past and future financial consequences of the environmental liabilities and pension obligations that were allocated to Rhodia through the various operations leading to the formation of Rhodia and its separation from Rhône-Poulenc in the period 1997 to 1999. The reliefs sought in the Paris Commercial Court are identical to the ones claimed in Rhodia's ICC (International Chamber of Commerce) arbitration demand disclosed at Note D.22. of sanofi-aventis's financial statements for the year ended December 31, 2006 under the caption "Rhodia". Rhodia civil suit also petitions the Commercial Court of Paris to stay the procedure until the decision of the Court of Appeals of Paris on its request for cancellation of the award rendered by an ICC Tribunal on September 12, 2006.

Citing a recent US Supreme Court Decision, on July 13, 2007 Rhodia Inc. petitioned the U.S District Court for the District of New Jersey to reopen its previously withdrawn environmental liability claims against sanofi-aventis and Bayer CropScience Inc. relating to the Rhodia Inc site in Silver Bow, Montana. Sanofi-aventis has moved to dismiss.

## B.14. Financial income and expenses

The tables below show the main components of financial income and expenses.

### B.14.1. Financial expenses

| (€ million) | 6 months to June 30, 2007 | 6 months to June 30, 2006 | 12 months to December 31, 2006 |
|---|---|---|---|
| Interest expense on debt | (152) | (190) | (370) |
| Unwinding of discount on provisions | (20) | (15) | (35) |
| Fair value losses on financial assets | - | (50) | (12) |
| Impairment of financial assets | 2 | (25) | (38) |
| **Total financial expenses** | **(170)** | **(280)** | **(455)** |

### B.14.2. Financial income

| (€ million) | 6 months to June 30, 2007 | 6 months to June 30, 2006 | 12 months to December 31, 2006 |
|---|---|---|---|
| Interest income | 58 | 45 | 81 |
| Foreign exchange gains (non-operating) | 30 | 52 | 59 |
| Fair value gains on financial instruments | 6 | 89 | 115 |
| Net gain on disposals of financial assets | 4 | - | 108 |
| Other items | 1 | 1 | 12 |
| **Total financial income** | **99** | **187** | **375** |

## B.15. Income tax expense

The difference between the effective tax rate and the standard corporate income tax rate applicable in France is explained as follows:

| (as %) | 6 months to June 30, 2007 (1) | 6 months to June 30, 2006 (1) | 12 months to December 31, 2006 |
|---|---|---|---|
| Tax rate applicable in France | 34 | 34 | 34 |
| Impact of income tax at reduced rate on royalties in France | (6) | (7) | (10) |
| Impact of changes in tax rates in France (including reduced rate on capital gains) | - | - | (2) |
| Other | (8) | (5) | (5) |
| **Effective tax rate** | **20** | **22** | **17** |

*(1) Rate calculated on the basis of the effective tax rate for the full financial year (see note A.2.).*

For the six months to June 30, 2007, the "Other" line mainly comprises the impact of a reassessment of certain of the Group's tax exposures.

## B.16. Segment information

Sanofi-aventis has two business segments: Pharmaceuticals and Human Vaccines. Net income from and investments in all associates and joint ventures are included in the Pharmaceuticals segment with one principal exception, the Sanofi Pasteur MSD joint venture, the share of net income from which is included in the Human Vaccines segment.

### Results by business segment

The table below shows key income statement indicators by business segment:

| (€ million) | 6 months to June 30, 2007 | | | 6 months to June 30, 2006 | | | 12 months to December 31, 2006 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Pharma-ceuticals | Human Vaccines | Sanofi-aventis consolidated | Pharma-ceuticals | Human Vaccines | Sanofi- aventis consolidated | Pharma-ceuticals | Human Vaccines | Sanofi- aventis consolidated |
| Net sales | 12,930 | 1,186 | **14,116** | 13,036 | 1,080 | **14,116** | 25,840 | 2,533 | **28,373** |
| Other revenues | 519 | 28 | **547** | 621 | 26 | **647** | 1,045 | 71 | **1,116** |
| Research and development expenses | (1,979) | (203) | **(2,182)** | (1,959) | (185) | **(2,144)** | (4,035) | (395) | **(4,430)** |
| Selling and general expenses | (3,549) | (255) | **(3,804)** | (3,830) | (231) | **(4,061)** | (7,515) | (505) | **(8,020)** |
| Amortization of intangibles | (1,695) | (138) | **(1,833)** | (1,850) | (148) | **(1,998)** | (3,707) | (291) | **(3,998)** |
| Operating income before restructuring, impairment of property, plant and equipment and intangibles, gains/losses on disposal, and litigation | 3,116 | 166 | **3,282** | 2,765 | 167 | **2,932** | 5,217 | 512 | **5,729** |
| Impairment of property, plant & equipment and intangibles | 5 | - | **5** | (380) | - | **(380)** | (1,162) | (1) | **(1,163)** |
| Operating income | 3,071 | 166 | **3,237** | 2,825 | 166 | **2,991** | 4,318 | 510 | **4,828** |
| Financial expenses | (163) | (7) | **(170)** | (274) | (6) | **(280)** | (450) | (5) | **(455)** |
| Financial income | 87 | 12 | **99** | 186 | 1 | **187** | 374 | 1 | **375** |
| Income tax expense | (600) | (41) | **(641)** | (591) | (61) | **(652)** | (660) | (140) | **(800)** |
| Share of profit/loss of associates | 383 | (32) | **351** | 326 | (1) | **325** | 459 | (8) | **451** |
| Net income | 2,778 | 98 | **2,876** | 2,472 | 99 | **2,571** | 4,041 | 358 | **4,399** |
| *Attributable to minority interests* | *211* | - | ***211*** | *190* | - | ***190*** | *392* | *1* | ***393*** |
| *Attributable to equity holders of the Company* | *2,567* | *98* | ***2,665*** | *2,282* | *99* | ***2,381*** | *3,649* | *357* | ***4,006*** |

Inter-segment transactions are not material. Transfer prices between segments are determined on an arm's length basis.

### *Adjusted net income*

Adjusted net income as disclosed for segment reporting purposes is a non-GAAP financial measure, which we define as net income attributable to equity holders of the Company adjusted to exclude (i) the material impacts of purchase accounting for acquisitions, principally the Aventis acquisition, and (ii) certain acquisition-related restructuring costs.

Management uses adjusted net income as an internal performance indicator, as a significant factor in establishing the variable portion of employee remuneration, and as the basis for determining dividend policy.

The main adjustments between consolidated net income attributable to equity holders of the Company and adjusted net income are:

- Elimination of the charge arising from the workdown of inventories remeasured at fair value, net of tax;
- Elimination of amortization and impairment expense charged against intangible assets acquired through business combinations (acquired in-process research & development and acquired product rights), net of tax and minority interests;
- Elimination of expenses due to the effect of acquisitions on associates (workdown of acquired inventories, amortization and impairment of intangible assets, and impairment of goodwill);
- Elimination of any impairment of goodwill.

Sanofi-aventis also eliminates from adjusted net income integration and restructuring costs (net of tax) incurred specifically in connection with acquisitions.

Adjusted net income breaks down as follows:

| (€ million) | 6 months to June 30, 2007 | 6 months to June 30, 2006 | 12 months to December 31, 2006 |
|---|---|---|---|
| **Net income attributable to equity holdersof the Company** | **2,665** | **2,381** | **4,006** |
| **Material accounting adjustements related to business combinations:** | **1,130** | **1,530** | **2,969** |
| ▪ elimination of expense arising from workdown of acquired inventories remeasured at fair value, net of tax | - | 6 | 21 |
| ▪ elimination of amortization and impairment of intangible assets, net of tax (portion attributable to equity holders of the Company) | 1,112 | 1,460 | 2,935 |
| ▪ elimination of charges arising from the impact of acquisitions on associates (workdown of acquired inventories, amortization and impairment of intangible assets, and impairment of goodwill) *(1)* | 18 | 64 | 13 |
| ▪ elimination of impairment of goodwill | - | - | - |
| **Elimination of acquisition-related integration and restructuring costs, net of tax** | **-** | **53** | **65** |
| **Adjusted net income** | **3,795** | **3,964** | **7,040** |
| ▪ Of which Pharmaceuticals | 3,597 | 3,757 | 6,479 |
| ▪ Of which Human Vaccines | 198 | 207 | 561 |

*(1) Includes the following amounts relating to the Zentiva acquisition: €3 million for the 6 months to June 30, 2007; €7 million for the 6 months to June 30, 2006; €11 million for the 12 months to December 31, 2006.*

## C. Event subsequent to the balance sheet date (June 30, 2007)

On July 6, 2007, the Bundesrat (chamber of representatives of the German *Länder*) adopted the text of a fiscal reform package, as a result of which the effective tax rate of the German operations of sanofi-aventis will be reduced from approximately 40% to approximately 31% with effect from January 1, 2008. This reduction is expected to result in the recognition of a deferred tax gain of approximately €500 million during the second half of 2007, impacting net income attributable to equity holders of the Company. This gain is mainly due to a reduction in deferred tax liabilities recognized in 2004 on the remeasurement of certain acquired intangible assets of Aventis. The expected impact on adjusted net income (see note B.16 – Segment information) is a deferred tax expense of approximately €50 million, due to the re-estimation of the net deferred tax asset. These impacts were estimated on the basis of known contingent tax positions as of June 30, 2007.

# Half-year management report

## 1 KEY FIGURES FOR THE FIRST HALF OF 2007

We believe that the concept of "adjusted net income"[1] gives investors a better understanding of our operational performance. Adjusted net income is a non-GAAP financial measure, which we define as net income attributable to equity holders of the Company adjusted to exclude (i) the material impacts of the application of purchase accounting to acquisitions, primarily the acquisition of Aventis, and (ii) certain acquisition-related restructuring costs.

| (€ million) | 6 months to June 30, 2007 | 6 months to June 30, 2006 |
|---|---|---|
| **Net income attributable to equity holders of the Company** | **2,665** | **2,381** |
| **Material accounting adjustements related to business combinations:** | **1,130** | **1,530** |
| ▪ elimination of expense arising from workdown of acquired inventories remeasured at fair value, net of tax | - | 6 |
| ▪ elimination of amortization and impairment of intangible assets, net of tax (portion attributable to equity holders of the Company) | 1,112 | 1,460 |
| ▪ elimination of charges arising from the impact of acquisitions on associates (workdown of acquired inventories, amortization and impairment of intangible assets, and impairment of goodwill) | 18* | 64* |
| ▪ elimination of impairment of goodwill | - | - |
| **Elimination of acquisition-related integration and restructuring costs, net of tax** | **-** | **53** |
| **Adjusted net income [1]** | **3,795** | **3,964** |
| **Adjusted earnings per share [1] (in euros)** | **2.81** | **2.95** |

* Impact of the Zentiva acquisition: €3 million in the first half of 2007, €7 million in the first half of 2006.

### Consolidated financial statements

Sanofi-aventis generated in the first-half of 2007 net sales of €14,116 million, unchanged relative to the first half of 2006 on a reported basis and up 4.6% on a comparable basis [2].

Net sales for the pharmaceuticals business were €12,930 million, up 3.7% on a comparable basis but down 0.8% on a reported basis. Our performance was affected by competition from generics of some of our products, especially in the United States (Ambien® IR) and in Europe (Eloxatine®), and by the impact of healthcare cost reforms in Europe, primarily in France and Germany.
The human vaccines business recorded strong growth during the period, of 9.8% on a reported basis and 15.4% on a comparable basis. This performance was due partly to the commercial success of Adacel™ (launched in July 2005), a new and highly innovative product, and Menactra®.
In addition, sales of $113 million were booked in the first half of 2007 under the agreements signed with the French and U.S. governments in 2005 relating to H5N1 pandemic influenza vaccine. We shipped 20 million doses of Fluzone® in the United States during the first half of 2007.

[1] See definition in the Appendix, Section 5.
[2] Excluding the impact of changes in Group structure and exchange rate movements; see definition in the Appendix, Section 5.

Operating income before restructuring, impairment of property, plant and equipment and intangibles, gains and losses on disposals, and litigation totaled €3,282 million in the first half of 2007, against €2,932 million in the first half of 2006. This increase was due mainly to:
- a reduction of €257 million in selling and general expenses, due partly to the impact of the weakness of the U.S. dollar against the euro during the period, and partly to the measures initiated by sanofi-aventis in 2006 to adapt to the changing market environment;
- a reduction of €165 million in amortization of intangible assets, principally as a result of translation differences.

Operating income for the first half of 2007 was €3,237 million, compared with €2,991 million for the first half of 2006.
The rise in operating income was primarily due to the following factors:
- a lower level of restructuring costs, at €50 million (related to the restructuring plan begun in France during 2006), compared with €81 million in the first half of 2006 (mainly related to the acquisition of Aventis);
- reversal of impairment losses totaling €5 million. In the first half of 2006, this line included impairment losses of €380 million. The vast majority of these losses (€379 million) related to intangible assets (primarily the antibiotic Ketek®, following a revision of the prescribing information for this product in the United States during 2006).

Net income attributable to equity holders of the Company for the first half of 2007 amounted to €2,665 million, compared with €2,381 million for the first half of 2006. Earnings per share (EPS) for the first half of 2007 was €1.97, against €1.77 for the first half of 2006, based on an average number of shares outstanding of 1,351.5 million in the first half of 2007 and 1,345.2 million in the first half of 2006.

## Adjusted net income [(1)]

Adjusted net income for the first half of 2007 was €3,795 million, 4.3% lower than the 2006 first-half figure of €3,964 million. Adjusted earnings per share (adjusted EPS[(1)]) was €2.81, 4.7% lower than the 2006 first-half figure of €2.95. Definitions of our financial indicators are provided in the Appendix (Section 5). Unless otherwise stated, all financial information in this Management Report is presented in accordance with International Financial Reporting Standards (IFRS).

[(1)] See definition in the Appendix, Section 5.

# 2 SIGNIFICANT EVENTS OF THE FIRST HALF OF 2007

## 2.1 Pharmaceuticals

### Publication of clinical trial results

During the period, results were published of a large number of clinical studies involving our molecules and products: S-1 (ACTS-GC in gastric cancer, January), Taxotere® (TAX 327 in prostate cancer, February, BCIRG 007 in breast cancer, June), Lovenox® (PREVAIL study, April), Eloxatine® (6-year survival analysis of the MOSAIC study, June), TroVax® (Phase II study in renal cancer, June), Lantus® (2 comparative studies in June), VEGF Trap (2 Phase II studies in lung and ovarian cancer, June) and combination treatments of S-1 plus cisplatin (SPIRITS study in gastric cancer, June), Eloxatine® plus 5FU/LV (EPOC and N9741 in metastatic colorectal cancer, June), and Apidra® plus basal insulin and oral antidiabetic drug therapy (OPAL study, June).

### Filings for marketing approval with the European and U.S. authorities and new product launches

**Rimonabant**

▪ Following a negative recommendation from the Advisory Committee of the U.S. Food and Drug Administration (FDA), we withdrew our new drug application for rimonabant in the United States on June 29, 2007. We will work towards resubmitting the application at a future date. We are confident in the positive risk-benefit ratio of rimonabant 20mg when used in the appropriate population, and are committed to making every effort to make this product available to patients in the U.S. market.

▪ In its June 2007 monthly report, the European Medicines Agency (EMEA) announced that as part of the continuous monitoring of the safety of rimonabant (Acomplia®), the Committee for Medicinal Products for Human Use (CHMP) was reviewing the available data on psychiatric events. In this context, sanofi-aventis submitted an update of the safety data to the CHMP. In July 2007, the CHMP approved the labeling update for Acomplia® in Europe, and confirmed the product's positive risk-benefit ratio other than for patients with ongoing severe depressive illness.

▪ Acomplia® was granted reimbursable status by the Swiss authorities in April 2007, following a similar decision by the French authorities in March 2007. However, the product has been non-reimbursable in Germany since January 2007.

The product is now approved in 42 countries and marketed in 20 countries, for the treatment of obese and overweight patients with associated risk factors.

**Ketek®**

▪ In February 2007, sanofi-aventis announced that the U.S. prescribing information for Ketek® (telithromycin) had been updated, in close collaboration with the FDA. In March 2007, sanofi-aventis announced a revision of the European Summary of Product Characteristics (SmPC) for Ketek® following exchanges with the CHMP, including a review of the effectiveness and safety of the product.

### Other products

▪ March 2007: Announcement of the imminent rollout across sub-Saharan Africa of ASAQ, a new once-daily fixed-dose combination to treat malaria.

▪ March 2007: Announcement of the gradual rollout across Europe from April 2007 of a new disposable pre-filled insulin pen, SoloSTAR®, for use with the basal insulin Lantus® and/or the rapid-acting insulin Apidra® for patients with type 1 or 2 diabetes. Lantus® SoloSTAR® and Apidra® SoloSTAR® had previously received approval from the European Commission. Approval by the FDA in April 2007 of SoloSTAR® for patients with type 1 or 2 diabetes treated with Lantus®.

▪ May 2007: Approval by the FDA of a supplemental new drug application for the anti-coagulant Lovenox® (enoxaparin sodium injection) in the treatment of patients with acute ST-segment elevation myocardial infarction, a severe form of heart attack. Sanofi-aventis has also filed an application for approval for the same indication in Europe.

▪ May 2007: Approval by the FDA of Xyzal® (levocetirizine dihydrochloride), a new anti-histamine for the treatment of seasonal and perennial allergies and chronic urticaria.

▪ June 2007: Acceptance for filing and granting of priority review status by the FDA for a supplemental new drug application for Taxotere® (docetaxel) in locally advanced squamous cell carcinoma of the head and neck prior to chemoradiotherapy and surgery.

▪ June 2007: Granting of priority review status by the Japanese Ministry of Health, Labour and Welfare for a supplemental new drug application for Taxotere® (docetaxel) in prostate cancer.

## Defense of our products

We continue to defend our patent rights vigorously whenever our products are under threat.

### Defense of the Plavix® patent in the United States

▪ On June 19, 2007 the U.S. District Court for the Southern District of New York upheld the validity and enforceability of U.S. patent 4.847.265 covering clopidogrel bisulfate, the active ingredient in Plavix®, maintaining the main patent protection for this product in the United States until November 2011. The Court also ruled that Apotex's generic clopidogrel bisulfate infringed the sanofi-aventis patent, and enjoined Apotex from marketing this product in the United States until the patent expires.

### Defense of the Lovenox® patent in the United States

▪ In April 2007 sanofi-aventis appealed the February 8, 2007 decision of the District Court favorable to Amphastar and Teva holding the patent unenforceable on the ground of inequitable conduct.
Further to the decision of February 8, 2007, Sandoz has filed a motion for summary judgment on the grounds of collateral estoppel.

### Divestments, acquisitions and alliances

▪ On March 28, 2007, sanofi-aventis and OxfordBio Medica 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. This therapeutic vaccine has been evaluated in clinical trials involving more than 180 patients with various forms of cancer. A Phase III trial (TRIST) in renal cancer is ongoing.

TroVax® may be developed by sanofi-aventis as a treatment for a large range of cancer types. Based on the broad distribution of the 5T4 tumor antigen, TroVax® has potential application in a wide range of other solid tumors, including lung, breast and prostate cancers.

▪ On April 2, 2007, sanofi-aventis and Daiichi Sankyo Company Ltd. announced the transfer of all commercial rights for Panaldine® (ticlopidine hydrochloride) in Japan from Daiichi to sanofi-aventis. The transfer will be implemented in conformity with local regulatory requirements and is expected to be completed by October 1, 2007. Given their longstanding relationship, both parties agreed to collaborate in the future in the areas of manufacturing and distribution in Japan.

## 2.2 Human Vaccines

### Pandemic Influenza Vaccine

▪ April 2007: License granted by the FDA for the sanofi pasteur H5N1 virus vaccine, the first human vaccine against avian influenza to be licensed in the United States.

▪ June 2007: Award to sanofi pasteur by the United States Department of Health and Human Services (HHS) of a $77.4 million contract to retrofit the existing influenza vaccine manufacturing facility on the Company's U.S. site. Sanofi pasteur will contribute around $25 million to the overall project.

### Other

▪ January 2007: Recommendation from the FDA Advisory Committee that Pentacel®, a new pediatric combination vaccine, should be licensed.

▪ February 2007: Signature of a license agreement between sanofi pasteur and Acambis plc for ChimeriVax™-JE, a single-dose vaccine against Japanese encephalitis, with a view to contributing to the improvement of public health in endemic countries of the Asia-Pacific region.

## 2.3 Other significant events

▪ On May 31, 2007, the Combined General Meeting of sanofi-aventis shareholders approved the distribution of a net dividend of €1.75 per share, 15.1% higher than the previous year's figure. The dividend was paid on June 7, 2007.

The Combined General Meeting of May 31, 2007, and the subsequent meeting of the Board of Directors, approved a series of authorizations allowing sanofi-aventis (up to set limits and subject to certain conditions) to purchase the Company's shares in the market. Further to these decisions, sanofi-aventis acquired 890,000 of its own shares from July 2 through July 11, 2007 for a total amount of €54 million, at a weighted average share price of €61.04.

# 3 CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2007

## 3.1 Consolidated income statements for the first half of 2007

The table below shows the main components of net income attributable to equity holders of the Company for the six months ended June 30, 2007 and June 30, 2006.

| (IFRS) | 6 months to June 30,2007 consolidated | | 6 months to June 30, 2006 consolidated | |
|---|---|---|---|---|
| (€ million) | | as % of net sales | | as % of net sales |
| **Net sales** | **14,116** | **100.0%** | **14,116** | **100.0%** |
| Other revenues | 547 | 3.9% | 647 | 4.6% |
| Cost of sales | (3,704) | (26.3%) | (3,768) | (26.7%) |
| **Gross profit** | **10,959** | **77.6%** | **10,995** | **77.9%** |
| Research and development expenses | (2,182) | (15.5%) | (2,144) | (15.2%) |
| Selling and general expenses | (3,804) | (26.9%) | (4,061) | (28.8%) |
| Other operating income | 278 | 2.0% | 200 | 1.4% |
| Other operating expenses | (136) | (1.0%) | (60) | (0.4%) |
| Amortization of intangibles | (1,833) | (12.9%) | (1,998) | (14.1%) |
| **Operating income before restructuring, impairment of property, plant & equipment and intangibles, gains and losses on disposals, and litigation** | **3,282** | **23.3%** | **2,932** | **20.8%** |
| Restructuring costs | (50) | (0.4%) | (81) | (0.6%) |
| Impairment of property, plant & equipment and intangibles | 5 | 0.0% | (380) | (2.7%) |
| Gains and losses on disposals, and litigation | - | - | 520 | 3.7% |
| **Operating income** | **3,237** | **22.9%** | **2,991** | **21.2%** |
| Financial expenses | (170) | (1.2%) | (280) | (2.0%) |
| Financial income | 99 | 0.7% | 187 | 1.3% |
| **Income before tax and associates** | **3,166** | **22.4%** | **2,898** | **20.5%** |
| Income tax expense | (641) | (4.5%) | (652) | (4.6%) |
| Share of profit/loss of associates | 351 | 2.5% | 325 | 2.3% |
| **Net income** | **2,876** | **20.4%** | **2,571** | **18.2%** |
| Net income attributable to minority interests | 211 | 1.5% | 190 | 1.3% |
| **Net income attributable to equity holders of the Company** | **2,665** | **18.9%** | **2,381** | **16.9%** |

## 3.1.1 Net sales

Net sales for the first half of 2007 were €14,116 million, a rise of 4.6% on a comparable basis compared with the first half of 2006. Exchange rate movements had an unfavorable impact of 4.4 points, two-thirds of which related to the U.S. dollar. Changes in Group structure had an unfavorable impact of 0.2 of a point. After these effects, net sales were unchanged year-on-year on a reported basis.

**Reconciliation of 2006 first-half reported net sales to comparable net sales**

| (€ million) | 2006 first half |
|---|---|
| **2006 first-half reported net sales** | **14,116** |
| Impact of changes in Group structure | (30) |
| Impact of exchange rates | (592) |
| **2006 first-half comparable net sales** | **13,494** |

### 3.1.1.1 Net sales by business segment

Net sales reported by sanofi-aventis are generated by two businesses: Pharmaceuticals and Human Vaccines.

#### Pharmaceuticals

Net sales for the pharmaceuticals business in the first half of 2007 were €12,930 million, up 3.7% on a comparable basis but down 0.8% on a reported basis.

Net sales of the top 15 products rose by 6.4% on a comparable basis to €8,777 million and represented 67.9% of pharmaceuticals net sales, against 66.2% for the comparable period of 2006. Excluding the impact of the arrival 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 from April 2007, and net sales of Eloxatine® in Europe), the top 15 products would have achieved first-half growth of 11.3% on a comparable basis.
Net sales of other pharmaceutical products fell by 1.6% on a comparable basis to €4,153 million, compared with €4,219 million for the first half of 2006. Restrictions on indications for the antibiotic Ketek® resulted in a further decline in the product's net sales during the period (€39 million, versus €88 million in the first half of 2006).

| (€ million) | | | | | Change (%) | |
|---|---|---|---|---|---|---|
| **Product** | **Indication** | **6 months to June 30, 2007** | **6 months to June 30, 2006 reported** | **6 months to June 30, 2006 comparable** | **on a reported basis** | **on a comparable basis** |
| Lovenox® | Thrombosis | 1,305 | 1,238 | 1,167 | +5.4% | +11.8% |
| Plavix® | Atherothrombosis | 1,201 | 1,145 | 1,136 | +4.9% | +5.7% |
| Lantus® | Diabetes | 961 | 803 | 759 | +19.7% | +26.6% |
| Taxotere® | Breast cancer, lung cancer, prostate cancer | 923 | 886 | 843 | +4.2% | +9.5% |
| Stilnox®/Ambien®/ Ambien CR™ | Insomnia | 858 | 908 | 839 | -5.5% | +2.3% |
| Eloxatine® | Colorectal cancer | 773 | 874 | 829 | -11.6% | -6.8% |
| Copaxone® | Multiple sclerosis | 596 | 534 | 501 | +11.6% | +19.0% |
| Aprovel® | Hypertension | 536 | 498 | 492 | +7.6% | +8.9% |
| Allegra® | Allergic rhinitis | 399 | 369 | 339 | +8.1% | +17.7% |
| Delix®/Tritace® | Hypertension | 378 | 483 | 466 | -21.7% | -18.9% |
| Amaryl® | Diabetes | 197 | 240 | 229 | -17.9% | -14.0% |
| Xatral® | Benign prostatic hyperplasia | 167 | 186 | 181 | -10.2% | -7.7% |
| Nasacort® | Allergic rhinitis | 166 | 149 | 138 | +11.4% | +20.3% |
| Actonel® | Osteoporosis, Paget's disease | 160 | 180 | 177 | -11.1% | -9.6% |
| Depakine® | Epilepsy | 157 | 154 | 151 | +1.9% | +4.0% |
| **Sub-total: top 15 products** | | **8,777** | **8,647** | **8,247** | **+1.5%** | **+6.4%** |
| Other pharmaceutical products | | 4,153 | 4,389 | 4,219 | -5.4% | -1.6% |
| **Total Pharmaceuticals** | | **12,930** | **13,036** | **12,466** | **-0.8%** | **+3.7%** |

Net sales of Lovenox®, the leading low molecular weight heparin on the market, rose by 11.8% on a comparable basis in the first half to €1,305 million. Growth of the product is still being driven by its increasing use in medical prophylaxis in the United States, where net sales of the product rose by 14.1% on a comparable basis to €800 million. Growth was also buoyant in the "Other countries" region, where net sales were 14.9% higher on a comparable basis at €131 million.
The results of the EXCLAIM study, presented in July at the 21st Congress of the International Society on Thrombosis and Haemostasis (ISTH) in Geneva, showed the benefit of extended prophylaxis in acutely ill medical patients with reduced mobility. The results demonstrated that 5 weeks of thromboprophylaxis with Lovenox® was more effective than a 10-day treatment, giving a statistically significant 44% reduction in venous thromboembolism events.

Following expiry of the Ambien® IR patent in the United States on April 20, generics of the product soon became widely available, causing a drop in total second-quarter net sales to €67 million, compared with €308 million in the second quarter of 2006. Ambien CR™ posted first-half net sales of $385 million in the United States, becoming the leading brand of prescription sleeping drug.
In Japan, sales of Myslee® (not consolidated by sanofi-aventis) for the first half of 2007 were €55 million, an increase of 12.6% on a comparable basis.

Taxotere® once again achieved strong growth in the "Other countries" region during the first half. In Europe and the United States, the product posted comparable-basis growth of 11.4% and 4.8% respectively.
In June 2007, Taxotere® was granted two priority reviews:
- in Japan, for the treatment of metastatic hormono-refractory prostate cancer;
- in the United States, in association with cisplatin and 5-fluorouracil for the induction (neo-adjuvant) therapy of patients with locally-advanced squamous cell carcinoma of the head and neck prior to chemoradiotherapy and surgery.

In Europe, Eloxatine®, which is facing competition from generics in some countries (in particular Germany and the United Kingdom), recorded a 30.2% fall in first-half net sales to €206 million on a comparable basis. In the United States, the product, which is the market-leading colorectal cancer treatment both as adjuvant and in the metastatic phase, reported a 7.5% rise in net sales to €488 million on a comparable basis.
The 6-year survival analysis of the MOSAIC study was presented in June at the 43rd Annual Meeting of the American Society of Clinical Oncology (ASCO) in Chicago. The results showed that FOLFOX4, an Eloxatine® based chemotherapy regimen, significantly improved the overall survival of patients with surgically resected stage III colon cancer when compared to standard chemotherapy (5-FU/LV).

Lantus®, the leading insulin on the market, continues to record excellent performances. Net sales of the product advanced on a comparable basis by 28.5% in the United States, 17.3% in Europe and 52.5% in the "Other countries" region. SoloSTAR®, a new disposable pen that can be used to administer Lantus® and/or the rapid-acting insulin Apidra®, has been gradually rolled out in Europe since April. Lantus® SoloSTAR® is now being sold in France and Germany, and has been very well received.
In June, new data on Lantus® and Apidra® were presented at the 67th Annual Scientific Sessions of the American Diabetes Association (ADA) in Chicago:
- a meta-analysis from a large-scale data set confirmed the superiority of the basal insulin Lantus® over insulin NPH with regard to the risk of hypoglycemia;
- a new study showed that adding Apidra® to a Basal insulin and Oral antidiabetic drug Therapy (BOT+ or Basal plus) may provide an effective treatment option for people with type 2 diabetes unable to control their blood sugar (HbA1C > 6.5%), despite good titration (fasting blood glucose [FBG] < 120 mg/dl), with BOT alone.

Allegra® enjoyed a good first half, helped by a favorable pollen season in Japan.
In May, the FDA approved Xyzal®, a new once-daily prescription antihistamine for the relief of symptoms associated with seasonal and perennial allergic rhinitis and for the treatment of uncomplicated skin manifestations of chronic idiopathic urticaria in adults and children aged six and over. Xyzal® will be marketed jointly by sanofi-aventis and UCB in the United States from the fall of 2007.

First-half net sales of Tritace® fell by 18.9% on a comparable basis to €378 million mainly due to the introduction of generics in Canada.

Acomplia® is now approved in 42 countries and marketed in 20 countries. First-half net sales amounted to €37 million.

**The table below shows the geographical split of sales of the top 15 pharmaceutical products in the first half of 2007:**

| (€ million) | Europe | | United States | | Other countries | |
|---|---|---|---|---|---|---|
| **Product** | | **Change on a comparable basis** | | **Change on a comparable basis** | | **Change on a comparable basis** |
| Lovenox® | 374 | +6.3% | 800 | +14.1% | 131 | +14.9% |
| Plavix® | 854 | +5.2% | 86 | -21.8% | 261 | +22.0% |
| Lantus® | 299 | +17.3% | 572 | +28.5% | 90 | +52.5% |
| Taxotere® | 402 | +11.4% | 346 | +4.8% | 175 | +15.1% |
| Stilnox®/Ambien®/Ambien CR™ | 43 | -10.4% | 765 | +2.1% | 50 | +19.0% |
| Eloxatine® | 206 | -30.2% | 488 | +7.5% | 79 | -1.3% |
| Copaxone® | 159 | +16.9% | 407 | +20.1% | 30 | +15.4% |
| Aprovel® | 418 | +5.6% | - | - | 118 | +22.9% |
| Allegra® | 35 | +6.1% | 208 | +16.9% | 156 | +21.9% |
| Delix®/Tritace® | 239 | -10.8% | 1 | -88.9% | 138 | -27.0% |
| Amaryl® | 64 | -37.9% | 4 | -42.9% | 129 | +8.4% |
| Xatral® | 86 | -28.3% | 53 | +35.9% | 28 | +27.3% |
| Nasacort® | 26 | +8.3% | 125 | +23.8% | 15 | +15.4% |
| Actonel® | 103 | -18.9% | - | - | 57 | +14.0% |
| Depakine® | 107 | 0.0% | - | - | 50 | +13.6% |

## Human Vaccines

Net sales for the Human Vaccines business in the first half of 2007 were €1,186 million, an increase of 15.4% on a comparable basis and 9.8% on a reported basis.

The second quarter included $113 million of H5N1 vaccine sales in the United States, compared with $150 million in the second quarter of 2006.
First-half results were boosted by strong growth in sales of pediatric combination vaccines and the oral polio vaccine. Sales of Adacel™ (adult and adolescent tetanus-diphtheria-pertusis booster), launched in the United States in July 2005, reached €118 million for the period, an increase of 65.2% on a comparable basis.
Menactra® posted first-half net sales of €180 million, up 64.9% on a comparable basis.

Construction of the new influenza vaccine manufacturing facility in the United States was completed in July. This facility is due to be operational by late 2008 or early 2009 once it has been licensed by the FDA, and will more than double current annual production capacity at the site to over 100 million doses of vaccine.
In June, sanofi pasteur was awarded a $77.4 million contract by the U.S. Department of Health and Human Services (HHS) to retrofit its existing influenza vaccine manufacturing facility in the United States so that it can manufacture pandemic influenza vaccine. Sanofi pasteur will contribute $25 million to the project. Work will start as soon as the Company's new U.S. influenza vaccine manufacturing facility is licensed by the FDA and operational. Combining the capacities of the new facility with that of the retrofitted facility should enable sanofi pasteur to triple its current influenza vaccine capacity in the United States.

| (€ million) | 6 months to June 30, 2007 | 6 months to June 30, 2006 reported | 6 months to June 30, 2006 comparable | Change on a reported basis | Change on a comparable basis |
|---|---|---|---|---|---|
| Polio/Pertusis/Hib Vaccines | 371 | 320 | 315 | +15.9% | +17.8% |
| Adult Booster Vaccines | 219 | 178 | 166 | +23.0% | +31.9% |
| Meningitis/Pneumonia Vaccines | 207 | 151 | 141 | +37.1% | +46.8% |
| Travel & Other Endemics Vaccines | 163 | 144* | 143 | +13.2% | +14.0% |
| Influenza Vaccines | 156 | 224 | 211 | -30.4% | -26.1% |
| Other Vaccines | 70 | 63* | 52 | +11.1% | +34.6% |
| **Total Human Vaccines** | **1,186** | **1,080** | **1,028** | **+9.8%** | **+15.4%** |

* After reclassification of €20 million of net sales generated by MMR (Measles/Mumps/Rubella) vaccine from "Other Vaccines" to "Travel & Other Endemics Vaccines".

Sanofi Pasteur MSD, the joint venture with Merck & Co. Inc. in Europe, generated first-half net sales of €345 million, up 20.4% on a reported basis, buoyed by the successful launch of Gardasil®, which achieved net sales of €81 million for the period.
Gardasil® is marketed by Sanofi Pasteur MSD in 18 European countries. To date, the authorities in Germany, France, Italy, Austria, Norway, Luxembourg, Belgium, Switzerland, and the United Kingdom have recommended the vaccination of girls (and in many cases, young women) against human papillomavirus.

Sanofi Pasteur MSD sales are not consolidated by sanofi-aventis.

### 3.1.1.2 Net sales by geographic region

| (€ million) | 6 months to June 30, 2007 | 6 months to June 30, 2006 reported | 6 months to June 30, 2006 comparable | Change on a reported basis | Change on a comparable basis |
|---|---|---|---|---|---|
| Europe | 6,150 | 6,230 | 6,211 | -1.3% | -1.0% |
| United States | 4,844 | 4,841 | 4,436 | +0.1% | +9.2% |
| Other countries | 3,122 | 3,045 | 2,847 | +2.5% | +9.7% |
| **Total** | **14,116** | **14,116** | **13,494** | **0.0%** | **+4.6%** |

In Europe, the impact of healthcare reforms (especially in France and Germany) depressed sales, which fell by 1.0% over the first half on a comparable basis. The introduction of Eloxatine® generics across Europe accounted for approximately 1% of the first-half decline in the region's net sales.

In the United States, first-half net sales growth – which was hampered by competition from generics of Ambien® IR following expiry of the patent on April 20 – amounted to 9.2% on a comparable basis. Stripping out the effect of these generics, net sales growth in the United States would have been 15.7% on a comparable basis.

Net sales growth in the "Other Countries" region was 9.7%, boosted by the performances of Latin America, Asia and the Middle East.

In Japan, sanofi-aventis has pursued its strategy to reinforce its position by announcing the recovery of marketing rights of 7 products (of which Rythmodan® - disopyramyde - arrhythmia and Amoban® - zopiclone- hypnotic) from January 1st ,2008. These products are currently marketed by Chugai and Mitsubishi.

### 3.1.1.3 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) under an alliance agreement. Sales of these products are made by either sanofi-aventis or BMS under the terms of the alliance[(1)].
Worldwide sales of these two products are a useful indicator of the global market presence of these sanofi-aventis products. We believe that this information facilitates the understanding and analysis of our income statement, of our profitability, and of the results of our research and development efforts. Disclosure of sales of these two products made by BMS gives a better understanding of trends in certain items in our income statement, in particular "Other revenues", where we recognize royalties received on these sales; "Share of profit/loss of associates", where we recognize our share of the profits or losses generated by alliance entities in territories managed by BMS; and "Net income attributable to minority interests", where we recognize the BMS share of the profits or losses generated by alliance entities in territories managed by sanofi-aventis.

**Worldwide reported-basis sales of Plavix® and Aprovel® for the six months ended June 30, 2007 and June 30, 2006, split by geographic region**

| (€ million) | June 30, 2007 | | | June 30, 2006 | | | Change on a reported basis |
|---|---|---|---|---|---|---|---|
| | sanofi-aventis[(2)] | BMS[(3)] | Total | sanofi-aventis[(2)] | BMS[(3)] | Total | |
| **Plavix®/Iscover® [(1)]** | | | | | | | |
| Europe | 789 | 111 | 900 | 745 | 114 | 859 | +4.8% |
| United States | - | 1,362 | 1,362 | 2 | 1,515 | 1,517 | -10.2% |
| Other countries | 260 | 128 | 388 | 223 | 121 | 344 | +12.8% |
| **Total** | **1,049** | **1,601** | **2,650** | **970** | **1,750** | **2,720** | **-2.6%** |

| (€ million) | June 30, 2007 | | | June 30, 2006 | | | Change on a reported basis |
|---|---|---|---|---|---|---|---|
| | sanofi-aventis[(5)] | BMS[(3)] | Total | sanofi-aventis[(5)] | BMS[(3)] | Total | |
| **Aprovel®/Avapro®/Karvea®[(4)]** | | | | | | | |
| Europe | 375 | 85 | 460 | 347 | 88 | 435 | +5.7% |
| United States | - | 250 | 250 | - | 252 | 252 | -0.8% |
| Other countries | 118 | 81 | 199 | 100 | 77 | 177 | +12.4% |
| **Total** | **493** | **416** | **909** | **447** | **417** | **864** | **+5.2%** |

(1) Plavix® is sold under the Plavix® and Iscover® trademarks.

(2) Net sales of Plavix® consolidated by sanofi-aventis, excluding sales to BMS (€152 million for the 6 months to June 30, 2007, €175 million for the 6 months to June 30, 2006).

(3) Currency translated by sanofi-aventis using the method described in note B.2 to the consolidated financial statements included in the Annual Report on Form 20-F for 2006, page F-13; this document is available on our website at www.sanofi-aventis.com.

(4) Aprovel® is sold under the Aprovel®, Avapro® and Karvea® trademarks.

(5) Net sales of Aprovel® consolidated by sanofi-aventis, excluding sales to BMS (€43 million for the 6 months to June 30, 2007, €51 million for the 6 months to June 30, 2006).

(1) See note C.1 to the consolidated financial statements published in the 2006 Annual Report on Form 20-F, pages F-29 and F-30, available on our website: www.sanofi-aventis.com.

**Worldwide comparable-basis sales of Plavix® and Aprovel® for the six months ended June 30, 2007 and June 30, 2006, split by geographic region**

| (€ million) | June 30, 2007 | June 30, 2006 reported | June 30, 2006 comparable | Change on a comparable basis |
|---|---|---|---|---|
| **Plavix®/Iscover®** | | | | |
| Europe | 900 | 859 | 859 | +4.8% |
| United States | 1,362 | 1,517 | 1,391 | -2.1% |
| Other countries | 388 | 344 | 324 | +19.8% |
| **Total** | **2,650** | **2,720** | **2,574** | **+3.0%** |
| **Aprovel®/Avapro®/Karvea®** | | | | |
| Europe | 460 | 435 | 433 | +6.2% |
| United States | 250 | 252 | 231 | +8.2% |
| Other countries | 199 | 177 | 166 | +19.9% |
| **Total** | **909** | **864** | **830** | **+9.5%** |

On June 19, 2007, the U.S. District Court for the Southern District of New York upheld the validity and enforceability of 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. 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 clopidogrel bisulfate, without however ordering a recall of products already shipped. This injunction has been upheld on appeal in December 2006.
The main patent protection for this product has now been maintained in the United States until patent expiration November 2011.

In the United States, first-half sales of Plavix® amounted to $1,809 million, down 2.1% on a comparable basis. In the second quarter, Plavix® recorded sales of $1,019 million, up 2.6% on a comparable basis, reflecting the disappearance of the generic version from the market at the end of the second quarter.

In Europe, first-half net sales of Plavix® (still affected by parallel imports in Germany) totaled €900 million, an increase of 4.8% on a comparable basis.

In the "Other countries" region, growth in sales of Plavix® accelerated in the second quarter. Over the first half as a whole, sales rose by 19.8% on a comparable basis to €388 million. In Japan, the two-week limit on prescriptions imposed by the authorities was lifted in May, and first-half net sales reached €16 million. In July, the Japanese authorities granted a priority review to an application for the use of Plavix® in acute coronary syndrome.

Worldwide sales of Aprovel®/Avapro®/Karvea® for the first half were €909 million, an increase of 9.5% on a comparable basis. In the United States, the product achieved sales growth of 8.2% on a comparable basis.

On April 18, 2007, the Cardio-Renal Advisory Committee of the FDA recommended approval of Avalide® as an initial treatment for hypertension. Avalide® is a fixed-dose combination of irbesartan and hydrochlorothiazide that is currently approved for the treatment of hypertension in patients with blood pressure uncontrolled on monotherapy. If approved, the new indication for Avalide® would be the first-line treatment for hypertension in patients who are unlikely to obtain their blood pressure goals on monotherapy.

### 3.1.2 Other revenues

Other revenues, mainly comprising royalty income under licensing agreements contracted in connection with ongoing operations, totaled €547 million, compared with €647 million in the first half of 2006. This fall was mainly due to:
- the unfavorable impact of U.S. dollar exchange rates against the euro on royalties from Plavix® and Avapro® in the United States;
- the disappearance effective January 2007 of royalty payments on sales of Fipronil® received from Merial, our joint venture with Merck & Co. Inc., under the terms of the agreement between the parties.

License revenues from the worldwide alliance with Bristol-Myers Squibb (BMS) on Plavix® and Aprovel® totaled €414 million in the first half of 2007, against €426 million in the first half of 2006, notwithstanding competition from a generic version of Plavix® in the United States until the second quarter of 2007.

### 3.1.3 Gross profit

Gross profit for the six months to June 30, 2007 was €10,959 million (77.6% of net sales), compared with €10,995 million (77.9% of net sales) for the comparable period of 2006.
The 0.3-point decrease in the gross margin ratio was due to the reduction in royalty income (unfavorable effect of 0.7 of a point), partly offset by a slight increase (0.4 of a point) in the ratio of cost of sales to net sales. The improvement in this ratio reflected a favorable product mix, partly offset by the effect of generic competition for Ambien® IR in the United States from April 1, 2007.
In the first half of 2007, sanofi-aventis recognized royalty expenses of €50 million under the worldwide alliance with BMS on Plavix® and Aprovel®, versus €44 million in the first half of 2006.

### 3.1.4 Research and development expenses

Research and development expenses totaled €2,182 million, against €2,144 million in the first half of 2006, and represented 15.5% of net sales, versus 15.2% in the first half of 2006.
We continued to invest in research and development in our seven fields of expertise (thrombosis, cardiovascular, metabolic disorders, oncology, central nervous system, internal medicine, and vaccines). New programs launched during the first half of 2007 included Plavix®, Xatral® (Japan), Acomplia®, Volinanserin®, otamixaban (acute coronary syndrome), eplivanserin (sleep disorders), amibegron and saredutant (depression and anxiety), dianicline (smoking cessation), the CB1 receptor blocker and the GLP1 receptor agonist.

### 3.1.5 Selling and general expenses

Selling and general expenses were €3,804 million, 6.3% lower than the 2006 first-half figure of €4,061 million. They represented 26.9% of net sales, versus 28.8% in the first half of 2006.

Apart from the weakness of the U.S. dollar against the euro during the first half of 2007, the reduction in this item also reflects measures implemented by sanofi-aventis in 2006 to adapt to the changing environment, especially in France, Germany and the United States.

### 3.1.6 Other operating income and expenses

Net other operating income for the six months to June 30, 2007 was €142 million, compared with €140 million for the six months to June 30, 2006.

Other operating income mainly comprises our share of profits under the alliance with Procter & Gamble (P&G) for the worldwide development and marketing of Actonel® (excluding Japan), and the income generated by the agreement with Prasco Laboratories on the marketing of generics authorized by sanofi-aventis in the United States. In the first half of 2007, other operating income totaled €278 million, compared with €200 million for the first half of 2006. The additional income of €78 million was mainly due to the reversal of a provision following settlement of a dispute and to gains on disposals.

Other operating expenses for the six months to June 30, 2007 totaled €136 million, against €60 million for the comparable period of 2006. This item includes the share of profits to which our partners (other than BMS and P&G) are entitled under product marketing agreements, primarily in Europe, Japan and Canada (€66 million in the first half of 2007, versus €60 million in the first half of 2006). In addition, a €61 million expense was recognized in the first half of 2007 as a result of the signature of agreements relating to our welfare and healthcare obligations in France to former employees and their named beneficiaries.

### 3.1.7 Amortization of intangibles

Amortization of intangibles charged to income in the six months to June 30, 2007 totaled €1,833 million, against €1,998 million in the six months to June 30, 2006. This charge mainly relates to Aventis intangible assets remeasured at fair value on acquisition (€1,766 million for the first half of 2007, versus €1,932 million for the first half of 2006).

### 3.1.8 Operating income before restructuring, impairment of property, plant & equipment and intangibles, gains and losses on disposals, and litigation

This indicator amounted to €3,282 million for the six months to June 30, 2007, compared with €2,932 million for the six months to June 30, 2006.

The table below shows the split of this item by business segment for the six-month periods ended June 30, 2007 and June 30, 2006:

| (€ million) | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Pharmaceuticals | 3,116 | 2,765 |
| Human Vaccines | 166 | 167 |
| **Total** | **3,282** | **2,932** |

### 3.1.9 Restructuring costs

Restructuring costs for the first half of 2007 were €50 million, against €81 million for the first half of 2006. The 2007 first-half charge relates to the ongoing effects of the restructuring plan begun in France in 2006.
The 2006 first-half charge related to restructuring plans implemented in connection with the acquisition of Aventis.

### 3.1.10 Impairment of property, plant & equipment and intangibles

In the first half of 2007, this item comprised a reversal of impairment losses on intangible assets. The pre-tax effect of this reversal was €5 million. In the comparable period of 2006, this line included impairment losses of €380 million. The vast majority of these losses (€379 million) related to intangible assets (primarily the antibiotic Ketek®, following a revision of the prescribing information for this product in the United States).

### 3.1.11 Gains and losses on disposal, and litigation

In the first half of 2006, this item included €553 million of gains on disposals, including a €460 million pre-tax gain on the sale of the Exubera® rights to Pfizer and a €45 million gain on the sale of a residual interest (30 %) in an animal nutrition business.

### 3.1.12 Operating income

As a result of the various factors described above, operating income for the first half of 2007 came to €3,237 million, compared with €2,991 million for the first half of 2006.

### 3.1.13 Financial income and expenses

Net financial expense came to €71 million, €22 million lower than the 2006 first-half figure of €93 million.
Interest expense on net debt (short-term debt plus long-term debt, less cash and cash equivalents) totaled €111 million, versus €158 million in the first half of 2006. This reduction reflected two contrasting factors: a lower level of debt, and the unfavorable impact of rising interest rates.
Financial instruments generated a gain of €6 million in the first half of 2007, compared with €42 million in the first half of 2006. The 2006 figure was mainly due to the remeasurement of the additional purchase consideration receivable from CSL on the sale of Aventis Behring. This additional consideration was received by sanofi-aventis on February 5, 2007, ahead of the original contractual due date[(1)].
Net foreign exchange gains were €30 million in the first half of 2007, against €52 million in the first half of 2006.

### 3.1.14 Income before tax and associates

Income before tax and associates totaled €3,166 million in the first half of 2007, compared with €2,898 million in the first half of 2006.

### 3.1.15 Income tax expense

Income tax expense for the six months to June 30, 2007 was €641 million, compared with €652 million for the comparable period of 2006. In 2007, this line included a €223 million gain from reversals of provisions for tax exposures, relating mainly to the settlement of disputes arising from tax inspections. In 2006, this line included the low income tax charge levied on the gain from the sale of the Exubera® rights (€77 million).

### 3.1.16 Share of profit/loss of associates

The net share of profits from associates in the six months to June 30, 2007 was €351 million, against €325 million in the comparable period of 2006. This item mainly includes our share of after-tax profits from territories managed by BMS under the Plavix® and Avapro® alliance (€235 million, versus €252 million in the first half of 2006). The reduction in this profit share was directly related to the presence of a generic version of Plavix® in the U.S. market (until the second quarter of 2007) and to unfavorable trends in the exchange rate of the U.S. dollar against the euro. In addition, the contribution from Sanofi Pasteur MSD for the first half of 2007 was a loss, as a direct result of promotional expenses incurred on the launch of the Gardasil® vaccine.

### 3.1.17 Net income

Net income (before minority interests) for the first half of 2007 was €2,876 million, compared with €2,571 million for the first half of 2006.

(1) See note B.9.3. to the half-year consolidated financial statements as of June 30, 2007.

### 3.1.18 Net income attributable to minority interests

Net income attributable to minority interests for the six months to June 30, 2007 amounted to €211 million, compared with €190 million for the comparable period of 2006. This line includes the share of pre-tax profits paid to BMS from territories managed by sanofi-aventis (€200 million, versus €182 million for the first half of 2006).

### 3.1.19 Net income attributable to equity holders of the Company

Net income attributable to equity holders of the Company was €2,665 million in the first half of 2007, compared with €2,381 million in the first half of 2006.

Earnings per share was €1.97, against €1.77 for the first half of 2006, based on an average number of shares outstanding of 1,351.5 million for the first half of 2007 and 1,345.2 million for the first half of 2006.

The table below shows net income attributable to equity holders of the Company for the six months ended June 30, 2007 and June 30, 2006, split by business segment:

| **(€ million)** | **June 30, 2007** | **June 30, 2006** |
|---|---|---|
| Pharmaceuticals | 2,567 | 2,282 |
| Human Vaccines | 98 | 99 |
| **Total net income attributable to equity holders of the Company** | **2,665** | **2,381** |

## 3.2 Adjusted net income [1]

### 3.2.1 Reconciliation of net income attributable to equity holders of the Company to adjusted net income [1]

| (€ million) | 6 months to June 30, 2007 | 6 months to June 30, 2006 |
|---|---|---|
| **Net income attributable to equity holders of the Company** | **2,665** | **2,381** |
| **Material accounting adjustments related to business combinations:** | **1,130** | **1,530** |
| ▪ elimination of expense arising from workdown of acquired inventories remeasured at fair value, net of tax | - | 6 |
| ▪ elimination of amortization and impairment of intangible assets, net of tax (portion attributable to equity holders of the Company) | 1,112 | 1,460 |
| ▪ elimination of charges arising from the impact of acquisitions on associates (workdown of acquired inventories, amortization and impairment of intangible assets, and impairment of goodwill) | 18* | 64* |
| ▪ elimination of impairment of goodwill | - | - |
| **Elimination of acquisition-related integration and restructuring costs, net of tax** | **-** | **53** |
| **Adjusted net income [1]** | **3,795** | **3,964** |
| **Adjusted earnings per share [1] (in euros)** | **2.81** | **2.95** |

* Impact of the Zentiva acquisition: €3 million in the first half of 2007, €7 million in the first half of 2006.

### 3.2.2 Adjusted net income [1]

Adjusted net income for first half of 2007 was €3,795 million, 4.3% lower than the 2006 first-half figure of €3,964 million, and represented 26.9% of net sales (versus 28.1% for the first half of 2006).

The table below shows adjusted net income for the six months ended June 30, 2007 and June 30, 2006, split by business segment:

| (€ million) | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Pharmaceuticals | 3,597 | 3,757 |
| Human Vaccines | 198 | 207 |
| **Total adjusted net income [1]** | **3,795** | **3,964** |

[1] See definition in the Appendix, Section 5.

### 3.2.3 Adjusted earnings per share[1] (adjusted EPS)

We also report adjusted EPS, a non-GAAP financial measure that we define as adjusted net income divided by the weighted average number of shares outstanding.

Adjusted EPS was €2.81, 4.7% lower than the 2006 first-half figure of €2.95, based on an average number of shares outstanding of 1,351.5 million for the first half of 2007 and 1,345.2 million for the first half of 2006.

## 3.3 Consolidated statement of cash flows

**Net cash provided by operating activities** in the first half of 2007 was €3,046 million, compared with €2,964 million in the first half of 2006.
Operating cash flow before changes in working capital in the six months to June 30, 2007 was €4,209 million, compared with €4,040 million for the comparable period of 2006.
Working capital needs increased by €1,163 million over the period, against €1,076 million in the first half of 2006.

**Investing activities** generated a net cash outflow of €584 million in the first half of 2007, compared with a net cash inflow of €75 million in the first half of 2006.
Acquisitions of property, plant and equipment and intangible assets amounted to €694 million (versus €631 million in the first half of 2006). They mainly comprised investment in industrial plant and equipment, together with contractual payments for intangible rights (€48 million) that related primarily to the exclusive license to develop and market TroVax®.
Acquisitions of investments (€198 million) mainly comprised the buyout of preferred shares issued by our subsidiary Carderm Capital LP for €186 million[2]. In the first half of 2006, acquisitions of investments totaled €497 million, and related primarily to the acquisition of a 24.9% interest in Zentiva.
Proceeds from disposals (net of tax) totaled €295 million, the main item being the additional purchase consideration received from CSL[3]. Proceeds from disposals in the first half of 2006 amounted to €1.2 billion, largely due to the sale of the Exubera® rights.

**Net cash used in financing activities** amounted to €2,549 million in the first half of 2007, compared with €3,100 million in the first half of 2006. The 2007 first-half figure includes the dividend payout of €2.4 billion (first half of 2006: €2.0 billion), and a net reduction in long-term and short-term borrowings of €0.3 billion (first half of 2006: €1.2 billion).

After allowing for the impact of exchange rates, the net change in cash and cash equivalents in the first half of 2007 was a reduction of €70 million, against a reduction of €89 million in the first half of 2006.

[1] See definition in the Appendix, Section 5.
[2] See note B.10.2. to the half-year consolidated financial statements as of June 30, 2007.
[3] See note B.9.3. to the half-year consolidated financial statements as of June 30, 2007.

## 3.4 Consolidated balance sheet

At €75,072 million, the balance sheet total at June 30, 2007 was €2,691 million lower than the figure at December 31, 2006 (€77,763 million). This change was due mainly to currency movements over the period (principally the U.S. dollar), which accounted for €700 million of the reduction, and to the amortization of acquired Aventis intangible assets (€1,766 million).

Our debt, net of cash and cash equivalents, stood at €5.6 billion at June 30, 2007, 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.
The gearing ratio (debt, net of cash and cash equivalents, to shareholders' equity) fell from 12.6% to 12.1%.

The other main balance sheet trends were as follows.

Total shareholders' equity was €46,110 million at June 30, 2007, against €45,820 million at December 31, 2006. This net increase reflects the following principal factors:
- the €2.7 billion of net income attributable to equity holders of the Company for the first half of 2007, net of the €2.4 billion dividend payout distributed from 2006 earnings;
- the positive impact of items recognized directly in equity, amounting to €0.5 billion (primarily due to election for the option offered by the amendment to IAS 19, under which all actuarial gains and losses under defined-benefit pension plans are recognized in equity);
- the recognition of stock options (€0.1 billion of capital increases arising from the exercise of stock subscription options);
- the negative effect of exchange rate movements (€0.6 billion, mainly on the U.S. dollar).

Goodwill and intangible assets decreased by €2.4 billion, due to exchange rate movements (€0.6 billion) and to amortization and impairment charges (€1.8 billion over the period).

Provisions and other non-current liabilities were €1.4 billion lower, due to the recognition of actuarial gains on defined-benefit plans (€0.8 billion), the buyout of preferred shares issued by our subsidiary Carderm Capital LP, and reversals of provisions.

The net deferred tax liability (€5.5 billion) fell by €0.2 billion. The main factors were reversals of deferred tax liabilities relating to amortization and impairment of intangibles (reduction of €0.6 billion in the net liability) and a reduction in deferred tax assets due to the recognition of actuarial gains on defined-benefit pension plans (increase of €0.3 billion in the net liability).

At June 30, 2007, sanofi-aventis held 8.5 million of its own shares (representing 0.62% of the share capital), recognized as a deduction from shareholders' equity.

The financing in place during the first half of 2007 is not subjected to covenants regarding financial ratios, and contains no clause linking credit spreads or fee to our credit rating.

# 4 OUTLOOK

Barring major adverse events (such as major adverse events on Lovenox® in the United States), we expect 2007 full-year growth in adjusted earnings per share[1] (adjusted EPS) excluding selected items to be in the region of 9%, calculated using an exchange rate of €1 = $1.25, despite the end of protection for Ambien® IR in the United States in April and the arrival of generic competition for Eloxatine® in Europe.

Sensitivity to the U.S. dollar rate is estimated at 0.6% of growth in adjusted EPS for a 1-cent movement in the exchange rate. Expressed on the basis of the actual average exchange rate for the first half of 2007 (€1 = $1.329), guidance for growth in adjusted EPS excluding selected items would be 4.3%.

Adjusted EPS excluding selected items for the year ended December 31, 2006 was €4.88, 5.9% higher than the figure for the year ended December 31, 2005.

In 2006, selected items represented a net after-tax gain of €469 million, and comprised:

- restructuring costs: -€122 million;
- net gains on disposals: +€553 million;
- provisions for financial instruments, litigation, tax inspections, and other items: +€38 million.

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

- trends in exchange rates and interest rates;
- the granting of approvals and licenses by the regulatory authorities;
- the launch of new products, primarily Acomplia®;
- growth in the national markets in which we operate;
- healthcare reimbursement policies, pricing reforms, and other governmental measures affecting the pharmaceuticals industry;
- developments in the competitive environment, in terms of innovative products and the introduction of generics;
- our ability to protect our intellectual property rights;
- progress on our research and development programs;
- the impact of our operating cost control policy, and trends in our operating costs;
- the average number of our shares outstanding.

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

[1] See definition in the Appendix, Section 5.

## *Forward-looking statements*

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

*These risks and uncertainties include those discussed or identified in this report and those discussed or identified in the public filings with the SEC and the AMF made by sanofi-aventis, including those listed under "Risk Factors"* [(1)] *and "Cautionary Statement Regarding Forward-Looking Statements" in the sanofi-aventis Annual Report on Form 20-F for the year ended December 31, 2006 filed with the SEC. An update on litigation is provided in note B.13 to the half-year consolidated financial statements as of June 30, 2007.*

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

(1) See pages 3 through 12 of the Annual Report on Form 20-F, available on our website: www.sanofi-aventis.com.

# 5 APPENDIX – DEFINITION OF FINANCIAL INDICATORS

## 5.1 Comparable-basis net sales

When we refer to the change in our sales on a "comparable" basis, we mean that we exclude the impact of exchange rate movements and changes in Group structure (due to acquisitions and divestments of interests in entities and rights to products, and changes in consolidation method for consolidated entities).

We exclude the impact of exchange rates by recalculating sales for the prior period on the basis of exchange rates used in the current period.

We exclude the impact of acquisitions by including sales from the acquired entity or product rights for a portion of the prior period equal to the portion of the current period during which we owned them, 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.
For a change in consolidation method, the prior period is recalculated on the basis of the consolidation method used for the current period.

## 5.2 Adjusted net income

Adjusted net income is a non-GAAP financial measure, which we define as net income attributable to equity holders of the Company adjusted to exclude (i) the material impacts of purchase accounting for acquisitions, principally the Aventis acquisition, and (ii) certain acquisition-related restructuring costs.

We view adjusted net income as an internal performance indicator, as a significant factor in establishing the variable portion of employee remuneration, and as the basis for determining dividend policy.

The main adjustments between consolidated net income and adjusted net income are:
- elimination of the charge arising from the workdown of inventories remeasured at fair value, net of tax;
- elimination of amortization and impairment expense charged against intangible assets acquired through business combinations (acquired in-process research and development and acquired product rights), net of tax and minority interests;
- elimination of expenses due to the effect of acquisitions on associates (workdown of acquired inventories, amortization and impairment of intangible assets, and impairment of goodwill);
- elimination of any impairment of goodwill.

We also eliminate from adjusted net income integration and restructuring costs (net of tax) incurred specifically in connection with acquisitions.

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

# Report of independent registered public accounting firms on the 2007 half-year financial information

**Period as from January 1, 2007 to June 30, 2007**

*This is a free translation into English of the statutory auditors' review report issued in French, provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the shareholders of sanofi-aventis,

In our capacity of statutory auditors and in accordance with the requirements of article L. 232-7 of the French Commercial Law (*Code de Commerce*), we hereby report to you on:

- the review of the accompanying condensed consolidated interim financial statements of sanofi-aventis as of and for the six-month period ended June 30, 2007; and,
- the verification of information contained in the interim financial report.

These condensed consolidated interim financial statements are the responsibility of the Board of Directors *(Conseil d'Administration)*. Our role is to express a conclusion on these financial statements based on our review.

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

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

In accordance with professional standards applicable in France, we have also verified the information presented in the interim financial report, which provides commentary on the condensed consolidated interim financial statements subject to our review.

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

Neuilly-sur-Seine and Paris-La-Défense, July 31, 2007

The Statutory Auditors

| PricewaterhouseCoopers Audit | | ERNST & YOUNG Audit |
|---|---|---|
| Catherine Pariset | Philippe Vogt | Gilles Puissochet |

# Responsibility statement of the certifying officer - half-year financial report

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

Paris, August 1, 2007

Gérard Le Fur
Chief Executive Officer


174, avenue de France
75013 Paris – France
Tel.: + 33 (0)1 53 77 40 00
www.sanofi-aventis.com